# Report of the Provincial Auditor

## to the Legislative Assembly of Saskatchewan

**2011 Report
Volume 2**

**Provincial Auditor Saskatchewan**

**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 28, 2011

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 *2011 Report – Volume 2*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act.*

Respectfully yours,

Bonnie Lysyk, MBA, CA
Provincial Auditor

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# Our 2011 Reports

In 2011, our Office issued four 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:
info@auditor.sk.ca

♦ write, phone, or fax us at:
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**Our Reports:**

♦ *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2010 Calendar Year: March 2011*

♦ *Report to the Legislative Assembly of Saskatchewan on the 2010 Financial Statements of CIC Crown Corporations and Related Entities: April 2011*

♦ *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2011 Report – Volume 1* (June 2011)

♦ *Annual Report on Operations For the Year Ended March 31, 2011* (June 2011)

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# Reflections

Our report covers many diverse topics such as public financial reporting, the safety of Saskatchewan citizens, project management, infrastructure, governance, and information technology security. Our recommendations are intended to assist agencies in fulfilling their responsibilities. It is important to note that for most of the 145 government agencies that we examined, we did not identify significant issues.

From an overall perspective, the Saskatchewan economy is doing very well and there is a sense that "times are good". However, it is all the more important that during such times government managers keep their "eye-on-the-ball" and address those areas where improvements are required to enhance the level and cost-effectiveness of public services. Sometimes when times are good, there is more opportunity to make changes and improvements that will pay dividends over the long term – in good times and in bad.

While our report identifies numerous issues across the broad spectrum of government operations, I have outlined a number of the more significant areas where there are opportunities for improvement:

♦     **Financial Reporting to the Public** – The first issue I would like to highlight is a longstanding one for this Office. It is now also an issue where Saskatchewan is "out of sync" compared to the rest of Canada. Although Saskatchewan governments have prepared and published the Summary Financial Statements since 1992, they have continued reporting and highlighting government financial results to the public based on the General Revenue Fund.

The General Revenue Fund financial statements, including the reported surplus or deficit for the General Revenue Fund are incorrect according to generally accepted accounting principles. As well, they are not complete and do not reflect how Saskatchewan governments use all of the resources they control. Additionally, the annual surplus/deficit of the General Revenue Fund can be managed to attain a desired result. Governments can do this using transfers to or from Crown agencies and transfers to or from "rainy day funds".

My predecessors repeatedly raised this issue as a major problem and recommended that governments focus public reporting on the Summary Financial Statements. I agree with them. I also agree that Saskatchewan citizens would benefit from public reporting using one set of financial statements – the appropriate statements – the Summary Financial Statements. Only these statements eliminate the financial impact of a government doing business with itself. The Summary Financial Statements present a complete picture of a government's performance in managing Saskatchewan's financial affairs and public resources.

It is generally accepted that the annual reported surplus or deficit is the benchmark by which the public measures how good a job a government is doing in managing the public purse. However, unlike other federal and provincial governments across Canada who report publicly using their Summary Financial Statements, Saskatchewan focuses public reporting on the General Revenue Fund. These statements do not follow generally accepted accounting principles. For the year ending March 31, 2011, the General Revenue Fund Financial Statements reported a **surplus of $47.7 million**. The Summary Financial Statements reported a **deficit of $13.3 million**. The Summary Financial Statements are the correct financial statements and report the correct results.

Information about the level of debt that a province has is also important. Saskatchewan receives a debt rating based on more than its management of General Revenue Fund debt. Saskatchewan's **total gross debt** as reported **in the General Revenue Fund Financial Statements** for the year ended March 31, 2011 was **$10.5 billion**. Saskatchewan's **total gross debt** as reported **in the Summary Financial Statements** for the same year was **$16.9 billion**. The difference represents mainly pension debt. Pension debt is not recorded in the General Revenue Fund Financial Statements. The Summary Financial Statements report the correct amount of debt.

I urge the Government of Saskatchewan to focus its public reporting on the most appropriate financial statements – the same financial statements as other provinces in Canada – the Summary Financial Statements.

♦   *Advanced Education, Employment and Immigration Oversight* – Governance issues arose at Carlton Trail Regional College that required the Ministry of Advanced Education, Employment and Immigration to take action to address these issues. We provided recommendations to both Carlton Trail Regional College and the Ministry to strengthen college governance and accountability.

♦   *Agriculture Irrigation Infrastructure Maintenance* – We assessed the adequacy of the Ministry of Agriculture's processes to maintain its irrigation infrastructure at Lake Diefenbaker. We concluded that the Ministry needs more information about the condition of its infrastructure. It also needs to document long-term objectives and maintenance plans and assess the results of its maintenance activities to enable them to obtain an accurate picture of the state of the irrigation infrastructure assets.

♦ ***Amicus Health Care Inc. Continuing Care Agreement*** – We reviewed the circumstances leading up to Saskatoon Regional Health Authority entering into a sole-sourced Continuing Care and Service Agreement with Amicus Health Care Inc. (Amicus) on April 19, 2010. Neither the Ministry of Health nor Saskatoon RHA could tell us what process was used to determine if other healthcare providers were interested in bidding for this opportunity or what criteria they used in selecting Amicus for this project. As well, we could not obtain either a cost benefit analysis for their decision, or detailed support for the per bed rate payments that will be made to Amicus under this Agreement to cover their operating and capital costs. Under the Agreement, once capital construction of the long-term care home is complete, the Ministry assumes the financial risk. We provided two recommendations to the Ministry of Health and the Saskatoon RHA. Specifically, clear and transparent processes to seek interest from private sector healthcare providers and clearly communicated selection criteria would help avoid real or perceived conflicts of interest, bias, and controversy in future projects.

♦ ***Children in Care*** – At March 31, 2011, there were approximately 5,900 children in care in Saskatchewan. The Ministry of Social Services has established rules and procedures (standards) to protect children in the care of either the Ministry or First Nation agencies. Caseworker compliance with those standards continues to be an issue. The Ministry established a quality assurance process in 2009. The Quality Assurance Group assesses how well the Ministry staff and First Nation agencies comply with the Ministry's child protection standards. This is a positive step to help improve child protection, but more work remains. Quality assurance results showed that Ministry caseworkers and First Nation agencies did not always comply with established standards. Lack of compliance with child protection standards by Ministry staff and First Nation agencies increases the risk that children in care may not receive the care they need. Further, the Ministry did not receive all of the required information on children from First Nation agencies or they received this information late. The Ministry continues to work with First Nation agencies to obtain timely information in accordance with its agreements.

♦ ***Education Instruction Time*** – We followed up on our 2009 assessment of the Ministry of Education's processes to achieve compliance by school divisions in delivery of instruction time. The Ministry is not ensuring that school divisions are delivering the required amount of instruction time for the core curriculum. This increases the risk that students in school divisions will receive inadequate hours of instruction on core curriculum subjects.

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♦      *Energy and Resources IT Project Management* – We reported on the Ministry of Energy and Resources' project management processes for its Process Renewal and Infrastructure Management Enhancements (PRIME project). The PRIME project is a significant project for the Ministry. This project is tasked with replacing existing 24 year-old oil and gas IT systems with one integrated information system. The Ministry had adequate project management processes except that it needs to report sufficient information to senior management on the project's costs incurred to date and its percentage of completion and it should prepare an analysis on the merits of conducting an independent risk assessment.

♦      *Health Capital Asset Planning* – The health care system uses over $1.2 billion of capital assets to deliver health care. The Ministry of Health does not have a capital asset plan. Lack of a capital asset plan increases the risk that the health care system may not have the capital assets (equipment and buildings) it needs to deliver the services citizens require or that it may have idle capital assets that it could use at other locations. Regional health authorities also need capital equipment plans.

♦      *Information Technology (IT) Security* – Across many of the ministries and agencies audited, we noted many similar IT issues. Improvements needed include strengthening of IT security, timely removal of user access for past employees, establishment of IT policies and procedures, preparation of IT plans, and preparation and testing of disaster recovery plans for critical IT systems. As well, a number of ministries and agencies require more information from the Information Technology Office (ITO) to enable them to effectively monitor whether their systems are protected. Additionally, ITO and ministries need to finalize agreements to address security and disaster recovery requirements. ITO also needs to ensure its agreement with its own service provider (that operates and maintains the data centre) defines security requirements. ITO will need to monitor the service provider's compliance with those security requirements.

♦      *Internal Monitoring and Reporting* – Across a number of our audits, we recommended that the right information be provided to management at the right time. Examples include SaskPower regarding information to manage its electrical and gas inspection processes, the Ministry of Energy and Resources regarding its need for IT project costs compared to project percentage of completion, and Prairie North RHA for information to monitor and report on results for hospital-acquired infections.

♦      *Municipal Policing Oversight* – We assessed whether the Saskatchewan Police Commission had effective processes to monitor

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municipal policing to ensure that municipal police services uniformly safeguard the communities they serve. We also examined processes at the Ministry of Corrections, Public Safety and Policing where applicable. The Commission did not have the resources to do all that is contemplated in *The Police Act, 1990*. We concluded that the Ministry and the Commission should have more effective processes to monitor municipal policing. We made six recommendations aimed at improving the Ministry's and the Commission's ability to provide the required oversight as contemplated in legislation.

♦ ***Payroll, Payments and Bank Reconciliation Controls*** – Some chapters in this report highlight the need for additional payroll, payment, grant and bank reconciliation controls. These types of control issues are noted in chapters for: Corrections, Public Safety and Policing; Education; Health; Justice; Regional Health Authorities; Government Services; Environment; and the Liquor and Gaming Authority. Controls in these areas are important to ensure that transactions are appropriate, approved and supportable.

♦ ***Prairie North RHA – Hospital Acquired Infections*** – Prairie North RHA had effective processes to protect patients from infections except it needs to clarify its governance over this area and improve its training plan and monitoring practices. We encourage Prairie North RHA to publicly report information about additional hospital-acquired infections. We made six recommendations to strengthen these processes.

♦ ***Regulating the Environment*** – We followed up on three previous audits in the areas of regulating air emissions, regulating contaminated sites and regulating reforestation. Although the Ministry of Environment has made some progress in addressing our recommendations, progress has been slow.
  – ***Air Emissions*** – Environment needs to establish processes to monitor compliance with permits, handle air emission complaints, maintain information relating to air emissions and report publicly on air emissions.
  – ***Contaminated Sites*** – Environment needs processes for assessing, monitoring, tracking, and reporting the status of contaminated sites.
  – ***Reforestation*** – Environment still does not have sufficient information to know whether companies are doing the required reforestation on harvested lands or whether such reforestation efforts are successful. Additionally, Environment does not have any processes to verify that forest operators are paying the correct amounts for reforestation activities into eleven forest

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management funds, nor does it know whether forest operators are using the money for its intended purposes.

♦ *Spending without authority* – A few instances came to our attention where public monies were spent without proper approval. This was the case in the Saskatoon RHA, the Keewatin Yatthe RHA and in Carlton Trail Regional College.

♦ *USA Patriot Act* – On June 6, 2011, the Standing Committee on Public Accounts asked us to look at the protections that ITO has in place to assure the citizens of Saskatchewan that ITO's third party contractor cannot share information with their parent company where the parent company is subject to the *USA Patriot Act*. We concluded that the protections put in place by ITO cannot ensure that information will not be accessible. ITO's contractual protections represent a reasonable attempt to manage risks related to the *USA Patriot Act*. However, ITO has security weaknesses and until it addresses these weaknesses, there is a risk of inappropriate access or modification of information. A further means of managing these risks is through legislation. We recommended that the Ministry of Justice and Attorney General work with the Office of the Information and Privacy Commissioner to consider the benefits of changes to Saskatchewan's general access and privacy legislation, which could serve to mitigate risks related to the *USA Patriot Act*. The Commissioner has recommended changes, in the past, to Saskatchewan's 30-year-old access and privacy laws. More recent laws in Canada include a "duty to protect" requiring government agencies to protect personal information, backed up by significant penalties.

♦ *Workplace Non-Compliance* – The rate of workplace-related injuries in Saskatchewan is decreasing but the Province still has the second highest rate in Canada. The Ministry of Labour Relations and Workplace Safety is taking more action with non-compliant workplaces, but more work is needed. The Ministry requires a documented, comprehensive risk-based approach to address workplace non-compliance. It needs to undertake complete analysis of workplace non-compliance and its causes. This could help identify systemic workplace safety issues that require actions on an industry-wide or province-wide basis. There is also a need for more consistent use of Ministry policies and better follow up of non-compliant workplaces.

**Implementation of past recommendations**

Our Office followed up on a number of past recommendations. We found that considerable work was done by the regional health authorities to address past recommendations. Regina Qu'Appelle RHA has improved its processes for both

patient safety and for reducing employee workplace injuries. Saskatoon RHA also improved its processes for reducing employee workplace injuries. Prince Albert Parkland RHA strengthened its processes related to immunization of two-year-old children and Sunrise RHA improved its processes to manage hospital-acquired infections. The Liquor and Gaming Authority addressed all past recommendations related to its succession planning process and encouraging responsible use of beverage alcohol. The Saskatchewan Indian Gaming Authority Inc. also addressed a number of recommendations aimed at strengthening its internal control processes. As well, both the Ministry of Finance and the Saskatchewan Crop Insurance Corporation implemented a number of their past recommendations.

We are also pleased that we reached an agreement with the Ministry of Tourism, Parks, Culture and Sport and Sask Sport Inc. on obtaining audit assurance on the information we require related to Saskatchewan's share of the lottery revenue and expenses calculated in accordance with the *Restated Western Canada Lottery Agreement, November 1, 2009*.
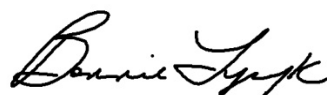
### Standing Committee on Public Accounts

In Saskatchewan, we are fortunate to have a very active Standing Committee on Public Accounts. This Committee calls ministries and agencies to appear before them so that legislators can ask managers about what actions they have taken to address audit recommendations. There is little doubt that this acts as very effective encouragement in having our recommendations implemented. The Committee tabled its annual report in the Legislature on September 6, 2011. The report contained 230 recommendations directed at improving the delivery of public services in our province.

### Acknowledgements

We rely on the co-operation of the individuals who work in government agencies for assisting us to do our job. I would also like to acknowledge the assistance of the appointed auditors who worked with us.

Finally, I would also like to thank my staff for their professionalism and hard work over the past six months. I appreciate their dedication and belief in the work of our Office. Their names are listed in the following exhibit. We remain focused on serving the Members of the Legislative Assembly and the people of Saskatchewan.

Bonnie Lysyk, MBA, CA
Provincial Auditor

## Exhibit

Our team at the Office of the Provincial Auditor for Saskatchewan is:

| | |
|---|---|
| Ahmad, Mobashar | Montgomery, Ed |
| Anderson, Mark | Neher, Kendra |
| Bachelu, Gaylene | Novakovski, Jade |
| Baverstock, Anita | Nyhus, Glen |
| Bhat, Venkatesh | Ochieng, Jennifer |
| Borys, Angèle | O'Quinn, Carolyn |
| Clemett, Tara | Pattullo, Candice |
| Deis, Kelly | Pituley, Jonathan |
| Dickin, Deann | Rau, Brent |
| Dressler, Nicole | Russell, Stephanie |
| Drotar, Charlene | Rybchuk, Corrine |
| Ferguson, Judy | Schlamp, Perry |
| Fink, Diana | Schwab, Victor |
| Funk, Curtis | Shaw, Jason |
| Griffiths, Clinton | Shorten, Karen |
| Halladeen, Aaron | Slatnik, Jennifer |
| Harasymchuk, Bill | Sommerfeld, Regan |
| Heebner, Melanie | St. John, Trevor |
| Heffernan, Mike | Stroh, Evan |
| Hungle, Angie | Sych, Larissa |
| Iles, Amanda | Taylor, Linda |
| King, Mark | Tomlin, Heather |
| Knox, Jane | Volk, Rosemarie |
| Kress, Jeff | Watkins, Dawn |
| Lindenbach, Michelle | Weyland, Grant |
| Lowe, Kim | Yanyu, Melissa |
| McIntyre, Mitchell | Yee, Ken |

# Chapter Highlights

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# Chapter Highlights

The chapters in this report result from a variety of work such as:

♦ Annual audits, where we provide opinions on the adequacy of internal controls, compliance with authorities and the reliability of financial statements. This work may involve working closely with appointed auditors of government agencies.

♦ Performance audits that conclude on the adequacy of key results or processes.

♦ Follow up work where management's action on recommendations from prior audits is examined to determine if recommendations have been implemented.

The work performed covered 145 government agencies. Most had March 31 year-ends (see Appendix 2 for entities audited in this reporting period). Chapters contain information on entities where there are reportable issues.

This report contains 78 new recommendations. We conducted follow up work on 220 recommendations from past audits. These are contained in a number of the chapters. Of those recommendations, 83 have been fully implemented. The remaining recommendations have been either partially implemented, or have not yet been implemented.

As an Office, we trust that our work provides the Members of the Legislative Assembly, the Standing Committee on Public Accounts and the Standing Committee on Crown and Central Agencies with useful information to assist them in serving the citizens of Saskatchewan.

This chapter provides a synopsis of the contents of the related chapter.

## Chapter 2 – Advanced Education, Employment and Immigration

The mandate of this Ministry is to foster the attraction, development and retention of an educated, skilled and productive workforce to meet the needs of a growing and innovative economy.

The Ministry provides various services to the Ministry of Labour Relations and Workplace Safety. We recommended that the Ministry sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety in compliance with the requirement under the *Financial Administration Manual*.

As part of our audit of the Ministry, we reviewed the issues that arose regarding Carlton Trail Regional College (Carlton Trail). We made six recommendations. Three recommendations were directed to Carlton Trail and three recommendations were directed to the Ministry. The recommendations focused on strengthening college governance and accountability.

## Chapter 3 – Agriculture

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.

This chapter contains the results of our audits of Agriculture and its agencies with years ended March 31, 2011. Agriculture and its agencies had adequate rules and procedures to safeguard public resources except that Agriculture needs to:

♦    monitor cash receipts from land sales

♦    improve its information technology (IT) processes for password protection, preparation of an IT plan, preparation and testing of a disaster recovery plan for critical IT systems, and monitoring the adequacy of IT services handled by the Information Technology Office

♦    improve its processes when making its significant accounting estimates

We followed up the premium rate-setting process at the Saskatchewan Crop Insurance Corporation (SCIC). SCIC needs to establish processes for making its significant accounting estimates.

We conducted an audit of Agriculture's irrigation infrastructure maintenance. Our objective was to assess the adequacy of Agriculture's processes to maintain its irrigation infrastructure at Lake Diefenbaker between April 1, 2010 and March 31, 2011.

We concluded that Agriculture's processes to maintain infrastructure at Lake Diefenbaker were not adequate in the following respects. The Ministry needs more information about the condition of its irrigation infrastructure. Documenting long-term objectives and maintenance plans would help the Ministry keep its infrastructure in good repair. As well, regular reports would support the Ministry in making timely decisions for effectively maintaining its irrigation infrastructure.

## Chapter 4 – Corrections, Public Safety and Policing

In this chapter, we provide a number of recommendations to improve internal controls. The Ministry needs to ensure that the policies and procedures for paying employees are followed.

This chapter also contains the results of our audit of the Saskatchewan Police Commission's processes to monitor municipal policing. We also examined the Ministry's processes, where applicable. We concluded that for the 12 months ended August 31, 2011, the Ministry of Corrections, Public Safety and Policing and the Saskatchewan Police Commission should have had more effective processes to monitor municipal policing, in order to ensure that municipal police services uniformly safeguard the communities they serve. We provided six recommendations.

## Chapter 5 – Education

The Ministry of Education (Education) provides strategic and collaborative leadership to the early learning and childcare, Pre-kindergarten to Grade 12 education, literacy, and library sectors.

This chapter reports the results of our 2011 audits of Education, the Technology Supported Learning Revolving Fund, the School Division Tax Loss Compensation Fund, and the Prince of Wales Scholarship Fund. The results of the August 31, 2010 audits of the school divisions were reported in our 2011 Report – Volume 1 – Chapter 4.

Education had adequate rules and procedures to safeguard public resources except Education needs to:

♦　　approve school division operating and capital grant payments in accordance with its delegation of authority

♦　　enter into written agreements with school divisions setting out the terms and conditions of its capital grants that support its expenses

This chapter also includes a follow up of our 2009 audit of Education's processes to achieve compliance by school divisions in delivery of instruction time. In 2009, we made four recommendations. Education has made some progress, but has more work to do to meet these recommendations.

### Chapter 6 – Energy and Resources

Energy and Resources is responsible for overseeing and managing the province's resource sector. Its responsibilities are set out in numerous acts and regulations that govern Saskatchewan's natural resources. It has a regulatory role with industry, and develops and administers various tax and royalty structures related to resources.

During our audit of Energy and Resources, we noted that it needs to follow its procedures to ensure only authorized staff have access to its computer systems and data.

This chapter also includes our report on Energy and Resources' project management processes for its Process Renewal and Infrastructure Management Enhancements (PRIME) project. Energy and Resources is replacing its 25-year-old oil and gas information technology systems with one integrated system.

We concluded that for the six-month period ended September 30, 2011, the Ministry had adequate project management processes for its PRIME Project except that it should:

♦ document its plans for measuring and reporting on the expected benefits of its new oil and gas system

♦ include in its project status reports to senior management the actual development and maintenance costs incurred to date compared to the project's percentage of completion

♦ prepare an analysis on the merits of conducting an independent risk assessment on the PRIME project

### Chapter 7 – Enterprise and Innovation programs

This chapter reports on our audit of Enterprise and Innovation programs. Enterprise Saskatchewan administers these programs including the Ethanol Fuel Tax Rebate program on behalf of the Minister of Enterprise. As part of our internal control work, we reviewed how Enterprise Saskatchewan estimates the cost of ethanol fuel tax expenses. We recommended that Enterprise Saskatchewan document its analysis and the assumptions it uses to estimate ethanol fuel tax expenses.

## Chapter 8 – Environment

The Ministry is responsible for working with Saskatchewan stakeholders to protect the water, air and natural resources to achieve a high environmental standard and to support sustainable development in the use of these resources.

This chapter contains the results of our audit of the Ministry. We also followed up on the recommendations from three previous audits: regulating air emissions (2004), regulating contaminated sites (2007), and regulating reforestation (2009). Environment is making some progress addressing the recommendations from those audits. Fifteen recommendations remain outstanding.

Environment needs to establish adequate processes to secure its systems and data, enter into adequate agreements with the Information Technology Office and the Public Service Commission, and complete a business continuity plan.

Environment has eleven forest management funds used to collect fees from forest operations and other licensees based on the number and type of trees harvested under *The Forest Resources Management Act*. These funds (approximately $8.5 million) are held by the forest operators or their trustees. Environment needs to ensure that all operators of forest management agreements and term supply licenses collect and pay the correct fees into the relevant forest management fund for reforestation and for other activities. Environment also needs to ensure that forest operators used the money for its intended purposes.

## Chapter 9 – Finance

This chapter sets out the results of our audits of the Ministry of Finance and its agencies for the year ended March 31, 2011. Finance and its agencies had adequate rules and procedures to safeguard public resources except for the following. The Ministry needs to:

♦     establish a process to better estimate resource surcharge revenue so that it records the revenue it earns in the proper period

♦     establish a current service agreement with the Public Service Commission for the provision of human resources services

♦     establish market-based benchmarks for its sinking fund investments to help evaluate whether it earned an effective return on these investments

Finance continues to improve its business continuity plan. It is working with the Information Technology Office to obtain better information to help it monitor its information technology systems.

Three significant pension plans administered by the Public Employees Benefits Agency (a division of Finance) continue to make progress on completing their business continuity plans but more work remains. The Public Service Superannuation Board needs to establish rules and procedures to ensure that all retired members who are receiving a pension and who return to work for the Government are paid in accordance with *The Superannuation (Supplementary Provisions) Act* or, alternatively, the Board should seek changes to the Act. The Office first made this recommendation in 2001.

This chapter includes our follow up of recommendations outstanding from two previous audits. Finance made some progress in implementing our 2009 recommendations about its processes for oversight of information technology, but still has work to do. Finance has implemented three of our five recommendations about its processes to select businesses for provincial sales tax audits and has plans to address the remaining two recommendations.

### Chapter 10 – Financial reporting–Public financial reporting–the need to change

This chapter provides information to legislators and citizens about the nature of financial reporting in Saskatchewan.

It explains why public reporting on a government's financial results should be based on all agencies that a government controls. This information is only available in a government's summary financial statements. Only summary financial statements should be used to assess a government's performance in managing Saskatchewan's financial affairs and public resources.

This chapter explains the significant errors in the General Revenue Fund financial statements. It highlights why a government should not use these statements as the primary financial statements for public reporting.

Other provincial governments and the Federal Government are using summary financial statements as their primary financial statements for communication of financial information to the public.

## Chapter 11 – Financial reporting–Summary reporting practices–from an entire government perspective

This chapter examines Saskatchewan's current practices for public reporting on the financial plans and results of a government. Once a government adopts the Summary Financial Statements as the basis for its public reporting, it will need to improve its key accountability reports on the entire government. This would involve:

♦ preparing a summary detailed budget to provide legislators with complete information on the planned use of public resources within the government reporting entity

♦ including year-to-date and actual results compared to a summary detailed budget in mid-year and annual reports

♦ preparing a more complete annual report for the entire government

## Chapter 12 – Financial reporting–Financial status of pensions–an update

In this chapter, we provide an updated summary of the financial status of Government pension plans.

Over the last five years, Saskatchewan's pension debt grew by almost $2 billion to $6.2 billion at March 31, 2011. Since 2006, the Government reduced its other debt (primarily by increasing the amount it has set aside as investments in sinking funds). In the last five years, pension debt relative to the Government's total debt has increased from 15% in 2006 to 43% as at March 31, 2011. Saskatchewan uses a "pay-as-you-go" strategy to fund the Public Service Superannuation Plan and pays contributions to Teachers Superannuation Plan based on a formula set out in law. Because the costs of these pension plans have increased faster than the Government's contributions, the pension debt has grown.

Because of Saskatchewan's strong financial performance over the last five years, the Government can better afford its pension debt in 2011 than it could in 2006. However, careful financial management is still needed. Pension payment requirements as a percentage of Summary Financial Statement total revenues are increasing. Pension payments are not expected to peak until 2021. The Government continually needs to consider the impact of pensions projected cash flows on the Government's overall cash flow, borrowing needs, and pension funding status.

### Chapter 13 – Government Services

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

This chapter summarizes our audit conclusions and findings on the audit of the Ministry of Government Services. The Ministry needs to implement processes to monitor the validity of credit card fuel purchases, have an adequate agreement with the Information Technology Office, appropriately monitor security and have a complete business continuity plan.

### Chapter 14 – Part A – Health

The Ministry of Health oversees the provincial health care system. Health also regulates the delivery of health care. Health and its agencies had adequate rules and procedures to safeguard public resources except it needs to:

♦ implement a process to verify that patients received the medical services for which doctors bill (Health pays about $464 million annually to doctors for medical services on a fee for service basis)

♦ update its risk assessment for agencies delivering healthcare services to help monitor their performance

♦ develop a capital asset plan (the healthcare system uses over $1.2 billion of capital assets (buildings and equipment) to deliver healthcare)

♦ revise its human resource plan to quantify its human resource needs and provide measurable indicators

♦ prepare a business continuity plan

This chapter includes recommendations for North Sask. Laundry and Support Services Ltd. for controlling payroll and purchasing.

### Chapter 14 – Part B – Regional Health Authorities

*The Regional Health Services Act* makes12 regional health authorities (RHAs) responsible for the planning, organization, delivery, and evaluation of health services in their health regions. This chapter reports the results of our annual audits for 10 RHAs. Regional Qu'Appelle RHA and Saskatoon RHA are reported in separate chapters.

RHAs continue to make progress in strengthening their processes, but they need to complete and test their disaster recovery plans. As well, some RHAs need to do more to protect their information technology systems and data.

We provided a number of recommendations for Keewatin Yatthe RHA. It needs to count its capital assets and compare the results to its accounting records and it needs to obtain Ministry of Health approval before spending money on capital projects. All RHAs need capital asset plans. As well, three RHAs need improvements in payroll and payment processes.

In this chapter, we report on our follow up on the recommendations from two previous audits: Prince Albert Parkland RHA–Immunization for young children and Sunrise RHA–Hospital acquired infections. Both Prince Albert Parkland and Sunrise have implemented our past recommendations.

## Chapter 14 – Part C – Regional Qu'Appelle Regional Health Authority

Regional Qu'Appelle Regional Health Authority is responsible for planning, organization, delivery, and evaluation of health services.

This chapter sets out the results of our 2011 audit of Regina Qu'Appelle and our follow ups on patient safety and reducing workplace injuries.

Regina Qu'Appelle had adequate rules and procedures to safeguard public resources except that it needs to implement an internal audit function, strengthen its information technology security, establish and test a disaster recovery plan, develop a capital equipment plan and improve its human resource planning.

Regina Qu'Appelle has implemented all of the outstanding recommendations from our previous audits on patient safety and reducing workplace injuries.

## Chapter 14 – Part D – Saskatoon Regional Health Authority

Saskatoon Regional Health Authority (Saskatoon) is responsible for planning, organization, delivery and evaluation of health services.

Saskatoon had adequate rules and procedures to safeguard public resources except that it needs to complete its development of comprehensive IT policies and procedures and its capital equipment plan. As well, during the year, Saskatoon paid for an affiliate's remaining portion of capital project costs without obtaining approval of the Minster of Health. As such, Saskatoon did not comply with *The Regional Health Services Act*. We provided three recommendations in the chapter.

Additionally, we report in this chapter on the processes leading up to the establishment of a service agreement between Saskatoon and Amicus Health Care Inc. We found that the agreement with Amicus was a sole-sourced arrangement. Neither Saskatoon, nor the Ministry of Health sought any formal expression of interest from existing affiliates or other organizations. The agreement reached with Amicus was unique. The Ministry retains risk for capital debt repayment and facility operating costs once construction is completed. We recommended that the Ministry of Health and Saskatoon establish policies for use when seeking interest from private sector healthcare providers to build healthcare facilities. We also recommended that they establish criteria to use when selecting private sector healthcare providers to build healthcare facilities. They should also provide the established criteria to all interested private sector healthcare providers.

Saskatoon is currently developing comprehensive IT policies and procedures and a capital equipment plan. It is working on its disaster recovery plan.

### Chapter 14 – Part E – Saskatchewan Cancer Agency

The Saskatchewan Cancer Agency (Agency) provides treatment, supportive care, education, prevention, early detection programs and conducts research for the control of cancer in Saskatchewan. The Agency operates cancer treatment centres in Regina and Saskatoon.

The Agency had adequate processes to safeguard its public resources except that it needs to strengthen the preparation, approval and implementation of its IT processes. Although the Agency had developed some policies and procedures and provided staff with information on potential IT security risks, this work is not complete.

### Chapter 14 – Part F – Prairie North Regional Health Authority: Hospital-acquired infections

Prairie North Regional Health Authority (Prairie North) serves a population of nearly 100,000. It has six hospitals: two regional hospitals (North Battleford, Lloydminster), one district hospital (Meadow Lake), two small community hospitals (Maidstone, Turtleford), and the provincial psychiatric rehabilitation hospital. During 2010-11, these hospitals admitted about 11,000 patients.

The objective of this audit was to assess if Prairie North Regional Health Authority had effective processes from August 1, 2010 to July 31, 2011, to protect patients from hospital-acquired infections. The audit focused on processes in the three largest acute care hospitals (North Battleford, Lloydminster, and Meadow Lake).

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We found that Prairie North had effective processes to protect patients from infections except in a few areas. Prairie North needs to improve its accountability process, training plan, monitoring practices, and reporting of information about hospital-acquired infections to help analyze and report emerging risks. We made six recommendations to strengthen these processes.

## Chapter 15 – Highways and Infrastructure

The Ministry of Highways and Infrastructure manages and provides for the future development of an integrated provincial transportation system. Its strategic transportation policy seeks to promote the safe and efficient movement of people and goods.

The Ministry had adequate rules and procedures to safeguard public resources except, consistent with prior years, it needs better service level agreements with its providers of information security services.

Highways also needs to follow its established procedures to promptly remove access of former employees to its computer network.

## Chapter 16 – Information Technology Office

The mandate of the Information Technology Office (ITO) includes developing, promoting, and implementing policies and programs of the Government of Saskatchewan relating to information technology and information management.

As a custodian of ministries' information systems and data, the ITO must protect the confidentiality, integrity, and availability of ministry information technology (IT) systems and data. As part of our annual audit of ITO, we found that ITO had adequate procedures to safeguard public resources with the exception of the following:

To protect ministries' IT systems and data, ITO needs to:

- ♦ define security requirements its service provider needs to follow
- ♦ monitor whether its service provider meets its security requirements
- ♦ provide relevant and timely security reports to its clients
- ♦ complete policies that set IT security standards for clients
- ♦ protect systems and data from security threats
- ♦ have a complete and tested disaster recovery plan for the data centre and client systems

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ITO needs to follow its processes to ensure that ITO user access is removed in a timely way. ITO should sign adequate agreements with ministries before delivering services to them, ensure agreements address security and disaster recovery requirements, and improve its human resource plan.

Effective December 6, 2010, ITO commenced an agreement with a service provider to operate and maintain its data centre until December 5, 2017. ITO needs to ensure its agreement with this service provider defines security requirements. ITO also needs to monitor the service provider's compliance with those security requirements.

## Chapter 17 – Justice and Attorney General

The Ministry of Justice and Attorney General provides legal services and policy advice to Government in order to protect the legal rights of citizens and to promote social and economic order for Saskatchewan. It also provides support for the courts system, prosecutorial services, civil law services, and marketplace regulation.

Justice and its agencies had adequate rules and procedures to safeguard public resources except for the following:

♦ needs to follow its processes and perform a timely review and approval of bank statements

♦ needs to implement our past recommendations relating to IT security, including the completion of a disaster recovery test for its critical information system

In this chapter, we followed up on three recommendations from our previous audit of IT Security at the Saskatchewan Legal Aid Commission. The Commission implemented two of these recommendations. It still needs to complete the testing of its disaster recovery plan.

## Chapter 18 – Labour Relations and Workplace Safety

The Ministry of Labour Relations and Workplace Safety is responsible for labour standards, occupational health and safety, labour relations and mediation services, and advocacy on behalf of injured workers.

The Ministry had adequate rules and procedures to safeguard public services except:

♦ the Ministry needs to sign a shared services agreement with the Ministry of Advanced Education, Employment, and Immigration

♦ the Ministry needs to sign a service level agreement with the Public Service Commission

This chapter also includes an audit of the processes used by the Ministry to address workplaces that did not comply with *The Occupational Health and Safety Act, 1993* and related regulations. The Ministry had effective processes except that the Ministry requires a documented, comprehensive risk-based approach to address workplace non-compliance. It should undertake more complete analysis of non-compliance and its causes. It should also require more consistent use of Ministry policies and better follow up of non-compliant workplaces.

## Chapter 19 – Part A – Liquor and Gaming Authority

Liquor and Gaming is a Crown agency that operates under *The Alcohol and Gaming Regulations Act, 1997*. The mandate of Liquor and Gaming is to develop, support, operate, and regulate the beverage alcohol and gaming industries in the province.

Liquor and Gaming had adequate rules and procedures to safeguard public resources except:

♦ it needs to follow its information technology policies, automated teller machine service provider casino registration policy, and its rules and procedures over bank reconciliations

♦ it needs to identify and assess the risks associated with Saskatchewan Indian Gaming Authority's (SIGA's) operations

During the year, Liquor and Gaming's internal audit performed an annual audit to ensure that SIGA expenditures were reasonable, complied with relevant policies and had an adequate business purpose. Based on the 2009-10 internal audit results, Liquor and Gaming concluded that, in general, expenses for the period audited were appropriate business expenses and that no recovery was required. Liquor and Gaming still needs to recover losses of public money from automated teller machines at SIGA casinos.

In this chapter, we report on our follow up of succession planning at Liquor and Gaming. Liquor and Gaming has implemented all of our past recommendations.

We also report on our follow up of our previous audit on encouraging responsible use of beverage alcohol. Liquor and Gaming has addressed our previous recommendation on preparing a complete plan for encouraging responsible use of beverage alcohol. Liquor and Gaming is in the process of

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developing a reporting document that will accompany its social responsibility plan in order to report on the status of its social responsibility initiatives.

**Chapter 19 – Part B – Saskatchewan Indian Gaming Authority Inc.**

Saskatchewan Indian Gaming Authority Inc. (SIGA) is a non-profit corporation. It is licensed by the Saskatchewan Liquor and Gaming Authority, under a Casino Operating Agreement, to operate six casinos.

This chapter includes the results of our 2011 audit of SIGA. Over the past several years, SIGA has made significant progress in addressing the recommendations made in our previous reports.

SIGA needs to protect its IT systems and data by approving a complete IT strategic plan, preparing a complete disaster recovery plan and assessing the need for a business continuity plan.

Prior to 2008, Liquor and Gaming prescribed the structure of SIGA's Board of Directors through a directive. In 2008, Liquor and Gaming removed the directive. Since that time, the Board has increased in size and, as such, related expenses have increased. Liquor and Gaming, SIGA and the Federation of Saskatchewan Indian Nations are working to resolve current governance issues.

**Chapter 20 – Protecting Saskatchewan data – the *USA Patriot Act***

On June 6, 2011, the Standing Committee on Public Accounts asked that: "…when the Provincial Auditor next reports that they take a look at all of the necessary protections that ITO has in place to assure the citizens of Saskatchewan that their third party contractor cannot share information with the parent company where the parent company is subject to the Patriot Act." We concluded that the protections put in place by ITO cannot ensure that information will not be accessible through the operation of the *USA Patriot Act*. Short of a decision to exclude the third party contractor because of its corporate ownership, ITO's contractual protections represent a reasonable attempt to manage risks related to the *USA Patriot Act*.

Our audit of IT security at ITO has identified information security weaknesses. These security weaknesses relate to the information managed by the third party contractor. Until these weaknesses are addressed, government information is at risk of inappropriate access or modification. Until ITO monitors whether security requirements that the third party contractor needs to follow are being met, the contractual protections may not be effective in achieving their intended purposes.

A further means of protecting data is through legislation. We recommend in this chapter that the Ministry of Justice and Attorney General work with the Office of the Information and Privacy Commissioner to consider the benefits of changes to Saskatchewan's general access and privacy legislation, which could serve to mitigate risks related to the *USA Patriot Act*. The Commissioner has, in the past, recommended changes to the legislation that would incorporate a "duty to protect" with accompanying penalties for non-compliance.

## Chapter 21 – Public Service Commission

In this chapter, we report on the results of our audit of the Public Service Commission (PSC). PSC is the central human resources agency for staff employed by Government ministries. Government ministries have about 12,000 staff positions.

PSC had adequate rules and procedures to safeguard public resources except that, PSC did not make certain that user access to its information systems for its former employees was promptly removed.

In 2010-11, the PSC implemented a new policy to require all new employees of Government ministries to submit a criminal record check before commencing employment and to require existing employees to report any criminal charges or convictions.

## Chapter 22 – Saskatchewan Power Corporation

This chapter contains the results of our audit of the adequacy of SaskPower's processes for inspections of gas and electrical installations and our follow up of outstanding recommendations from two previous audits.

SaskPower is responsible for the inspection of electrical and gas installations in Saskatchewan. SaskPower had adequate processes for inspections of gas and electrical installations for the twelve-month period ended March 31, 2011, with a few exceptions. We provided seven recommendations including that SaskPower needs to:

♦   periodically re-evaluate its inspection strategies to determine whether they achieve the results needed

♦   improve its processes for monitoring key inspection decisions and reporting inspection activity results to those responsible

♦   report summarized results of its inspection activities to senior management and the Board

SaskPower has implemented the final recommendations remaining from our 2006 audit of its processes to plan for infrastructure needs. It now documents risks that it accepts when it approves capital projects.

SaskPower has made some progress in implementing the remaining two recommendations from our 2007 audit of its processes to buy goods and services valued under $100,000. At September 2011, SaskPower staff did not always follow established processes and did not track problems with key suppliers in a coordinated and accessible format.

## Chapter 23 – Saskatchewan Watershed Authority

The mandate of the Saskatchewan Watershed Authority (Authority) is to lead management of the Province's water resources to ensure safe sources for drinking water and reliable water suppliers for economic, environmental, and social benefits for Saskatchewan people.

The Authority had adequate rules and procedures to safeguard public resources except for the following:

♦ the Authority needs to use appropriate IT security policies and procedures to address change management, incident management, the segregation of IT duties and to implement and test a business continuity plan

♦ the Authority needs to put in place an adequate IT service agreement with Saskatchewan Water Corporation

## Chapter 24 – Social Services

The Ministry of Social Services assists citizens through income support, child and family services, services for persons with disabilities, development of affordable housing, and by building greater capacity in community-based organizations.

This Ministry had adequate rules and procedures to safeguard public resources except it needs to improve its processes in the protection of children, in income assistance, in the supervision of community-based organizations and in IT security.

The Ministry is making progress in improving its processes however, there is still more work to do. There needs to be a higher degree of compliance with the Ministry's established child protection standards.

## Chapter 25 – Tourism, Parks, Culture and Sport

The Ministry of Tourism, Parks, Culture and Sport provides oversight and accountability services for the lottery system and the Lottery Trust Fund for Sport, Culture and Recreation. The Ministry is also responsible for the provincial park system including the administration, management, planning, development, and maintenance of all park land.

Our Office reached an agreement with the Ministry and Sask Sport Inc. on how our Office obtains audit assurance on the information we require related to Saskatchewan's share of the lottery revenues and expenses calculated in accordance with the *Restated Western Canada Lottery Agreement, November 1, 2009*.

This chapter also reports the results of our follow up on two audits: compliance with the *Restated Western Canada Lottery Agreement, November 1, 2009* and provincial parks capital asset planning. The Ministry still has work to do to meet our recommendations.

## Chapter 26 – Quality of annual reports

This chapter provides an update on the overall quality of the content of the annual reports of various ministries, Treasury Board agencies and CIC Crown corporations (agencies). We assessed whether the most recent annual reports of 22 agencies contained information reflecting best practices for public performance reporting. To provide the update, we compared the results of assessments of the content of these agencies' most recent annual reports to our previous assessments of their annual reports.

Overall, we found that the annual reports of the CIC Crown corporations remain strong. For the ministries and Treasury Board agencies, the annual reports have improved since our 2006 assessments but more work remains.

## Chapter 27 – Standing Committee on Public Accounts

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving Government's management of public resources. It helps the Assembly hold the Government accountable for its management of public resources.

This chapter provides an overview of the role and responsibilities of the Committee. Since the fall of 2010, the Committee met 9 times. During this time, the Committee continued its review of our reports on the results of our work at government agencies.

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's Third Report to the 26th Legislature. The Committee presented this Report to the Assembly on September 6, 2011. The report contains over 230 recommendations. The Government has 120 days to provide a response to the Report.

The Committee's reports during the previous five years contained 638 recommendations including over 230 new recommendations in 2011. The Government has fully implemented 60% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 50% are partially implemented.

# Advanced Education, Employment and Immigration

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# Main points

The Ministry of Advanced Education, Employment and Immigration (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 exception to this revolves around issues concerning Carlton Trail Regional College. Carlton Trail Regional College did not obtain the approval of the Minister for Chief Executive Officer remuneration and terms and conditions of employment.

The financial statements of the Ministry's funds and agencies are reliable. The Ministry and its agencies had adequate rules and procedures to safeguard public resources except for the following:

♦ the Board of Carlton Trail Regional College needs to fulfill its governance obligations and its responsibilities under *The Regional Colleges Act* by:
  – ensuring that Board motions and decisions are restricted to members of the Board
  – documenting Board decisions and support for decisions
  – having or obtaining through Board training appropriate knowledge and skills
  – regularly evaluating its performance

♦ the Board of Carlton Trail Regional College needs to formalize its rights and obligations in written agreements when it enters into financial arrangements with other agencies

♦ the Ministry needs to ensure regional college boards are trained and regularly evaluated to ensure they fulfill their governance responsibilities and their responsibilities under *The Regional Colleges Act*

♦ the Ministry needs to sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety to avoid misunderstandings

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

## Introduction

The mandate of the Ministry of Advanced Education, Employment and Immigration (Ministry) is to foster the attraction, development and retention of an educated, skilled and productive workforce to meet the needs of a growing and innovative economy.[1] Its responsibilities are set out primarily in *The Post-Secondary Education and Skills Training Act.*

## Financial overview

The following is a list of major programs and spending for the year ended March 31, 2011:

|  | Estimates 2010-11[2] | Actual 2010-11 |
|---|---|---|
|  | (in millions of dollars) | |
| Central Management and Services | $ 19.4 | $ 18.1 |
| Student Support Programs | 101.5 | 98.5 |
| Post-Secondary Education | 591.9 | 687.7 |
| Immigration | 12.8 | 11.9 |
| Labour Force Development | 102.9 | 103.1 |
| Major Capital Asset Acquisitions | 7.6 | 2.3 |
|  | 836.1 | 921.6 |
| Capital Asset Acquisitions | (7.6) | (2.8) |
| Capital Asset Amortization | 2.0 | 2.3 |
| Total Expense | $ 830.5 | $ 921.1 |

In 2010-11, the Ministry had revenues of $95.7 million of which 87% came from the Federal Government primarily for federal-provincial cost sharing programs.

The Ministry's *2010-11 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates (www.aeel.gov.sk.ca).

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[1] *Ministry of Advanced Education, Employment and Immigration, 2010- 2011 Annual Report*, p. 5.
[2] Saskatchewan Finance, *2010-11 Saskatchewan Estimates.* The Estimates total does not include the additional $89.3 million authorized through the *Saskatchewan Supplementary Estimates* and $15.6 million transferred to the Ministry of Labour Relations and Workplace Safety and Social Services under Orders in Council 397/2010 and 471/2010.

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## Related special purpose funds and agencies

At March 31, 2011, the Ministry was responsible for the following special purpose funds and agencies:

|  | Year-end |
|---|---|
| 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 |

# Audit conclusion and findings

This section reports the results of our 2011 audits of the Ministry, the Saskatchewan Student Aid Fund, the Training Completions Fund, three of seven regional colleges (i.e., Carlton, Cumberland, and Parkland), SATCC, and SIAST.

**In our opinion, for the fiscal years ending on or before June 30, 2011:**

♦ **the Ministry and the agencies listed in this section had adequate rules and procedures to safeguard public resources except as reported in this chapter**

♦ **the Ministry and the agencies listed in this section complied with the authorities set out in Exhibit 4 governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as reported in this chapter**

- **the financial statements of the agencies listed in this section are reliable**

Exhibit 1 sets out the appointed auditor of each agency that we audited in 2011. We use the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[3]

**Exhibit 1—Appointed auditor of agencies audited in 2011**

| Crown agency | Appointed auditor |
|---|---|
| SIAST | Deloitte & Touche LLP |
| Carlton Regional College | E.J.C. Dudley & Co. |
| Cumberland Regional College | NeuPath Group, PC Inc. |
| Parkland Regional College | Skilnick Miller Moar Grodecki & Kreklewich |

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 the current cycle 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. The auditors of the other four colleges did not report any new matters for the colleges they audited. For SIAST, we carry out the audit jointly with the appointed auditor.

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

## Shared service agreement needed

The Ministry needs to sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety.

The Ministry provides various services to the Ministry of Labour Relations and Workplace Safety. The services provided include payment processing, revenue processing, cash handling, and support services.

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

The *Financial Administration Manual* section 3007.08 requires shared service arrangements between ministries be supported by a memorandum of understanding to avoid misunderstanding. At March 31, 2011, the Ministry did not have such a memorandum.

1.   **We recommend that the Ministry of Advanced Education, Employment and Immigration sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety.**

# Governance and accountability of regional colleges needs strengthening

The Ministry needs to strengthen governance and accountability of regional college boards to ensure they fulfill their responsibilities under *The Regional Colleges Act*.

Typically, the Ministry requests and reviews key information (e.g., annual business plans, budgets, financial statements, annual reports) of each regional college to determine whether colleges are operating as it expects. Initially, the Ministry's review processes did not promptly identify significant governance problems at Carlton Trail Regional College. However, the Ministry, once aware of problems, appointed an administrator for Carlton Trail Regional College and initiated a number of reviews after significant governance problems were identified.

## *Background—Carlton Trail Regional College*

Carlton Trail Regional College (Carlton Trail) was established under *The Regional Colleges Act*. Section 5 of this Act allows Carlton Trail to provide:

♦   university and technical institute courses by way of a contract between the college and a university or technical institute
♦   training programs that prepare individuals for a career or provide education with respect to health or social issues
♦   training programs paid wholly or partly by private businesses, non-profit groups or government agencies
♦   career services
♦   adult basic education, literacy, and upgrading programs

♦ any other educational activities that the Lieutenant Governor in Council may prescribe in the regulations

In 2010-11, Carlton Trail had revenues of $6.8 million and expenses of $6.7 million. At June 30, 2011, Carlton Trail's net assets were $6.2 million. Carlton Trail's financial statements are in Carlton Trail's *2010-11 Annual Report* at www.ctrc.sk.ca.

Carlton Trail has historically worked with St. Peter's College (St. Peter's). St. Peter's is an affiliate of the University of Saskatchewan and offers first and second-year University of Saskatchewan courses.

Carlton Trail had a partnership agreement with St. Peter's. This agreement provided for sharing information between the colleges. Under the agreement, Carlton Trail agreed to provide St. Peter's with an annual grant "for delivery of a business diploma program using a variety of delivery mechanisms."

## Governance and financial issues noted at Carlton Trail Regional College

Carlton Trail's 2010-11 Business Plan and Budget, approved by the Minister on August 17, 2010, outlined a proposed merger of Carlton Trail with St. Peter's College and described ongoing consultations with the Ministry in this regard. The business plan reported that the Board had agreed to collaborative governance and management with St. Peter's.

In 2010, the Boards of Carlton Trail and St. Peter's started to meet jointly even though the two organizations were not legally one entity. In particular, the Board of Carlton Trail did not follow appropriate governance practices. For example:

♦ individuals not on the Carlton Trail Board participated in decisions of the Carlton Trail Board
♦ motions at Carlton Trail Board meetings were made and seconded by individuals who were not on the Carlton Trail Board, including the Chief Executive Officer (CEO)
♦ a Carlton Trail Board minute for a meeting where key decisions were made was signed only by a non-Carlton Trail Board member

The meetings involving inappropriate governance practices included approval of Carlton Trail's 2010 financial statements and an in camera discussion and subsequent authorization of payments totalling $175,000 to St. Peter's. These payments did not have documented support. Carlton Trail management was unable to find written agreements setting out the terms and conditions for these payments.

On February 23, 2010, the Carlton Trail Board appointed the CEO of St. Peter's as CEO for Carlton Trail. Section 10 of *The Regional Colleges Act* requires regional colleges to obtain the approval of the Minister for CEO remuneration and terms and conditions of employment. Carlton Trail sought the Minister's approval for a CEO contract but did not receive it. Nevertheless, the CEO of St. Peter's continued to function as the CEO for Carlton Trail. Carlton Trail paid St. Peter's for these CEO services.

In June 2010 Carlton Trail provided the Ministry with a formal merger proposal. On November 12, 2010, the Ministry announced that it had hired a consulting firm to conduct an analysis regarding the proposed amalgamation. The report recommended that the Minister not approve the proposed merger.[4]

Citing concerns that had arisen regarding governance and leadership at the two institutions, the Minister, in March 2011, requested that Carlton Trail place its CEO on administrative leave. The Board subsequently cancelled the services agreement with the CEO. St. Peter's billed Carlton Trail $124,395 for CEO services from April 2010 until the CEO's Carlton Trail services were terminated in March 2011. At June 30, 2011, Carlton Trail had paid $61,566 of this amount to St. Peter's.

In March 2011, the Minister replaced the Board of Carlton Trail with an administrator, as permitted under section 28(1)(c) of *The Regional Colleges Act*.[5] The Minister also hired consulting firms to more fully investigate allegations involving senior management at Carlton Trail and St. Peter's. Reports of these investigations are available at http://www.aeei.gov.sk.ca/St. Peter's-ctrc-updates.

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[4] Meyers Norris Penny LLP, *Summary Report on the Proposed Merger between Carlton Trail Regional College and St. Peter's College*, February 15, 2011, p. 21.
[5] Cabinet appointed a new Board for Carlton Trail effective September 29, 2011 by Order in Council 566/2011.

In addition, Carlton Trail is contributing along with two school divisions to the cost of construction of the Humboldt Collegiate Institute without a formal agreement regarding their access to and use of the property. Without a formal agreement, there is increased risk of misunderstandings about current and future rights and obligations.

Without adequate governance and accountability processes there is an increased risk that regional colleges will not properly fulfill their responsibilities under *The Regional Colleges Act*.

**Recommendations for the Board of Carlton Trail Regional College**

2.    **We recommend that the Board of Carlton Trail Regional College fulfill its governance obligations and its responsibilities under *The Regional Colleges Act* by:**
   ♦    **ensuring that Board motions and decisions are restricted to members of the Board**
   ♦    **documenting Board decisions and support for decisions**
   ♦    **having or obtaining through Board training appropriate knowledge and skills**
   ♦    **regularly evaluating its performance**

3.    **We recommend that the Board of Carlton Trail Regional College obtain the Minister's approval for its chief executive officer's duties, remuneration, term of office and other terms and conditions of appointment as required under *The Regional Colleges Act*.**

4.    **We recommend that the Board of Carlton Trail Regional College formalize its rights and obligations in written agreements when it enters into financial arrangements with other agencies.**

**Recommendations for the Ministry**

5. **We recommend that the Ministry of Advanced Education, Employment and Immigration ensure that boards of regional colleges are trained to fulfill their governance responsibilities and their responsibilities under *The Regional Colleges Act.***

6. *We recommend that the Ministry of Advanced Education, Employment and Immigration regularly evaluate whether boards of regional colleges are fulfilling their governance responsibilities and their responsibilities under The Regional Colleges Act.*

7. **We recommend that the Ministry of Advanced Education, Employment and Immigration ensure that boards of regional colleges obtain the Minister's approval for chief executive officer duties, remuneration, terms of office, and other terms and conditions of appointment as required under *The Regional Colleges Act.***

# Implementation of past recommendations needed

In Exhibit 2, we set out our past recommendations, actions the Ministry took during 2010-11, and the status of these recommendations at March 31, 2011.

**Exhibit 2—Status of past recommendations**

| Past recommendation (initial report) | Public Accounts Committee (PAC) | Actions Ministry took in 2010-11 | Status of recommendation at March 31, 2011 |
|---|---|---|---|
| ***We recommend the Ministry of Advanced Education and Immigration follow its established procedures for removing user access to its computer systems and data.*** *(2010 Report – Volume 2 – Chapter 2)* | PAC agreed with this recommendation on January 20, 2011. | During the audit, we found that the Ministry did not remove MIDAS[6] access for 2 terminated employees and network access for 4 terminated employees on a timely basis. | **Not implemented** – we continue to make this recommendation. |

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[6] Multi-informational Database Applications system.

| Past recommendation (initial report) | Public Accounts Committee (PAC) | Actions Ministry took in 2010-11 | Status of recommendation at March 31, 2011 |
|---|---|---|---|
| *We recommend the Ministry of Advanced Education and Labour prepare an information technology strategic plan.*<br><br>*(2009 Report – Volume 3 – Chapter 2)* | PAC agreed with this recommendation on May 12, 2010. | The Ministry has approved a three-year IT plan and is in the preliminary stages of developing an information technology strategic plan. | **Partially implemented** – we continue to make this recommendation. |
| *We recommend that the Ministry of Advanced Education, Employment and Labour develop a human resource plan.*<br><br>*(2007 Report – Volume 3 – Chapter 2)* | PAC agreed with this recommendation on January 8, 2008. | The Ministry has completed an organizational review and is developing an updated Human Resource Plan. | **Partially implemented** – we continue to make this recommendation. |
| *We recommend 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.*<br><br>*(2008 Report – Volume 3 – Chapter 2)* | PAC agreed with this recommendation on December 9, 2008. | The Ministry is still working with ITO to develop a new Service Level Agreement, which will include disaster recovery requirements. | **Partially implemented** – we continue to make this recommendation. |
| *We recommend 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.*<br><br>*(2008 Report – Volume 3 – Chapter 2)* | PAC agreed with this recommendation on December 9, 2008. | The Ministry is still working with the ITO to implement a security plan, including:<br><br>– security policy guidance<br>– reporting improvements<br>– employee awareness<br>– better system access controls<br>– security audits | **Partially implemented** – we continue to make this recommendation. |

# Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented.[7] Our intent is to follow up outstanding recommendations in upcoming reports.

**Exhibit 3**

| PAC REPORT YEAR[8] | OUTSTANDING RECOMMENDATION | STATUS at March 31, 2011 unless noted otherwise |
|---|---|---|
| **Ministry of Advanced Education, Employment and Immigration – Construction projects** (2004 Report – Volume 1) | | |
| 2005 | 13-2 that the Ministry of Learning should 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 risk on approved capital projects. | **Partially implemented**<br><br>Management told us the Ministry is working with its partners to strengthen governance and accountability in the post-secondary system. |
| **Ministry of Advanced Education, Employment and Immigration – Welfare to Work** (2004 Report – Volume 3) | | |
| 2005 | 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, 2010).<br><br>There have been numerous changes since our 2006 follow up of "Welfare to Work". When this was first reported, the program was in the Department of Community Resources and Employment. Employment programs now reside in the Ministry. The Ministry is assessing how to respond to the recommendations under the new Ministry structure. |
| 2005 | 4-3 that the Department of Community Resources and Employment should establish baseline results and targets for each measure. | |
| 2005 | 4-4 that the Department of Community Resources and Employment should communicate to employees its measures, baseline results, and targets. | |
| 2005 | 4-5 that the Department of Community Resources and Employment should collect relevant and reliable information related to its performance measures. | |

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[7] For definitions of the Key Terms used in the Exhibit, see Chapter 27 – Standing Committee on Public Accounts.

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

| PAC REPORT YEAR[8] | OUTSTANDING RECOMMENDATION | STATUS at March 31, 2011 unless noted otherwise |
|---|---|---|
| 2005 | 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. | See above. |
| 2005 | 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. | **Not implemented** (as at March 31, 2010).<br><br>See above. |
| **Saskatchewan Institute of Applied Science and Technology – Human Resource Capacity**<br>(2006 Report – Volume 1) | | |
| 2007 | 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 February 28, 2010). |
| **Saskatchewan Institute of Applied Science and Technology – Risk Management**<br>(2008 Report – Volume 3) | | |
| 2009 | 2-5 that the Saskatchewan Institute of Applied Science and Technology's Board use more comprehensive risk management policies and procedures that:<br><br>- define key terms and processes<br>- assign roles and responsibilities for risk management<br>- require risks be identified in relation to strategic objectives<br>- require analysis of risk likelihood and impact including timeframes<br>- set criteria to evaluate risk tolerance<br>- outline guidance to treat key risks | **Partially implemented** (as at August 31, 2010). |
| 2009 | 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. | **Partially implemented** (as at August 31, 2010). |

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### Exhibit 4—Legislation

*The Government Organization Act*

*The Ministry of Advanced Education, Employment and Immigration
Regulations*

*The Training Allowance Regulations*

*The Employment Program Regulations*

*The Skills Training Benefit Regulations*

*The Post-Secondary Education and Skills Training Act*

*The Training Program Regulations*

*The Education Act, 1995* (section 3(1))

*The Apprenticeship and Trade Certification Act, 1999*

*The Apprenticeship and Trade Certification Regulations, 2003*

*The Graduate Retention Program Act*

*The Graduate Retention Program Regulations*

*The Private Vocational Schools Regulation Act, 1995*

*The Private Vocational Schools Regulation, 1995*

*The Public Service Act, 1998*

*The Regional Colleges Act*

*The Regional Colleges Regulations*

*The Regional Colleges Program Designation Regulations*

*The Regional Colleges Programs and Services Regulations, 1997*

*The Financial Administration Act, 1993*

*The Saskatchewan Institute of Applied Science and Technology Act*

*The Student Assistance and Student Aid Fund Act, 1985*

*The Lender-financed Saskatchewan Student Loan Regulations*

*The Student Assistance and Student Aid Fund Regulations, 2001*

*The Saskatchewan Student Direct Loans Regulations*

Orders in Council issued pursuant to the above legislation

# Agriculture

**3**

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**3** **Agriculture**

# Main points

This chapter contains the results of our audits of the Ministry of Agriculture (Agriculture) and its agencies with years ended March 31, 2011, the results of our audit of Agriculture's processes to maintain irrigation infrastructure and our follow up of the premium rate setting process at the Saskatchewan Crop Insurance Corporation (SCIC).

Overall, Agriculture 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 of the agencies are reliable.

Agriculture and its agencies had adequate rules and procedures to safeguard public resources except that Agriculture needs to:

♦ monitor cash receipts from land sales
♦ improve its information technology (IT) processes for password protection, preparation of an IT plan, preparation and testing of a disaster recovery plan for critical IT systems, and monitoring the adequacy of IT services handled by the Information Technology Office
♦ improve its processes when making its significant accounting estimates

SCIC needs to establish processes for calculating accurate enrolment fees for its AgriStability programs.

**Agriculture—Irrigation Infrastructure Maintenance**

We conducted an audit of Agriculture's irrigation infrastructure maintenance. Our objective was to assess the adequacy of Agriculture's processes to maintain its irrigation infrastructure at Lake Diefenbaker between April 1, 2010 and March 31, 2011.

We concluded that Agriculture's processes to maintain irrigation infrastructure at Lake Diefenbaker were not adequate in the following respects. The Ministry needs more information about the condition of its irrigation infrastructure. Complete and current information would help the Ministry maintain its irrigation infrastructure appropriately. Documenting

its long-term objectives and maintenance plans would help the Ministry keep its infrastructure in good repair. Regular written reports would support the Ministry to make timely decisions to effectively maintain its irrigation infrastructure.

**SCIC—Premium Rate Setting Process—a follow up**

In our 2007 Report – Volume 3, we reported on SCIC's processes to set premium rates that comply with the *Canada-Saskatchewan Implementation Agreement* and *The Crop Insurance Act* and made three recommendations. At September 30, 2011, SCIC has implemented all three recommendations.

This chapter also contains the status of previous recommendations agreed to by the Standing Committee on Public Accounts. There are seven recommendations outstanding that are either partially, or not implemented.

## 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, 2011, Agriculture was responsible for the following special purpose funds and Crown agencies. Each one has a March 31 year-end unless otherwise noted.

Agricultural Credit Corporation of Saskatchewan
Agricultural Implements Board
Agri-Food Council
Beef Development Board[2]
Cattle Marketing Deductions Fund[3]
Crop Reinsurance Fund of Saskatchewan
Horned Cattle Fund
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund
Livestock Services Revolving Fund
Milk Control Board[4]
Pastures Revolving Fund
Prairie Agricultural Machinery Institute
Saskatchewan Agricultural Stabilization Fund
Saskatchewan Crop Insurance Corporation
Thomson Meats Ltd.[5]
Pension Plan for the Employees of Thomson Meats Ltd.[6]

The Saskatchewan Crop Insurance Corporation (SCIC) is a Crown corporation established under *The Crop Insurance Act*. SCIC administers a crop insurance program (known as AgriInsurance) for crop losses due

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[1] Ministry of Agriculture, *Ministry Plan for 2010-11*, p. 2.
[2] Wound up effective March 31, 2011.
[3] Wound up effective August 4, 2010.
[4] Wound up effective October 1, 2010.
[5] Entity had a fiscal year end of December 31. Agricultural Credit Corporation of Saskatchewan sold this entity including its related pension plan on December 2, 2010.
[6] Entity had a fiscal year end of December 31. It was included in the December 2010 sale of Thomson Meats Ltd.

to weather-related and other natural perils and, since January 1, 2010, the AgriStability Program.[7] SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Fund). The Fund receives premiums from SCIC and pays SCIC claims based on formulas established under the Agreement.

# Financial overview

For the year ended March 31, 2011, the Government's total agricultural expenses were $1,135 million and its agricultural-related revenues were $697 million. Exhibit 1 sets out expenses by program and revenues by source as reflected in the Government's 2010-11 Summary Financial Statements.

**Exhibit 1—Government's agricultural expense and revenue**

|  | 2011 | | 2010 | |
|---|---|---|---|---|
|  | (in millions of dollars) | | | |
| Agriculture expense by program: | | | | |
| Crop Insurance | $ | 677 | $ | 382 |
| Farm Stability | | 416 | | 181 |
| Other | | 42 | | 65 |
| | $ | 1,135 | $ | 628 |
| | | | | |
| Agriculture revenue by source: | | | | |
| Federal Government | $ | 446 | $ | 344 |
| Producers' Crop Insurance Premiums | | 145 | | 179 |
| Sales, Services, Fees and Other | | 106 | | 202 |
| | $ | 697 | $ | 725 |

In its 2011 financial statements, Saskatchewan Crop Insurance Corporation (SCIC) reports revenues of $560 million and expenses of $697 million for the year and total assets of $655 million at March 31, 2011.[8]

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[7] The AgriStability Program was previously administered by Canada.
[8] SCIC's financial statements are included in its Annual Report that is available at www.saskcropinsurance.com.

# Audit conclusion and findings

This chapter contains the results of our audits of Agriculture and its agencies with years ended on or before March 31, 2011. We also report the results of our audit of Agriculture's processes to maintain irrigation infrastructure.

Our Office worked with KPMG LLP, appointed auditor for Saskatchewan Agricultural Stabilization Fund, Saskatchewan Crop Insurance Corporation, and Crop Reinsurance Fund of Saskatchewan and with Meyers Norris Penny LLP, appointed auditor for Agricultural Credit Corporation of Saskatchewan and Thomson Meats Ltd. For these agencies, we used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[9]

**In our opinion, for the years ended on or before March 31, 2011:**

♦ **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 the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Agri-Food Act, 2004*
> *The Crop Insurance Act*
> *The Department of Agriculture, Food and Rural*
>     *Revitalization Act*
> *The Farm Financial Stability Act*
> *The Financial Administration Act, 1993*
> *The Government Organization Act*
> *The Irrigation Act, 1996*
> *The Ministry of Agriculture Regulations, 2007*
> *The Provincial Lands Act*
> *The Public Service Act, 1998*
> *The Purchasing Act, 2004*

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

*The Growing Forward: A Federal-Provincial-Territorial*
*Framework Agreement on Agriculture, Agri-*
*Food and Agri-Based Products Policy*
**Orders in Council and regulations issued pursuant to**
**the above legislation**

♦     **the financial statements of the agencies are reliable**

## Need to monitor cash receipts from land sales

Agriculture did not have a process to know whether it received all the cash it was entitled to from sales of land.

For the year ended March 31, 2011, Agriculture recorded approximately $23 million in revenue from land sales to over 380 buyers. At March 31, 2011, Agriculture owned and planned to sell approximately 1.34 million acres of land through its crown land sale program.[10]

Under the crown land sale program, buyers have two options to pay for land purchased:

1.     Pay in full at time of purchase.
2.     Pay fifty per cent at the time of purchase and pay the balance in four equal, annual payments based on a payment schedule guarantee issued by a recognized financial institution. Agriculture would receive these payments from the financial institution.

We expected Agriculture would track which buyers selected the payment schedule guarantee option and track receipt of amounts due from financial institutions so that it received all of the money to which it was entitled.

At March 31, 2011, Agriculture had written guidance about sending invoices to the financial institutions that have issued a payment schedule guarantee for a land sale. It relied on these invoices to remind the financial institutions to make the appropriate payment. However, it did not have a process to track that payments were received when and as expected.

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[10] Ministry of Agriculture, *2010-11 Annual Report*, p. 15.

Without a process to track cash receipts from land sales using the payment schedule guarantee option, there is a risk that Agriculture will not collect all public money due.

1.      **We recommend that the Ministry of Agriculture develop processes to track cash receipts from land sales.**

Agriculture told us that, subsequent to March 31, 2011, it adjusted its processes to monitor cash receipts from land sales using the payment schedule guarantee option. We will assess these processes during the 2011-12 audit.

# Need to strengthen information technology processes

Agriculture did not adequately design password controls to secure access to all of its computer systems that store confidential information.

During 2010-11, Agriculture used about 50 different information technology (IT) systems to deliver its services. These include, but were not limited to, systems to: process and prepare financial information, track land and its use, and record applications from producers for training programs. In some of its IT systems, Agriculture keeps personal and confidential information such as social insurance numbers and producer income tax information.

We expected Agriculture to assess the level of risk associated with each of its IT systems it uses to deliver services. Agriculture would then design processes to control access to these IT systems commensurate to the level of risk assessed. These processes would include designing the systems to require unique user names and passwords for each user. These passwords would meet standards for complexity and be changed periodically.

Agriculture has written guidance for processes to control access to information systems and business processes. This guidance includes standards for user names and passwords. One of Agriculture's critical IT systems that stores confidential information is a system that creates and manages databases. Each user has a unique user name. Management assigns each user access to only the databases they need. However, many users have the same password and the password is never

changed. Some users are not required to enter a password to gain access to the system.

Without adequate security controls, including passwords, over systems that keep personal and confidential information, there is a risk that unauthorized users may gain access to Agriculture's sensitive information.

2.      **We recommend that the Ministry of Agriculture configure its critical information technology systems to require a unique password for each user and passwords to be changed periodically.**

*We recommended that the Ministry of Agriculture prepare a written information technology plan.* (2010 report – Volume 2)

The Standing Committee on Public Accounts (PAC) considered this matter on June 7, 2011 and agreed with this recommendation.

In 2010-11, Agriculture continued to use an information technology (IT) committee (with senior management representation) to monitor Agriculture's IT plans and discuss IT issues. At August 2011, Agriculture had started, but not completed, its work on an IT plan.

**Status** – We continue to make this recommendation.

*We recommended that the Ministry of Agriculture have tested disaster recovery plans for its critical computer systems.* (2010 report – Volume 2)

PAC considered this matter on June 7, 2011 and agreed with this recommendation.

At August 2011, Agriculture had not tested its disaster recovery plan (DRP) for one of its critical IT systems, the Crown Land Management System. It had not developed a DRP for its other critical IT systems (e.g., the Livestock Information Management System). Also, Agriculture did not revise its service agreement with the Information Technology Office (ITO) to adequately address disaster recovery.

**Status** – We continue to make this recommendation.

*We recommended that the Ministry of Agriculture obtain assurance from the Information Technology Office on the operating effectiveness of the Information Technology Office's controls over its client systems and data and assess the impact of deficient controls on the Ministry of Agriculture's operations.* (2010 Report – Volume 2)

PAC considered this matter on June 7, 2011 and agreed with this recommendation.

During 2010-11, Agriculture's IT committee continued to monitor the services received from ITO, provide ITO with direction about Agriculture's IT plans, and discuss IT issues. As expected under the service agreement, Agriculture received, reviewed, and followed up issues (if any) noted on reports from ITO (e.g., Ministry IDS/Firewall report). Agriculture received additional information on risks.

After March 31, 2011, Agriculture has started working with ITO to obtain assurance over ITO's processes to maintain client information technology systems and data. At August 2011, Agriculture has not received such assurance.

**Status** – We continue to make this recommendation.

## Adequate payroll service level agreement needed

Agriculture did not have an adequate service level agreement with Public Service Commission (PSC) for its payroll services.

Agriculture spends about $23.8 million per year on salaries and benefits.

PSC provided Agriculture with payroll services. Agriculture's service level agreement with PSC did not clearly assign responsibilities for key payroll activities. An inadequate agreement increases the risk that Agriculture will not receive the services it needs.

> __3.__ __We recommend that the Ministry of Agriculture modify its agreement with the Public Service Commission clarifying responsibilities for key payroll activities.__

## Accounting estimates need strengthening

> *We recommended that the Ministry of Agriculture consistently document assumptions and analysis when making significant accounting estimates.* *(2009 Report – Volume 3)*

PAC considered this matter on June 25, 2010 and agreed with our recommendation.

Agriculture's significant accounting estimates at March 31, 2011 included the following:

♦ uncollectible receivables of $7.5 million ($12 million – March 31, 2010)

♦ amounts due from the Federal Government for its share of business risk management programs of $6.4 million ($2.7 million – March 31, 2010)

♦ all amounts owed to the Federal Government/Saskatchewan Crop Insurance Corporation for business risk management programs for current and past program years (e.g., AgriStability and AgriInvest[11]) of $159.3 million ($157.8 million – March 31, 2010) and related expense of $141.2 million ($131.4 million – March 31, 2010)

In our 2010 Report – Volume 2, we reported that Agriculture had limited documentation supporting its review and agreement of the key assumptions used (e.g., expected producer production, crop prices, expenses, producer participation) to support its estimates of expenses to the Federal Government and Saskatchewan Crop Insurance Corporation

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[11] AgriStability and AgriInvest are business risk management programs, designed to provide financial support when producers incur large financial losses. These programs allow producers to protect their farm operations from a large margin decline, while stabilizing their farm income. Retrieved from http://saskcropinsurance.com/agristability/program

(SCIC)[12] for AgriStability. These assumptions are used in a complex economic model maintained by the Federal Government.

In 2010-11, Agriculture significantly improved its documentation of methods used to calculate, review and agree upon these estimates with the Federal Government.

Because few current crop year claims (i.e., the 2010 crop year in 2010-11) are processed by March 31, Agriculture must estimate its AgriStability and AgriInvest expenses. Agriculture received from the Federal Government an estimate of AgriStability and AgriInvest costs for the current crop year. These estimates were received twice during its fiscal year in August and January, and were based on the best information available at that time. Agriculture recognized the uncertainty surrounding this estimate and determined its own range of estimated expenses at March starting with the Federal Government's January estimate. For 2010-11, Agriculture estimated its AgriStability and AgriInvest expenses to the Federal Government/SCIC to be between $131.3 million and $141.2 million. Agriculture's 2010-11 analysis did not consider past actual experience when setting the estimate.

Actual experience shows that Agriculture's AgriStability expense estimate has been significantly higher than the actual expense over the past three years. Exhibit 2 shows the expense amount and percentage of total expense reversed each year. This has resulted in Agriculture recording significant amounts as revenue[13] in the subsequent year, once actual claim information becomes available. In 2010-11, Agriculture recorded as revenue $57.3 million, of which $46.4 million related to 2009-10 (the difference between the actual amounts due to the Federal Government/SCIC for all previous fiscal periods and the amounts it had recorded for AgriStability and AgriInvest in those fiscal years).

As mentioned above, Agriculture's March 31 estimate used the Federal Government's January estimate. The Federal Government's estimate was based on information available up to December (i.e., March 31, 2011 estimate based on information available up to December 2010.) Because

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[12] Saskatchewan Crop Insurance Corporation assumed responsibility for administering the AgriStability program from the Federal Government starting April 1, 2010.
[13] Reversals or refunds of prior year expenses are recorded as Other-other own-source revenue.

Agriculture used December information for its March estimate, its estimate may not reflect the best information available at March 31.

**Exhibit 2—History of AgriStability and AgriInvest expenses**

| Year | Total AgriStability and AgriInvest expense recorded in fiscal year ($000) | Reversal of prior year expense recorded as revenue ($000) | Reversal as a percentage of initial expense recorded |
|------|------|------|------|
| 2007-08 | $115,799 | $37,341[14] | 32% |
| 2008-09 | $118,099 | $43,122 | 37% |
| 2009-10 | $131,432 | $46,421 | 35% |
| 2010-11 | $141,188 | Not yet available | N/A |

Source: Ministry of Agriculture accounting records

**Status** – We continue to make this recommendation.

## Saskatchewan Crop Insurance Corporation–Better processes over AgriStability enrolment fees needed

SCIC needs to ensure that AgriStability enrolment fees (fees) are calculated accurately and in accordance with the agreement.

As of January 1, 2010, SCIC began administering a separate program called the AgriStability Program. The program was established under an agreement called: *Growing Forward: a Federal-Provincial-Territorial Framework Agreement on Agriculture, Agri-food and Agri-Based Products Policy* (Agreement)*.* This program provides agricultural producers with protection against declines in production margin.[15]

The AgriStability program requires producers to pay an enrolment fee in order to be eligible for payments under the program. For the year ended March 31, 2011, SCIC recorded in its financial statements $11.7 million in enrolment fee revenue.

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[14] The reduction to AgriStability expense adjustment recorded in 2007-08 was part of a cumulative adjustment relating to 2003-04 to 2007-08. The total adjustment recorded in 2007-08 was $92.964 million.
[15] The *AgriStability Program Guidelines* define the production margin as the difference between allowable income and allowable expense for the year. The guidelines specify details of how the production margin is calculated and the required adjustments for items such as receivables, payables and inventory.

During the year, SCIC did not calculate the enrolment fees in accordance with the Agreement. The Agreement requires that SCIC base the calculation of the individual producer's enrolment fees on the producer's production margin of previous years. Management of SCIC told us it did not do this because it was not practical due to time constraints to send producers their enrolment notices that included the enrolment fee. At the time SCIC calculated the fees, it did not have all of the information to calculate the fee in accordance with the Agreement. The Agreement requires that where previous years' production margin is not available, it is to be estimated based on similar farms. SCIC used other methods of calculating the fee. For example, in some instances, SCIC estimated the production margin of a previous year based on the production margin of other previous years for that producer. In other instances, the amount of the enrolment fee calculated for a particular producer in the prior year was used as the current year enrolment fee. Because of the nature of the information available, management was unable to quantify the amount of the error. However, it is estimated that for the year ended March 31, 2011, the amount of the error was not material.

Also, SCIC did not have controls in place to ensure the accuracy of the calculation of fees for the AgriStability program. For example, we found no evidence that the calculation was reviewed for accuracy and compliance with the Agreement. SCIC should set out processes that will ensure the accuracy of the calculation of the fees.

4. **We recommend that the Saskatchewan Crop Insurance Corporation establish processes for calculating accurate AgriStability enrolment fees in accordance with the Growing Forward Agreement.**

## Irrigation infrastructure maintenance

### Introduction

Part of Agriculture's mandate is to foster a commercially viable, self-sufficient and sustainable agriculture and food sector.[16] In some parts of Saskatchewan, this involves irrigation.

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[16] *Ministry of Agriculture 10-11 Annual Report*, p. 6.

Irrigation infrastructure means the permanent installations that direct the water and control its flow, making irrigation possible. Irrigation infrastructure includes drains, ditches, culverts, canals, pipelines, pumps, and pump stations that keep the water moving.[17]

*The Irrigation Act, 1996* gives Agriculture authority to own irrigation infrastructure and/or grant financial assistance related to irrigation. Agriculture owns the majority of the infrastructure related to irrigation in Saskatchewan. This infrastructure has a recorded cost of about $63 million and a net book value of about $18 million.[18] In 2010-11, Agriculture spent about $5.2 million to operate, maintain, and administer irrigation infrastructure.[19]

Agriculture is responsible to maintain its irrigation infrastructure either directly or by working with irrigation districts (explained in the next section). This chapter describes the results of our audit of Agriculture's processes to maintain its irrigation infrastructure at Lake Diefenbaker.

## Background—Irrigation in Saskatchewan

Irrigation helps to diversify rural economies, stabilize crop production, and retain rural populations. It helps to manage drought cycles. In Saskatchewan's semi-arid areas, irrigation makes it possible to grow a wider range of crops (e.g., potatoes, beans, herbs, berries) and support more livestock. Irrigation also contributes water for use by businesses and municipalities during the irrigation season (May through September). If irrigation water is not available when needed, there is increased risk of reduced crop production and business interruption.

*The Irrigation Act, 1996,* enables people who wish to use irrigation water to form irrigation districts for specific geographic areas. The primary objective of irrigation districts is to provide irrigation water within the district. Irrigation districts also co-operate to promote sustainable irrigation and economic viability.

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[17] *The Irrigation Act, 1996,* Section 2(l) defines irrigation works. We used the term irrigation infrastructure. We excluded dykes, dams, and weirs used for irrigation.
[18] Ministry of Agriculture tangible capital asset continuity schedule as at March 31, 2011.
[19] *Ministry of Agriculture 10-11 Annual Report,* p. 32.

Saskatchewan had 26 irrigation districts in May 2011. The largest of these irrigation districts are in central Saskatchewan at Lake Diefenbaker.

**Exhibit 3—Irrigation districts by irrigated acres and irrigators, 2011**

| District | Number of Irrigated Acres | Number of Irrigators |
|---|---|---|
| South Saskatchewan River Irrigation District (SSRID) and Saskatoon South East Water Supply System (SSEWS) [20] using the **East Side pump station and M1 canal** | 55,000 | 159 |
| **Riverhurst** Irrigation District | 11,500 | 28 |
| **Luck Lake** Irrigation District | 10,000 | 25 |
| All other Saskatchewan irrigation districts combined | 43,500 | 409 |
| Total for 26 districts | 120,000 | 621 |

The Lake Diefenbaker irrigation infrastructure is significant and complex. The bolded items in Exhibit 3 form part of the Lake Diefenbaker irrigation infrastructure. This infrastructure consists mainly of pump stations, pipelines, and canals intended to transport large volumes of water for business and agricultural purposes throughout the irrigation season. Irrigation in other districts operates with small pumps or by gravity-flow through earth canals that transport small volumes of water. There are no large pump stations or pipelines in these smaller districts.

Agriculture's Lake Diefenbaker irrigation infrastructure consists of:

♦ the East Side pump station and M1 canal
– pump capacity of 380 thousand gallons per minute
– 450 km of canals and drains (to remove excess water)

♦ the Riverhurst pump station and pipelines
– pump capacity of 96 thousand gallons per minute
– 45 km of pipeline

♦ the Luck Lake pump station and pipelines
– pump capacity of 74 thousand gallons per minute
– 34 km of pipeline

Water from Agriculture's irrigation infrastructure at Lake Diefenbaker:
♦ irrigates about 76,500 acres of farmland

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[20] The Saskatchewan Water Corporation owns and operates the Saskatoon South East Water Supply System.

- ♦     has various business uses, mainly for three potash mines
- ♦     is a non-potable water source for four villages, three towns, and two resort villages that treat this water along with water from other sources such as wells to produce drinking water
- ♦     supports waterfowl habitat conservation including heritage marsh

Effectively maintaining irrigation infrastructure reduces the long-term costs for irrigation. Preventative maintenance keeps irrigation infrastructure in good repair to provide a reliable water source and avoid water loss (e.g., from leaks or improperly controlled water flow). Doing the right maintenance at the right time helps ensure that water will be available to users when they need it.

## Audit objective, scope, criteria, and conclusion

The objective of this audit was to assess the adequacy of Agriculture's processes to maintain its irrigation infrastructure at Lake Diefenbaker between April 1, 2010 to March 31, 2011.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. We examined relevant policies, procedure manuals, and related documents, and interviewed key staff on-site at the irrigation infrastructure.

To evaluate Agriculture's processes, we used criteria based on the work of other auditors and literature listed in the selected references. Agriculture's management agreed with the criteria.

Our criteria specify that to maintain irrigation infrastructure adequately at Lake Diefenbaker, Agriculture should:
1.     obtain reliable information about the irrigation infrastructure
2.     develop a maintenance plan for irrigation infrastructure
3.     carry out maintenance effectively on irrigation infrastructure
4.     monitor the performance of maintenance

**We concluded that from April 1, 2010 to March 31, 2011, the Ministry of Agriculture's processes to maintain irrigation infrastructure at Lake Diefenbaker were not adequate in the following respects. Agriculture needs to:**

- ♦ **regularly assess the condition of its irrigation infrastructure to allow informed decisions about required maintenance and its timing**
- ♦ **document a maintenance plan and key planning processes for its irrigation infrastructure**
- ♦ **prioritize maintenance activities based on long-term objectives for irrigation infrastructure**
- ♦ **document maintenance activities completed on irrigation infrastructure to ensure it meets maintenance standards**
- ♦ **report the results of maintenance activities on its irrigation infrastructure to enable monitoring**

Agriculture became responsible for the irrigation infrastructure at Lake Diefenbaker in 2006.[21] Agriculture told us that the irrigation infrastructure was not in good condition at that time and a thorough assessment of it had not been done. As set out in Exhibit 3 (above) and Exhibit 4 (below), Agriculture undertook various activities to obtain information about the condition of the irrigation infrastructure and to address some significant risks.

## Key findings and recommendations

In this section, we set out our key findings and recommendations. Our expectations (criteria) are in italics under each subheading.

## Reliable, current, complete information needed

*We expected the Ministry of Agriculture would have a complete list of its irrigation infrastructure including all key components. We expected it would have processes to keep key information current and reliable (e.g., condition, previous maintenance). We expected the Ministry to assess risks that could prevent the irrigation infrastructure from operating at expected service levels (service objectives).*

Agriculture did not set out what information it needed about its irrigation infrastructure or its condition. It did not have policies requiring this information be collected or how often to update it. Agriculture contracted

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[21] The Saskatchewan Water Corporation had responsibility for irrigation infrastructure at Lake Diefenbaker from 1984 to 2006.

engineering consultants to provide basic information about the condition of some of its irrigation infrastructure. Engineers provided this information in the form of asset management plans to guide operations, maintenance activities, and rehabilitation of the irrigation infrastructure. Agriculture obtained complete asset management plans for the Eastside pump station, the M1 canal, and its pipelines. It did not seek asset management plans for its Riverhurst pump station or Luck Lake pump station (see Exhibit 4).

Asset management plans were important as they included a detailed inventory of all components, their condition, and risks related to their condition at the time of the assessment. These plans also suggested rehabilitation activities, preventative maintenance, and estimated costs over the short and medium term. The asset management plans indicated that available operating and maintenance data should be used to update the asset management plans every year. The plans could then be adjusted to reflect the results from recent inspections, actual maintenance activities, and available resources.[22] Agriculture did not have a plan to update its information about the condition of its irrigation infrastructure.

Agriculture obtained some current information on the condition of all three of its pump stations. For example, Agriculture installed vibration detection equipment at all its pump stations to protect pumps by shutting them off if unacceptable vibration levels were detected. In addition, Agriculture hired electrical contractors to assess the electrical components at each pump station once every three years.

Agriculture did not have current information for Riverhurst and Luck Lake pump stations (e.g., condition of the components of these pump stations). Current information about the condition of its irrigation infrastructure would help Agriculture to identify what maintenance the irrigation infrastructure requires urgently or for prevention. Without current information, Agriculture is less able to assess the risks it faces.

The following summarizes information Agriculture had about the condition of its irrigation infrastructure including information from the asset management plans and assessments of electrical or other component parts.

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[22] PCCP Pipeline Management Plan Update, January 2011, pg i.

**Exhibit 4—2007 to 2011 information about condition of irrigation infrastructure at Lake Diefenbaker**

| Infrastructure | Year construction completed | Year Asset Management Plan completed | Year assessed electrical or other parts | Infrastructure needing repair[23] |
|---|---|---|---|---|
| East Side pump station | 1970 | 2009 | 2010 roof; 2011 cooling system; (2012 electrical) | 8% |
| M1 Canal | 1970 | 2009 | n/a | 7% |
| Riverhurst pump station | 1990 | No Asset Management Plan completed | 2011 electrical | Unknown |
| Luck Lake pump station | 1988 | No Asset Management Plan completed | 2006 roof; 2010 electrical | Unknown |
| Pipelines (Riverhurst and Luck Lake) | 1990 | 2007, 2011 | n/a electrical; 2009 corrosion | 12% |

Irrigation infrastructure deteriorates over time and is subject to damage from severe weather, erosion, animals (e.g., beaver), and events causing damage to the infrastructure's condition. Agriculture needs current, reliable information about the condition of its irrigation infrastructure at least every five years. In addition to its periodic information about electrical components and vibration, Agriculture needs to know if other key components are functioning effectively in its pump stations, pipelines, and canals. Agriculture could then more effectively plan for maintenance, rehabilitation, or the replacement of key components of its irrigation infrastructure over the longer term. More current information would help Agriculture complete maintenance economically, at the right time, to ensure it can supply irrigation water when and where it is needed.

5.      **We recommend that the Ministry of Agriculture regularly assess the condition of its irrigation infrastructure to facilitate maintenance planning and ensure it can supply irrigation water as needed.**

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[23] Percentage of infrastructure that was in need of urgent replacement or rehabilitation at the time the condition assessment was completed for the asset management plan.

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## Maintenance plans needed for irrigation infrastructure

*We expected the Ministry of Agriculture to develop plans for maintaining irrigation infrastructure to an acceptable condition to achieve its irrigation objectives. We expected the Ministry's maintenance plan to identify maintenance objectives, strategies, and estimated costs over the short, medium, and long term. We expected the plan to set priorities for targeted and timely maintenance. We expected the plan to include performance measures to help the Ministry monitor the achievement of its maintenance objectives.*

Agriculture did not have formal maintenance plans for all of its irrigation infrastructure. Agriculture used informal processes to guide its maintenance decisions. These processes included informal inspections by Ministry staff, following manufacturers' pump-equipment maintenance standards, and adopting certain recommendations from the asset management plans. It also relied on the experience and expertise of its maintenance staff. In addition, Agriculture kept extra pumps ready for service at all pump stations in the event of pump failure or unplanned downtime. It also stockpiled extra pipe and materials to repair pipelines.

Agriculture documented only some of its planning processes for maintaining irrigation infrastructure. For example, although Agriculture told us it discussed the recommendations and maintenance priorities set out in the asset management plans, it did not document its decisions or rationale supporting whether it accepted or rejected them. Agriculture did not have other processes to prioritize maintenance for its irrigation infrastructure. We found that Ministry staff understood the current planning process and practices, in part because of low turnover of the staff operating and maintaining irrigation infrastructure.

Lack of documented maintenance plans and procedures could hamper Agriculture's ability to effectively carry out maintenance activities, particularly when experienced staff leave. Without documentation of the rationale for key maintenance decisions, Agriculture risks missing critical maintenance when the demand for water is greater and the pressure on its irrigation infrastructure increases.

**6.** **We recommend that the Ministry of Agriculture document its planning processes and its maintenance plan for its irrigation infrastructure.**

Demand for irrigation water fluctuates with the number of acres to be irrigated and the amount and timing of rainfall. If the district receives sufficient rainfall at the right times, it needs less irrigation water. Agriculture did not set irrigation objectives (i.e., service objectives).[24] Agriculture told us it aimed to maintain its irrigation infrastructure to meet the needs of irrigators during the irrigation season.

Agriculture did not document objectives setting out in what condition it expected to maintain its irrigation infrastructure. The condition of the infrastructure influences the length of the infrastructure's working life and the amount of water it can handle at any point in time. Agriculture had one maintenance objective to guide maintenance decisions for irrigation infrastructure ("operate without service disruption longer than three consecutive days during the irrigation season"). It documented this maintenance objective in its business continuity plan.

Long-term service objectives and maintenance objectives would help Agriculture select the right maintenance activities at the right time over the life of the irrigation infrastructure. This would reduce the risk of the irrigation infrastructure becoming unreliable or of future repair costs becoming unpredictable or higher than necessary. Unreliable irrigation infrastructure could adversely impact crop production or cause unexpected business interruptions. Use of service objectives would help ensure maintenance activities are consistent with Agriculture's priorities.

**7.** **We recommend that the Ministry of Agriculture set long-term irrigation objectives and use them to guide maintenance plans and priorities for its irrigation infrastructure.**

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[24] The Ministry had formal agreements with irrigation districts. These agreements clarified roles and set out the quality and maximum quantity of water that could be drawn from Lake Diefenbaker. For example, the Ministry agreed to provide non-potable water (not drinking quality) and specified it would provide enough water to cover each acre served with up to 1.5 feet of water during the irrigation season.

## Maintenance inconsistently documented

*To carry out maintenance effectively, we expected that the Ministry of Agriculture would use recognized standards for its various maintenance activities, establish maintenance procedures consistent with those standards, and track the completion of maintenance activities and changes to its planned activities.*

For pump stations, Agriculture based its maintenance activities on manufacturers' standards and staff experience. It maintained a manual for each pump station that provided staff with sufficient detailed guidance on carrying out daily operations and maintenance activities. These manuals set out the maintenance standards, a checklist of regular activities, and maintenance procedures to complete at the beginning and end of the irrigation season.

For canals and pipelines, Agriculture did not have formal maintenance standards or guidance. Canal maintenance may be required due to erosion or damage caused by debris or animals. Pressurized water pipelines require regular observation and prompt repair of areas at risk of leaks. Agriculture relied on experienced staff to identify and carry out maintenance for canals and pipelines. Our audit did not identify any significant, unexpected service interruptions during the 2010 irrigation season.

Ministry management assigned one supervisor to monitor daily operations and maintenance activities for all irrigation infrastructure at Lake Diefenbaker. The supervisor assigned and monitored maintenance activities during onsite visits and bi-monthly staff meetings during irrigation season. Seasonal employees performed routine maintenance during the irrigation season. Agriculture scheduled larger rehabilitation work outside of the irrigation season (e.g., replacing the liner of the M1 canal).

As previously noted, Agriculture did not document whether it accepted or carried out the priorities as recommended in the asset management plans. Exhibit 5 summarizes some significant recommended activities that Agriculture told us it planned to complete.

**Exhibit 5—Maintenance recommended by engineers**

| Infrastructure (year Asset Management Plan completed) | Asset Management Plan recommendations | Ministry action taken |
|---|---|---|
| **East Side pump station** asset management plan (2009) | Address non-compliance with existing electrical and building codes, and occupational health and safety regulations | Work started in November 2009 and completed in July 2011 |
| | Several components operating beyond their service life (e.g., pump condition monitoring systems, electrical components, etc.) | Work to replace these components started in April 2010 and is ongoing |
| | Install pump condition monitoring system | Work started in March 2009 and is ongoing |
| **M1 Canal** asset management plan (2009) | Complete major rehabilitation on canal (install buried surface liner for canal) | In 2010-11, entered into contracts to complete work over 5 years at a total estimated cost of $50 million |
| **Pipelines** asset management plan (2007) | Complete detailed condition assessments | Started in January 2009, work continues |
| | Install cathodic protection system | Trial project started in 2010 |

Staff consistently documented their key pipeline maintenance activities. After maintenance on a section of pipeline, staff reported the date, location, and reason for the repair, what was done, and who did it.

However, staff did not consistently document maintenance activities for pump stations and canals. This resulted in incomplete records of maintenance activities. For example, Agriculture had activity logs for its East Side and Riverhurst pump stations. Staff used the East Side logs primarily to record the flow volumes at the beginning and end of the irrigation season. The Riverhurst log sometimes recorded what maintenance activities occurred and when, but it had long gaps (one occasion with a three-year gap after 2005) without maintenance records. The logs did not consistently show whether Agriculture maintained its infrastructure to recommended manufacturer standards (e.g., checking pump oil levels every 500 hours or 3 months).

Without complete documentation, Agriculture cannot demonstrate that it properly maintained its irrigation infrastructure.

8. **We recommend that the Ministry of Agriculture document maintenance activities completed on irrigation infrastructure.**

## Performance monitored informally

*To monitor performance, we expected that the Ministry of Agriculture would regularly review and report on its progress in carrying out its maintenance plan. We expected reports would provide enough information for management to review the results of maintenance activities and adjust plans.*

Agriculture had adequate processes to monitor its financial performance. It did not have a policy or adequate processes to monitor the results of operations and maintenance for its irrigation infrastructure.

For financial reporting, Agriculture used well-defined processes to track and prepare reports on planned, actual, and forecasted costs. It actively managed whether maintenance activities were within the approved budget. Agriculture produced summarized financial reports at various times. For example, middle and senior management received monthly financial reports. Management used this financial information to bill each irrigation district for maintenance costs as set out in Agriculture's agreements with irrigation districts.

Agriculture did not have performance measures to monitor maintenance or the condition of its irrigation infrastructure. Senior management did not receive written reports about irrigation service disruptions. Senior management did not receive written reports about changes in the condition of irrigation infrastructure over time, the progress of maintenance, or the expected impact of not completing maintenance on irrigation infrastructure.

Management told us it informally received verbal information about its irrigation infrastructure in bimonthly staff meetings. Management told us it used this information to adjust its informal maintenance plans and make verbal reports to senior management.

Written information is essential for decisions that have a long-term impact on the condition of the irrigation infrastructure. In addition, written information would provide a permanent record of the history of the results of maintenance activities for irrigation infrastructure. Such records are particularly important when experienced staff leave or senior management changes.

9. **We recommend that the Ministry of Agriculture require regular written reports on the results of its maintenance activities for irrigation infrastructure for review by senior management.**

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# Saskatchewan Crop Insurance Corporation—Premium rate setting process—a follow up

In our 2007 Report – Volume 3, we reported on SCIC's processes to set premium rates that comply with the *Canada-Saskatchewan Implementation Agreement* and *The Crop Insurance Act*. We made three recommendations.

*We recommended:*

♦ *Saskatchewan Crop Insurance Corporation document and approve all its procedures for calculating premium rates*

♦ *Saskatchewan Crop Insurance Corporation establish and document procedures to check the accuracy of data and formulas used to calculate premium rates*

♦ *the Board of Directors of Saskatchewan Crop Insurance Corporation approve an internal auditor plan that includes follow up of the internal auditor's recommendations.* *(2007 Report – Volume 3)*

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

In 2009, we assessed management's progress towards addressing our recommendations. At that time, we reported that while SCIC had made some progress, more work remained on all three recommendations.

In 2011, we re-assessed management's progress towards addressing our past recommendations. We describe below the work SCIC has done to address our recommendations to September 30, 2011.

## Procedures for calculating premium rates

SCIC has established written procedures for calculating premium rates. Management has formally approved those 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. Those procedures require an independent check of the calculation of the premiums rates. Our follow up found evidence of the independent check.

## Approval of internal audit plan

The Board of Directors approve the internal auditor's plan on an annual basis. The plan includes follow up work by the internal auditor to verify that management has properly addressed the internal auditor's past recommendations. The internal auditor now has a process in place to

track, follow up and report to the Board on the internal auditor's past recommendations.

**Status** – SCIC has implemented all of our past recommendations related to our examination of SCIC's processes to set premium rates.

## Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[25] Our intent is to follow up outstanding recommendations in upcoming reports.

**Exhibit 6**

| PAC REPORT YEAR[26] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of Agriculture - Regulating Pesticides** (2007 Report – Volume 1) | | |
| 2009 | 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, 2010). We plan to do a follow up in 2012. |
| 2009 | 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, 2010). We plan to do a follow up in 2012. |
| **Saskatchewan Crop Insurance Corporation - Security Awareness (**2010 Report – Volume 1) | | |
| 2011 | 3-2 that the Saskatchewan Crop Insurance Corporation include in its privacy and security policies a requirement for a formal security awareness program. | **Not Implemented** (as at February 28, 2010). We plan to do a follow up in 2012. |

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[25] For definitions of the Key Terms used in Exhibit 6, see Chapter 27 – Standing Committee on Public Accounts.
[26] "PAC Report Year" refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

| PAC REPORT YEAR[26] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| 2011 | 3-3 that the Saskatchewan Crop Insurance Corporation document who is responsible to ensure that security awareness activities are regularly carried out. | **Not Implemented** (as at February 28, 2010). We plan to do a follow up in 2012. |
| 2011 | 3-4 that the Saskatchewan Crop Insurance Corporation document its plan for delivery of its security awareness program and carry out the plan. | **Not Implemented** (as at February 28, 2010). We plan to do a follow up in 2012. |
| 2011 | 3-5 that the Saskatchewan Crop Insurance Corporation monitor the effectiveness of its security awareness program. | **Not Implemented** (as at February 28, 2010). We plan to do a follow up in 2012. |

# Corrections, Public Safety and Policing

**4**

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# 4 Corrections, Public Safety and Policing

# Main points

The Ministry of Corrections, Public Safety and Policing (Ministry) and its related funds complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The financial statements of the Corrections Facilities Industries Revolving Fund and the Sask911 Account are reliable. There are seven areas of internal control that require improvement including the following. The Ministry:

♦ should ensure its internal audit function focuses on activities where the Ministry is at greatest risk
♦ needs to ensure that the policies and procedures for paying amounts owed to employees are followed
♦ needs to establish written policies and procedures for making payments to First Nations for policing services
♦ needs to comply with the terms of its shared service agreement with the Ministry of Justice and Attorney General, adequately protect its information technology systems and data, and complete its business continuity plan

The chapter also provides an update on the status of 14 recommendations agreed to by the Standing Committee on Public Accounts.

**Monitor municipal policing audit**

This chapter includes an audit of the Saskatchewan Police Commission's processes to monitor municipal policing to ensure that municipal police services uniformly safeguard the communities they serve. We also examined the Ministry's processes, where applicable. We concluded that for the 12 months ended August 31, 2011, the Ministry and the Saskatchewan Police Commission (Commission) should have had more effective processes to monitor municipal policing to ensure that municipal police services uniformly safeguard the communities they serve.

*The Police Act, 1990* makes the Commission and the Ministry responsible for promoting policing throughout Saskatchewan. To help the Commission and the Ministry effectively monitor municipal policing, we recommend that:

♦    the Ministry and the Commission have a written agreement that set out their respective roles and responsibilities

♦    the Ministry ensure the Commission has adequate resources to fulfill its mandate

♦    the Commission work with the Ministry to develop strategic and operational plans

♦    the Commission and the Ministry implement a process for monitoring compliance with municipal police standards and ensure action is taken to address non-compliance

♦    the Commission ensure policies and procedures of municipal police services comply with the Commission's policy manual

♦    the Commission meet regularly to carry out its roles and responsibilities

**Process to rehabilitate adult inmates—a follow up**

This chapter also includes a follow up of recommendations from our 2008 audit of processes to rehabilitate adult inmates. The Ministry implemented one recommendation in 2010. At August 31, 2011, the Ministry had not yet implemented the remaining three recommendations. It does not consistently follow its policies to assess inmates' rehabilitation needs, know whether inmates have sufficient access to rehabilitation programs, or know whether its rehabilitation programs are working as intended.

# Introduction

The Ministry of Corrections, Public Safety and Policing (Ministry) seeks to advance safe, secure communities through enhanced crime prevention and reduction. It provides corrections, rehabilitation and treatment services and programs. For public safety, it does emergency planning and communication, monitors building standards, fire prevention and disaster assistance programs, and provides licensing and inspection services. The Ministry seeks to advance public order, safety and security by working with various communities and organizations and by ensuring that effective policing and private security programs uphold the rule of law and protect society and the rights of individuals.[1]

The Ministry focuses on activities in five main areas: adult corrections, young offenders programs, policing services, public protection and emergency services, and licensing and inspections.

## Financial overview

The following is a list of major programs and spending for the year ended March 31, 2011:

|  | Original Estimates[2] | Actual |
|---|---|---|
|  | (in millions of dollars) | |
| Central Management & Services[3] | $ 20.5 | $ 21.8 |
| Adult Corrections[3] | 98.1 | 103.7 |
| Young Offenders Programs[3] | 50.3 | 50.4 |
| Public Safety | 12.6 | 57.3 |
| Policing Services | 154.3 | 151.9 |
| Capital asset amortization | 0.3[4] | 5.0 |
| Total expense | 336.1 | 390.1 |
| Capital acquisitions | 17.3 | 11.9 |
|  | $ 353.4 | $ 402.0 |

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[1] Ministry of Corrections, Public Safety, and Policing, *10-11 Annual Report*, p.6.
[2] *Saskatchewan Provincial Budget 10-11 Estimates* – Corrections, Public Safety and Policing Vote 73: Government of Saskatchewan.
[3] Original estimates amount shown is net of the estimate for capital acquisitions.
[4] Amortization is not included in the appropriation.

The Ministry had revenue of $65.1 million including transfers from the Federal government of $46.7 million. The Ministry's annual report explains significant differences between actual and estimated revenues and expenses[5].

## Related special purpose funds

At March 31, 2011, the Ministry was responsible for the following special purpose funds:

| | Year-end |
|---|---|
| Correctional Facilities Industries Revolving Fund | March 31 |
| Sask911 Account | March 31 |

# Audit conclusion and findings

Our office worked with KPMG LLP, the appointed auditor, to carry out the audit on the Sask911 Account. We followed the framework in the *Report on the Task Force on Roles, Responsibilities and Duties of Auditors.*[6]

**In our opinion, for the year ended March 31, 2011:**

♦ **the Ministry and the above-listed special purpose funds had adequate rules and procedures to safeguard public resources except as described in this chapter**

♦ **the Ministry and the above-listed special purpose funds complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Correctional Services Act*
> *The Correctional Services Trust Account Regulations*
> *The Youth Justice Administration Act*
> *The Emergency Planning Act*
> *The Provincial Disaster Assistance Program
>      Regulations, 2011*
> *The Fire Prevention Act, 1992*

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[5] See www.cpsp.gov.sk.ca for Corrections' *2010-11 Annual Report.*
[6] To view this report, see our website at www.auditor.sk.ca/rrd.html.

*The Amusement Ride Safety Act*

*The Amusement Ride Safety Regulations*

*The Boiler and Pressure Vessel Act, 1999*

*The Boiler and Pressure Vessel Regulations*

*The Electrical Licensing Act*

*The Electrical Licensing Fees Regulations* (Section 3)

*The Gas Licensing Act*

*The Gas Licensing Regulations* (Section 12)

*The Passenger and Freight Elevator Act*

*The Passenger and Freight Elevator Regulations, 2003*

*The Police Act, 1990*

*The Police Regulations*

*The Public Service Act, 1998*

*The Public Service Regulations, 1999*

*The Purchasing Act, 2004*

*The Technical Safety Authority of Saskatchewan Act* (Section 25)

*The Crown Employment Contracts Act*

*The Government Organization Act*

*The Financial Administration Act, 1993*

*The Saskatchewan Telecommunications Holding Corporation Act* (section 22.1)

*The Saskatchewan Telecommunications Act* (sections 9(1), 45.1, 45.2, 46)

*The Sask911 Fees Regulations, 2003*

*The Emergency 911 System Act*

Orders in Council issued pursuant to the above legislation

♦ **the financial statements of the above-listed special purpose funds are reliable**

In this chapter, we report the results of our work on the Ministry's and the Saskatchewan Police Commission's processes to monitor municipal policing. We also report the results of our follow up work on the Ministry's processes to rehabilitate adult inmates. An update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC) is included in this chapter.

## Internal audit needs strengthening

***We recommended that the Ministry of Corrections, Public Safety and Policing follow its policy for its internal audit function to focus on the activities where the Ministry is at greatest risk.*** *(2009 Report – Volume 1)*

On February 2, 2010, PAC agreed with our recommendation.

A formal risk assessment is essential so the Ministry's staff focus audit resources on areas of greatest significance. In January 2008, the Ministry approved an internal audit policy. The policy requires a risk assessment to ensure audits focus on the areas with the highest risk. The internal audit policy also establishes an Audit Committee to oversee internal audit. This committee is to provide direction to internal audit, approve the annual audit plan based on a risk assessment, and review semi-annual summary audit reports.

The Audit Committee met three times during 2010-11. However, it did not approve a formal risk assessment. The committee plans to hire a Director, Risk Management and Audit. This position's responsibility is to include preparing and presenting a risk-based audit plan to the Audit Committee for approval.

**Status** – We continue to make this recommendation.

## Need to follow payroll guidance

***We recommended that the Ministry of Corrections, Public Safety and Policing supervise its employees to ensure they follow the Ministry's policies and procedures for paying amounts owed to employees.*** *(2010 Report – Volume 1)*

On May 11, 2011, PAC agreed with our recommendation.

The Ministry spent about $135 million on salaries and wages for the year ended March 31, 2011.

The Ministry paid employees based on timecards that were not properly approved or supported. During 2010-11, consistent with prior years,

supervisors did not always approve timesheets or approved timesheets without having adequate support to show that the employee worked the time claimed on the timesheet. We found 40% of the timesheets we tested were either not properly approved or were not properly supported. Further, the Ministry did not always approve overtime in advance or ensure proper support existed to verify the overtime.

Not following approved procedures could result in the Ministry overpaying employees.

This issue is consistent with findings we reported in our 2010 Report – Volume 1 (Chapter 4). On May 11, 2011 and June 7, 2011, PAC agreed with our recommendations.

During 2010-11, the Ministry implemented two policies entitled "Commitment to Excellence & Code of Professional Conduct" and "Attendance Management Policy." Management told us that it expects these policies will help improve payroll accuracy.

**Status** – We continue to make this recommendation.

## Comply with terms of First Nations policing agreements

*We recommended that the Ministry of Corrections, Public Safety and Policing establish adequate written policies and procedures for making payments to First Nations for policing services.* (2010 Report – Volume 2)

On June 7, 2011, PAC agreed with our recommendation.

At March 31, 2011, the Ministry had not established written policies and procedures for addressing situations when information (e.g., reports, audited financial statements) under the policing services agreements is not received from First Nations as expected. These policies and procedures should provide guidance as to when to withhold payments or when to make them in full or in part. Such policies and procedures must consider the risk that First Nations will not have sufficient funds to carry out their policing services and must recognize that the lack of receipt of audited financial statements increases the risk the Ministry may pay First Nations incorrect amounts.

The Ministry has entered into about 35 policing agreements with First Nations. Under the terms of the agreements, the Ministry agreed to provide approximately $1.6 million to First Nations for policing each year through quarterly advance payments. First Nations, in turn, agreed to give the Ministry their audited annual financial statements and return any unspent surplus funds at the end of each fiscal year.

During 2010-11, the Ministry continued to receive unaudited financial statements from some First Nations and did not receive financial statements from a few other First Nations. As a result, the Ministry has not consistently made the quarterly advance payments to First Nations. At March 31, 2011, the Ministry had not advanced $1.7 million to First Nations.

The Ministry told us it is working with First Nations to determine the correct amounts owed based on audited financial information so that the Ministry can pay the required amounts.

**Status** – We continue to make this recommendation.

## Follow shared services agreement

***We recommended that the Ministry of Corrections, Public Safety and Policing comply with the terms of the Shared Services Agreement with the Ministry of Justice and Attorney General.*** (*2010 Report – Volume 1)*

On May 11, 2011, PAC agreed with our recommendation.

In April 2002, the Ministry approved a memorandum of understanding with the Ministry of Justice and Attorney General (Justice) identifying the protocols for the operation of the Shared Services Branch. The Shared Services Agreement (Agreement) establishes a Shared Services Operations Sub-Committee. Under the Agreement, the Sub-Committee is to perform an annual review and evaluation of the terms, conditions, services, and information provisions within the Agreement. The last formal review was in 2006. Without timely review of the Agreement, the Ministry does not know if shared services are operating effectively.

The Ministry told us it is in the process of updating the terms of the Agreement.

**Status** – We continue to make this recommendation.

## Better information technology processes needed

*We recommended that the Ministry of Corrections, Public Safety and Policing sign an adequate agreement on disaster recovery and security with the Information Technology Office.* (2009 Report – Volume 1)

On February 2, 2010, PAC agreed with our recommendation.

During 2010-11, the Ministry did not sign a new disaster recovery and security agreement with the Information Technology Office (ITO). The Ministry's current agreement with ITO does not identify all security requirements. For example, the agreement does not set out what security policies and procedures the Ministry's employees need to follow. Nor does it identify disaster recovery plans for significant applications. The Ministry told us it is working on a new agreement with ITO.

**Status** – We continue to make this recommendation.

*We recommended that the Ministry of Corrections, Public Safety and Policing adequately monitor the security of its information technology systems and data.* (2009 Report – Volume 1)

On February 2, 2010, PAC agreed with our recommendation.

During 2010-11, the Ministry continued to receive monthly reports from ITO. The content of the reports is unchanged from prior years. Although the reports include information on ITO's activities such as service levels and costs, they include limited information on the security or availability of its systems and no information about the adequacy of ITO's controls or how weak controls at ITO could impact the Ministry's systems and data. Consequently, the Ministry does not know if ITO is meeting the Ministry's security and disaster recovery needs.

Consistent with the prior year, the Ministry did not follow its processes for promptly removing user access from individuals who no longer work for the Ministry. We found that in 7 out of 10 instances users did not have their access removed promptly. If former employees do not have access

removed promptly, it increases the risk of inappropriate access to the Ministry's systems and data.

**Status** – We continue to make this recommendation.

## Business continuity plan needed

***We recommended that the Ministry of Corrections, Public Safety and Policing complete and implement its business continuity plan.*** *(2007 Report – Volume 1)*

On June 25, 2007, PAC agreed with our recommendation.

The Ministry needs to update its approved business continuity plan (BCP)[7] to ensure continuity of services that ITO provides. As stated earlier, the Ministry does not know if ITO's disaster recovery processes meet the Ministry's needs. During 2010-11, the Ministry completed some BCP testing. The Ministry focused on continuing critical business processes related to young offender operations.

The Ministry needs to continue to test all its critical business processes and work with ITO to ensure it can meet its system recovery needs.

**Status** – We continue to make this recommendation.

## Process to monitor municipal policing

### Background

Policing in the Province is provided through municipal police services and agreements with the RCMP. In our 2009 Report – Volume 1, we reported on processes of the Ministry to monitor provincial policing services delivered by the RCMP. In this audit we focused on monitoring of municipal police services by the Saskatchewan Police Commission (Commission) or, as applicable, by the Ministry. The Commission does not monitor the RCMP.

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[7] **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.

The Saskatchewan Police Commission (Commission) exists by reason of section 3 of *The Police Act, 1990* (Act). The Commission consists of three or more commissioners appointed by Cabinet. The Commission focuses on training (through the Saskatchewan Police College); and on public complaints and on matters of internal discipline (through monitoring of complaints, appointment of hearing officers, conducting reviews, and hearing appeals).[8]

According to section 19(1) of the Act, the Commission shall promote adequate and effective policing throughout Saskatchewan. The Act imposes the same responsibility on and the same powers to the Minister of Corrections, Public Safety and Policing. In practice, the Ministry supplies staff to the Commission. The Act gives the Commission various powers to carry out its purpose, including the right to conduct research studies, facilitate co-ordination of police activities to ensure uniform law enforcement, set policy and procedure instruction manuals for police services, and audit whether police services meet the requirements of the Act. Subject to approval of Cabinet, section 12 of the Act gives the Commission power to make regulations on a range of policing matters. Also, section 89(1) of the Act gives the Commission power to conduct inquiries, subject to approval by the Minister of Corrections, Public Safety and Policing.

In 2010-11, Saskatchewan's municipal police services were responsible for providing police services to about half of Saskatchewan's population. Municipal police services had over 1,000 police officers in 13 municipalities.[9] According to the Act, these 13 municipalities shall establish boards of police commissioners that provide general direction, policy and priorities to their police services. The Ministry provides grants totalling about $13 million to municipal police services for targeted enforcement strategies and initiatives. These grants fund over 100 positions tied to specific programming objectives like serious crime, missing persons, and child sexual exploitation. The municipal police services report to the Ministry on the use of grants. The Ministry undertook a program review of this grant funding in May 2011.

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[8] Saskatchewan Police Commission, *10-11 Annual Report*, p. 8.
[9] Ibid., p. 6.

**Exhibit 1–Number of police officers in municipal police services (at March 31, 2011)**

| Location of municipal police services | Sworn Officers |
| --- | --- |
| Regina | 391 |
| Saskatoon | 497 |
| Moose Jaw | 54 |
| Prince Albert | 90 |
| Estevan | 27 |
| Weyburn | 19 |
| Caronport | 1 |
| Dalmeny | 2 |
| Luseland | 1 |
| Corman Park | 5 |
| Vanscoy | 1 |
| Wilton | 3 |
| File Hills First Nations | 7 |

Source: Saskatchewan Police Commission, *2010-11 Annual Report*, p.6.

If the Commission or the Ministry does not have adequate processes to monitor municipal policing, law enforcement may not be delivered uniformly in municipalities and could contribute to less effective policing and loss of public confidence.

## Audit objective, criteria, and conclusion

The objective of this audit was to assess for the 12 months ended August 31, 2011, whether the Saskatchewan Police Commission had effective processes to monitor municipal policing to ensure that municipal police services uniformly safeguard the communities they serve. We also examined the Ministry's processes, where applicable. We did not evaluate policing provided by the Royal Canadian Mounted Police (RCMP) because the Commission does not monitor the RCMP.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Commission's processes, we used criteria (see Exhibit 2) based on reviews of literature listed in the selected references and consultations with management. The Commission agreed in principle with the criteria in Exhibit 2.

**Exhibit 2—Audit criteria for monitoring municipal policing**

1.  Establish a framework for monitoring municipal policing
     1.1 Implement a policy for monitoring municipal policing
     1.2 Develop a plan for monitoring
     1.3 Evaluate monitoring processes

2.  Set municipal policing standards
     2.1 Research practices for effective policing
     2.2 Document standards
     2.3 Communicate municipal policing standards

3.  Evaluate compliance with municipal policing standards
     3.1 Identify non-compliance
     3.2 Take corrective action
     3.3 Report compliance results

**We concluded that for the 12 months ended August 31, 2011, the Ministry of Corrections, Public Safety and Policing and the Saskatchewan Police Commission should have had more effective processes to monitor municipal policing to ensure that municipal police services uniformly safeguard the communities they serve.**

The Ministry has been considering the future of policing in Saskatchewan and has been taking steps to improve policing effectiveness. For example, the Ministry along with various partners[10] signed a "Building Partnerships to Reduce Crime" charter in September 2011 that described a shared commitment and new approach to reducing crime and violence. The goal of the initiative is to build local capacity to reduce crime and provide programs to reduce re-offending. These targeted crime reduction strategies are still in their early stages.

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

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[10] Members of the project Building Partnerships to Reduce Crime include representatives from the Ministries of Corrections, Public Safety and Policing, Justice and Attorney General, Social Services, Advanced Education, Employment and Immigration, Education, First Nations and Métis Relations, Health, Municipal Affairs, Tourism, Parks, Culture and Sport, as well as the Saskatchewan Association of Chiefs of Police, RCMP, Estevan Police Service, File Hills First Nations Police Service, Moose Jaw Police Service, Prince Albert Police Service, Regina Police Service, Saskatoon Police Service, and Weyburn Police Service.

## Key findings and recommendations

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

### *Need a framework for monitoring municipal policing*

*We expected the Commission to implement a policy for monitoring municipal policing and then develop plans to carry out that policy. We expected the Commission to evaluate its processes for monitoring municipal policing.*

The Saskatchewan Police Commission (Commission) was created under *The Police Act, 1990* (Act). The Act makes the Commission responsible for promoting policing throughout Saskatchewan. The Act also assigns the same responsibility to the Minister of Corrections, Public Safety and Policing. This dual responsibility creates clarity issues as to who does what to monitor municipal policing to ensure uniform safeguarding of communities. We note that the Commission currently has no employees employed by it. The Ministry currently provides only a part-time employee to the Commission. There is no agreement between the Ministry and the Commission that outlines the duties that the Ministry employees are to fulfill on behalf of the Commission.

The Commission was budgeted to receive $50,000[11] for administration expenses for 2010-11 and $1.1 million[12] for the Saskatchewan Police College in the Commission's 2010-11 budget. Under the Act, the Commission may conduct audits and reviews of municipal police services to ensure compliance with standards. However, given the Commission's limited resources, such reviews are not taking place. The Ministry is also not undertaking such reviews. Therefore, the Commission and the Ministry could more effectively assess municipal policing in the Province. The Ministry, under the Building Partnerships to Reduce Crime charter, has begun work to ensure those serving common clients share information and use standard measurement tools.

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[11] Saskatchewan Police Commission, *10-11 Annual Report,* p.8. The Ministry of Corrections, Public Safety and Policing, *10-11 Annual Report*, p. 23 showed 2010-11 actual expenses for the Saskatchewan Police Commission of $1.2 million.
[12] Ibid., p. 8.

1.      **We recommend that the Ministry of Corrections, Public Safety and Policing and the Saskatchewan Police Commission have a written agreement that sets out their respective roles and responsibilities for promoting adequate and effective policing throughout Saskatchewan.**

2.      **We recommend that the Ministry of Corrections, Public Safety and Policing ensure that the Saskatchewan Police Commission has adequate resources to fulfill its mandate under *The Police Act, 1990*.**

The focus of the Commission is the public complaint process, the police discipline process, and police training as offered though the Saskatchewan Police College. The Commission does not have a strategic plan that outlines its strategic goals and objectives for monitoring municipal policing. The Commission does not monitor municipal police services to ensure compliance with standards.

The Ministry received a consultant's report in January 2010 on the future of policing (project). The project began in 2008 with a mandate from the Premier to "...develop a long-term provincial policing strategy that clearly identifies the current and emerging needs of local police services and guides provincial government support for crime-fighting initiatives."[13] The consultant's report noted an opportunity to review the roles and functions of the Commission and potentially expand the scope of police service accountability. As noted earlier, the Ministry has also recently entered into a new Building Partnerships to Reduce Crime charter. Therefore, the Commission should work with the Ministry to develop strategic plans and operating plans that reflect these directions.

3.      **We recommend that the Saskatchewan Police Commission in partnership with the Ministry of Corrections, Public Safety, and Policing develop strategic and operational plans for effective monitoring of municipal policing.**

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[13] The Ministers' mandate letters are available on the Ministry of Finance's website.

## *Set municipal policing standards*

*We expected the Commission to use its or the Ministry's research to identify effective policing practices. We expected the Commission would document and communicate municipal policing standards based on its research and monitoring processes.*

The Saskatchewan Police Commission has created a policy standards manual for Saskatchewan municipal police services. The policy manual is available on the Ministry's website. The manual requires each municipal police service to operationalize policies in the manual through written procedures (i.e., develop local policies and procedures) and include them in the policy manual. However, the Commission does not receive and review local policies and procedures developed by municipal police services to ensure they comply with the policy manual. The intent for the policy manual is uniformity in the application of policing policy in Saskatchewan.

4.   **We recommend that the Saskatchewan Police Commission ensure policies and procedures of municipal police services comply with the Saskatchewan Police Commission's policy manual.**

The policy manual is dated 2004. Changes occur on an as needed basis. According to the Ministry's management, future manual changes will occur in late 2011. Management also told us all municipal police services will receive instructions about the noted changes.

The Commission relies on the Ministry to perform research to determine effective policing practices. For example, the Ministry hired a consultant to research the health effects of the use of "conducted energy devices", also referred to as tasers. The Commission required the research before further consideration of the general use of tasers by municipal police services. Also, the Ministry received a research report in January 2011 to support its work in developing a strategy for the future of policing.

The Commission makes regulations to standardize police services. Regulations set provincial standards for clothing, ranks, equipment, reporting, recruiting, training and discipline for all municipal police

services. For example, regulations outline forms that must be completed by municipal police services for record-keeping and reporting purposes.

The Commission also provides centralized training for municipal police services through the Saskatchewan Police College (College) at the University of Regina. Each municipal police force determines the number of recruits that it needs trained to meet its needs. The College provides training to recruits and to municipal police officers throughout their careers. An advisory committee, that includes a member of the Commission, recommends the College's training programs to the Commission for approval.

## *Evaluate compliance with municipal policing standards*

*We expected the Commission to identify non-compliance with municipal policing standards through reports from municipal police services, compliance audits, and complaints. We expected the Commission to take corrective action when non-compliance issues were identified and report compliance results.*

The Commission needs to meet on a regular basis in order to monitor municipal police services. The Commission told us that it plans to meet three to four times per year. During Commission meetings, representatives from the Saskatchewan Police College attend and inform the Commission of recent activity. The Commission will need to approve its 2010-11 Annual Report.

5.      **We recommend that the Saskatchewan Police Commission meet regularly as planned to carry out its roles and responsibilities.**

The Act requires municipal police services to provide statistical reports to the Commission. Reports are to include the number of internal discipline incidents, firearm discharge occurrences, and the number of police personnel. The internal discipline report outlines the number and type of discipline offences, and the penalties or remedial actions that resulted. The Ministry reviews all discipline reports, and where necessary, will notify the Commission of concerns. As indicated above, the Commission and the Ministry do not have a written agreement that sets out roles and responsibilities.

Management at the Ministry also told us it has developed a form that will require reporting on the use of force and any resulting action required. The Commission and the Ministry should determine what additional information about municipal policing they require from municipal police services to carry out their responsibilities. The Ministry also reviews crime statistics including police case loads and clearance rates.

Part of evaluating compliance with municipal police standards involves the Public Complaints Commission (PCC).[14] The PCC receives, investigates and reviews complaints against municipal police. The Commission receives a copy of all complaints that the PCC investigates. Complaint investigations are required to be completed within a certain timeframe. Otherwise, the investigating party must apply to the Commission for an extension to continue the investigation. The PCC advises the Commission and the complainant of its decision and any action taken.

The Commission is the final appeal body in disciplinary and dismissal matters. The Commission, as an appellate body reviews appeals from chiefs of police or police officers on these matters. If the Commission has made an order or decision, then the police officer, Chief of Police and/or PCC shall comply with that order or decision.

The Commission under the Act may conduct audits and reviews of municipal police services. However, neither the Commission nor the Ministry conducted audits or reviews. As a result, the Commission does not know if municipal police services are complying with standards. The Ministry also does not know if municipal police services comply with policing standards.

6.      **We recommend that the Saskatchewan Police Commission and Ministry of Corrections, Public Safety, and Policing implement a process for monitoring compliance with municipal policing standards and ensure action is taken to address non-compliance.**

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[14] The Public Complaints Commission is an independent body created under *The Police Act, 1990*.

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## Processes to rehabilitate adult inmates–a follow up

Saskatchewan's provincial correctional centres house inmates sentenced for terms of less than two years. Before releasing inmates into the community, the Ministry aims to rehabilitate inmates to reduce the rate of re-offending and make the community safer.

In 2008, we assessed the Ministry's processes to rehabilitate adult inmates.

Our 2008 Report – Volume 1, Chapter 2 (pp. 26-35) concluded that the Ministry had adequate processes to rehabilitate sentenced adult inmates in provincial correctional centres except for completing timely assessments and case plans, and monitoring the delivery of rehabilitation

programs. We made four recommendations. On August 28, 2008, PAC agreed with our recommendations.

We conducted our first follow up in 2010 to assess the Ministry's progress in addressing our past recommendations. We found that the Ministry had met our recommendation to facilitate inmates' access to key programming related to their offences prior to their release into the community, particularly if the offences were related to assault or bodily harm. The Ministry still had work to do for the remaining three recommendations.

The following sections set out the remaining three recommendations (in bold italics) and the Ministry's actions up to August 31, 2011. We found that the Ministry still has work to do.

## Assessing inmates' needs not yet timely

***We recommended 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.***[15] *(2008 Report – Volume 1)*

We expected the Ministry to have adequate processes to monitor whether case managers completed assessments and case plans on a timely basis. This would allow the Ministry to offer inmates appropriate rehabilitation programs.

The Ministry continues to increase its capacity to complete timely assessments of inmates' rehabilitation needs for case planning. It has trained unit supervisors in the use of two new secondary needs assessment tools (Ontario Domestic Assault Risk Assessment, Static-99R – sex offender risk assessment). It has also been working to implement a new primary needs assessment tool (Saskatchewan Primary Risk Assessment), starting in one of the four provincial correctional centres. The Ministry's reviews show that both quality and timeliness of the needs assessments do not yet meet the Ministry's case management standards.

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[15] Primary assessments consider an inmate's needs in terms of health, education, relationship skills, etc. Secondary assessments relate to the nature of an inmate's offence (e.g., use of violence).

The Ministry also continues implementation of new programming designed to improve access to rehabilitation for high-risk, violent offenders (e.g., Courage to Change[16]). Needs assessments and case plans identify the offenders who should participate in this programming. Therefore, implementation of this programming supports more timely needs assessments and case planning.

The Ministry does not have a process to report to senior management about compliance with case management policies, including inmate needs assessments. As discussed above, reviews conducted by the Ministry show that both quality and timeliness of the needs assessments do not yet meet the Ministry's case management standards.

**Status** – We continue to make this recommendation.

## Monitoring inmates' use of relevant programs evolving

*We recommended 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.* (2008 Report – Volume 1)

We expected the Ministry to analyze inmates' access to programs and keep management informed. For example, periodic reports to management should explain the percentage of inmates completing priority programs before their release into the community, the number of inmates waiting to attend specific programs, and the timeliness of inmate referrals to relevant community programs. With this information, the Ministry would be better able to adjust access to specific programs in time to meet inmates' needs before their release into the community.

The Ministry continues to work on increasing its capacity to report about timely inmate access to programs. In 2009, the Ministry purchased specialized software to help with data collection needed to create better reports, and then trained two clinical directors in the use of the software.

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[16] Courage to Change is a research based curriculum that incorporates stages of change theory and a cognitive behavioral approach. It allows for individualized treatment and for offenders to gain personal insight into areas of identified need like family issues, antisocial patterns and thinking errors. Source: Ministry of Corrections, Public Safety, and Policing, *08-09 Annual Report*, p. 9.

Programs have been written and will be implemented contingent upon establishing the necessary hardware infrastructure. The Ministry is also in the early development stage for the replacement of its main adult corrections information system. The new system is expected to improve both the integration of information with justice partners and the Ministry's ability to analyze and report inmate data.

Until implementation of the new systems, the Ministry continues to use reports about inmate program completion. These reports include the number of inmates who enrol in each program and the number that successfully complete each program. They do not show information about program capacity issues, such as how many inmates are waiting to attend specific programs, how many do not receive the program before their release into the community at the end of their sentence, and timeliness of referrals to relevant community programs.

**Status** – We continue to make this recommendation.

## Evaluation of inmate rehabilitation programs improving

***We recommended 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.*** *(2008 Report – Volume 1)*

We expected the Ministry to have adequate processes to monitor re-offending rates and evaluate the impact of participation in its rehabilitation programs. This information would help the Ministry revise its programs to better rehabilitate inmates.

The Ministry has some processes to help evaluate its rehabilitation of inmates, but still has work to do. The Ministry continues to monitor the general rate of re-offending. Its annual report includes the percentage of sentenced offenders that are not re-admitted to any correctional centre within 24 months. While useful, this does not provide information about the effectiveness of specific rehabilitation programs.

The Ministry uses research done by others to select rehabilitation programs expected to be effective. For recently developed programs with less research support, the Ministry may also evaluate the program effectiveness after implementation. These evaluations may study

re-offence rates if data can be collected, while others may use interim measures (e.g., behaviour changes) until sufficient data exists about re-offences. As noted above, the Ministry is implementing specialized software to help with data collection and analysis. The Ministry also signed an agreement with the University of Saskatchewan to provide funding to students to help with research projects for rehabilitation programs.

**Status** – We continue to make this recommendation.

## Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations previously agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[17] Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[18] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Cross-Government - Managing for Results** (2005 Report – Volume 3) | | |
| 2007 | 10-1 that the Department of Corrections and Safety (CPS) ... should analyze and report quarterly to executive managers the departments' progress toward planned outcomes. | **Partially implemented** (as at March 31, 2011). |

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[17] For definitions of the Key Terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.

[18] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to the Legislative Assembly.

| PAC REPORT YEAR[18] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of Corrections, Public Safety and Policing - RCMP Policing Contract** (2009 Report – Volume 1) | | |
| 2011 | 3-8 that the Ministry of Corrections, Public Safety and Policing establish an adequate provincial policing services agreement with the Royal Canadian Mounted Police that: <br><br> - includes performance targets to measure progress towards planned objectives <br><br> - allows for verification that costs charged by the Royal Canadian Mounted Police for provincial policing are accurate <br><br> - requires adequate written explanations of differences between planned and actual results <br><br> - describes processes for resolving disputes | **Not implemented** (as at January 31, 2009). <br><br> However, a new agreement was signed in 2011. We plan to follow up in 2012. |
| 2011 | 3-9 that the Ministry of Corrections, Public Safety and Policing ensure it communicates to the Royal Canadian Mounted Police in writing its provincial policing service level objectives and priorities each year. | **Not implemented** (as at January 31, 2009). <br><br> However, a new agreement was signed in 2011. We plan to follow up in 2012. |
| 2011 | 3-10 that the Ministry of Corrections, Public Safety and Policing obtain regular reports from the Royal Canadian Mounted Police on progress towards service level objectives and priorities, including explanations of differences between actual and planned results. | **Not implemented** (as at January 31, 2009). <br><br> However, a new agreement was signed in 2011. We plan to follow up in 2012. |
| 2011 | 3-11 that the Ministry of Corrections, Public Safety and Policing verify that costs charged by the Royal Canadian Mounted Police for provincial policing are accurate. | **Not implemented** (as at January 31, 2009). <br><br> However, a new agreement was signed in 2011. We plan to follow up in 2012. |
| 2011 | 3-12 that the Ministry of Corrections, Public Safety and Policing identify and treat all significant risks to police service delivery by the Royal Canadian Mounted Police. | **Not implemented** (as at January 31, 2009). <br><br> However, a new agreement was signed in 2011. We plan to follow up in 2012. |

| PAC REPORT YEAR[18] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of Corrections, Public Safety and Policing - Labour costs related to absenteeism** (2010 Report – Volume 1) | | |
| 2011 | 4-4 that the Ministry of Corrections, Public Safety and Policing communicate to employees guiding principles such as personal accountability and fiscal responsibility. | **Not implemented** (as at December 31, 2009). |
| 2011 | 4-5 that the Ministry of Corrections, Public Safety and Policing set formal thresholds to monitor sick leave and excessive hours worked and communicate these thresholds to corrections workers. | **Not implemented** (as at December 31, 2009). |
| 2011 | 4-6 that the Ministry of Corrections, Public Safety and Policing monitor and control changes to work schedules to minimize labour costs in correctional centres (e.g. approval of shift trades, pay out of overtime). | **Not implemented** (as at December 31, 2009). |
| 2011 | 4-7 that the Ministry of Corrections, Public Safety and Policing pay corrections workers for actual hours worked. | **Not implemented** (as at December 31, 2009). |
| 2011 | 4-8 that the Ministry of Corrections, Public Safety and Policing establish processes to verify accurate data-entry of hours worked into the payroll system before paying employees. | **Not implemented** (as at March 31, 2011). |
| 2011 | 4-9 that the Ministry of Corrections, Public Safety and Policing periodically analyze absenteeism patterns and regularly report to senior management the risk factors that influence labour costs in correctional centres. The analysis should include all types of absenteeism (e.g. use of sick leave, shift trades) and related overtime costs. | **Not implemented** (as at December 31, 2009). |

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| PAC REPORT YEAR[18] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| 2011 | 4-10 that the Ministry of Corrections, Public Safety and Policing establish adequate supervisory roles and responsibilities so that supervisors take prompt action on excessive absenteeism and overtime in correctional centres. | **Not implemented** (as at December 31, 2009). |
| 2011 | 4-11 that the Ministry of Corrections, Public Safety and Policing implement an attendance management policy. | **Not implemented** (as at December 31, 2009). |

# Education

<span style="color:teal;font-size:3em;font-weight:bold">5</span>

## Main points

The Ministry of Education (Education) and its funds complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except Education needs to approve school division operating and capital grant payments in accordance with its delegation of authority.

The financial statements of Education's funds are reliable for the year ended March 31, 2011.

Education had adequate rules and procedures to safeguard public resources except Education needs to enter into written agreements with school divisions setting out the terms and conditions of its capital grants that support its expenses.

**Instruction time—a follow up**

This chapter also includes a follow up of our 2009 audit of Education's processes to achieve compliance by school divisions in delivery of instruction time. In 2009, we made four recommendations. Education has made some progress but has further work to do to meet these recommendations.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

# Introduction

The Ministry of Education (Education) provides strategic and collaborative leadership to the early learning and childcare, Prekindergarten to Grade 12 education, literacy, and library sectors.[1] Education's responsibilities are set out primarily in *The Education Act, 1995, The Child Care Act,* and *The Public Libraries Act, 1996*.

## Financial overview

The following is a list of major programs and spending for the year ended March 31, 2011:

|  | Estimates 2010-11[2] | Actual 2010-11 |
|---|---|---|
|  | (in millions of dollars) | |
| Central Management and Services | $        15.8 | $        14.6 |
| Pre-K to 12 Education | 1,042.3 | 1,092.6 |
| Early Learning and Child Care | 58.0 | 53.1 |
| Curriculum and E-Learning | 5.5 | 5.3 |
| Literacy | 2.5 | 2.4 |
| Provincial Library | 12.2 | 12.4 |
| Teachers' Pensions and Benefits | 176.8 | 406.8[3] |
|  | 1,313.1 | 1,587.2 |
| Capital Asset Acquisition | (1.7) | (2.0) |
| Capital Asset Amortization | 1.0 | 1.0 |
| Other | - | (0.2) |
| Total Expense | $     1,312.4 | $     1,586.0 |

Education's *2010-11 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates (www.education.gov.sk.ca).

In 2010-11, Education had revenues of $59.9 million of which $52.1 million came from refunds of prior year expenses.

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[1] *Ministry of Education, 2010-11 Annual Report*, p.5.
[2] Saskatchewan Finance, *2010-11 Saskatchewan Estimates.*
[3] Education determines the estimated and actual expenses for Teachers' pension and benefits using the cash basis of accounting instead of the accrual basis. The cash-based amount reported in Education's annual report was $184.4 million. Using the accrual basis of accounting for the year ended March 31, 2011, the actual expense was $406.8 million (restated to include $222.4 million of unrecorded pension costs).

# Related special purpose funds and agencies

At March 31, 2011, Education was responsible for the following special purpose funds and agencies:

|  | Year-end |
|---|---|
| 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 | |
|     Teachers' Superannuation Plan | June 30 |
|     Teachers' Disability Plan | June 30 |
|     Teachers' Dental Plan | December 31 |
|     Teachers' Group Life Insurance Plan | August 31 |
| Chinook School Division No. 211 | August 31 |
| Christ the Teacher Roman Catholic Separate School Division No. 212 | August 31 |
| Conseil des écoles fransaskoises School Division No. 310 | August 31 |
| Creighton School Division No. 111 | August 31 |
| Englefeld Protestant Separate School Division No. 132 | August 31 |
| Good Spirit School Division No. 204 | August 31 |
| Holy Family Roman Catholic Separate School Division No. 140 | August 31 |
| Holy Trinity Roman Catholic Separate School Division No.22 | August 31 |
| Horizon School Division No. 205 | August 31 |
| Ile a la Crosse School Division No. 112 | August 31 |
| Light of Christ Roman Catholic Separate School Division No. 16 | August 31 |
| Living Sky School Division No. 202 | August 31 |
| Lloydminster Roman Catholic Separate School Division No. 89 | August 31 |
| Lloydminster Public School Division No. 99 | August 31 |
| North East School Division No. 200 | August 31 |
| Northern Lights School Division No. 113 | August 31 |
| Northwest School Division No. 203 | August 31 |
| Prairie South School Division No. 210 | August 31 |
| Prairie Spirit School Division No. 206 | August 31 |
| Prairie Valley School Division No. 208 | August 31 |
| Prince Albert Roman Catholic Separate School Division No. 6 | August 31 |
| Regina Roman Catholic Separate School Division No. 81 | August 31 |
| Regina School Division No. 4 | August 31 |
| Saskatchewan Rivers School Division No. 119 | August 31 |
| Saskatoon School Division No. 13 | August 31 |
| South East Cornerstone School Division No. 209 | August 31 |
| St. Paul's Roman Catholic Separate School Division No. 20 | August 31 |
| Sun West School Division No. 207 | August 31 |

# Audit conclusion and findings

This section reports the results of our 2011 audits of Education, the Technology Supported Learning Revolving Fund, the School Division Tax Loss Compensation Fund, and the Prince of Wales Scholarship Fund.

**In our opinion, for the year ended March 31, 2011:**

♦ **Education had adequate rules and procedures to safeguard public resources except as reported in this chapter**

♦ **Education and the above listed funds complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as reported in this chapter:**

> *The Government Organization Act*
> *The Ministry of Education Regulations, 2007*
> *The Education Act, 1995*
> *The Education Funding Regulations*
> *The Child Care Act* **(section 22)**
> *The Child Care Regulations, 2001*
> *The Financial Administration Act, 1993*
> *The Public Libraries Act, 1996* **(section 64)**
> *The Public Libraries Regulations, 1996*
> *The Public Service Act, 1998*
> *The Teachers' Dental Plan Act* **(section 7)**
> *The Teachers' Life Insurance (Government Contributory) Act* **(section 6)**
> *The Teachers Superannuation and Disability Benefits Act* **(sections 9(4), 43(7))**
> **Orders in Council issued pursuant to the above legislation**

♦ **the financial statements of the above listed funds are reliable**

The results of the August 31, 2010 audits of the school divisions were reported in our 2011 Report Volume 1 – Chapter 4. The results of the Teachers' Superannuation Commission 2011 audits will be reported in a future report when we have completed our work.

We also followed up on Education's processes to achieve compliance by school divisions in delivery of instruction time and provide an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

### Better control over grants needed

Education needs to better control operating and capital grants.

Education pays school divisions operating and capital grants in accordance with *The Education Act, 1995* and *The Education Funding Regulations* (Regulations). Education established a delegation of authority. This delegation segregates the duties of employees and sets out who approves key documents and at what dollar thresholds. This delegation is consistent with the payment approval requirements of *The Financial Administration Act, 1993*.

Education's delegation requires the Deputy Minister, Assistant Deputy Minister, or Executive Director to approve payment of school division operating and capital grants. However, in 2010-11, Education did not follow its delegation as school division operating and capital grant payments were usually approved by directors or managers. By not following its delegation, Education is not complying with the payment approval requirements of *The Financial Administration Act, 1993*.

1. **We recommend that the Ministry of Education approve school division operating and capital grant payments in accordance with its delegation of authority.**

Education's public Pre-K to 12 School Facilities Funding Guidelines identifies funding levels available for school construction and sets out the approval process.[4] These guidelines are intended for general information only and are subject to change. The Minister uses approval forms to communicate its school capital funding decisions. However, these approval forms do not include the terms or conditions of these grants.

Without a formal funding agreement which includes the terms and conditions of the grants, there is an increased risk that school divisions may misunderstand what they must do to qualify for grants or what they

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[4] The guidelines are available at www.education.gov.sk.ca/Finance/Facilities.

must do to keep the grants. As well, it may not always be clear when Education should record its capital grant expense.

2.    **We recommend that the Ministry of Education enter into written agreements with school divisions setting out the terms and conditions of its capital grants that support the Ministry's expenses.**

# Implementation of past recommendations needed

In Exhibit 1, we set out our past recommendations, actions Education took during 2010-11, and the status of the recommendations at March 31, 2011.

**Exhibit 1—Status of past recommendations**

| Past Recommendation (initial report) | Public Accounts Committee (PAC) | Actions Education took in 2010-11 | Status of recommendation at March 31, 2011 |
|---|---|---|---|
| *We recommend the Department of Learning's human resource plan should:*<br>- *quantify its human resource needs;*<br>- *provide details on human resource gap between actual and required resources;*<br>- *provide details on plans to implement the major strategies*<br>(2006 Report – Volume 3 – Chapter 3) | PAC agreed with this recommendation on March 20, 2007. | Education told us it has completed an organizational review and is developing an updated Human Resource Plan. | **Partially implemented** – we continue to make this recommendation. |
| *We recommend the Department of Learning sign a service level agreement with the Information Technology Office.*<br>(2006 Report – Volume 3 – Chapter 3) | PAC agreed with this recommendation on March 20, 2007. | Education told us it signed a Memorandum of Understanding with ITO after year end. We have not yet assessed the adequacy of this agreement. | **Not implemented** – we continue to make this recommendation. |

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| Past Recommendation (initial report) | Public Accounts Committee (PAC) | Actions Education took in 2010-11 | Status of recommendation at March 31, 2011 |
|---|---|---|---|
| *We recommend the Ministry of Learning follow its established procedures for user access to its systems and data.* (2007 Report – Volume 3 – Chapter 16) | PAC agreed with this recommendation on January 9, 2008. | During the audit, we found that Education did not remove network access for 10 employees on a timely basis. | **Not implemented** – we continue to make this recommendation. |
| *We recommend the Ministry of Education receive and review proper support for the payments made to the Teachers' Superannuation Commission.* (2008 Report – Volume 3 – Chapter 5) | PAC agreed with this recommendation on December 9, 2008. | Education is working with the Teachers' Superannuation Commission to obtain proper support for payments. | **Partially implemented** – we continue to make this recommendation. |
| *We recommend the Ministry of Education monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data.* (2008 Report – Volume 3 – Chapter 5) | PAC agreed with this recommendation on December 9, 2008. | Education received monthly reports from ITO during the year. The reports include information on ITO activities such as service levels and costs, but little information on the security or availability of its systems. In addition, Education does not receive any information about the adequacy of ITO controls or how the weaknesses at the ITO could affect Education's systems and data. | **Partially implemented** – we continue to make this recommendation. |
| *We recommend the Ministry of Education prepare an information technology strategic plan.* (2009 Report – Volume 3 – Chapter 4) | PAC agreed with this recommendation on May 12, 2010. | Education told us the development of an information technology strategic plan is in progress as part of Education's risk mitigation plan. | **Not implemented** – we continue to make this recommendation. |

## Instruction time—a follow up

In 2009, we assessed Education's processes to achieve compliance by school divisions in delivery of instruction time. Education 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. Education sets a required time allocation for instruction for each of these areas of study. School divisions have a limited degree of flexibility to adjust the time requirements to accommodate local needs.

If Education 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 hours of instruction.

In our 2009 Report – Volume 3, Chapter 4 (pp. 58-64), we concluded that, for the year ending September 30, 2009, Education did not have adequate processes to achieve compliance by school divisions in delivering student instruction time as required by the Minister. We made four recommendations. On May 12, 2010, PAC agreed with our recommendations.

The following sections set out the recommendations (in italics) and Education's actions up to September 30, 2011. Education has been taking action on the recommendations. However, more work remains.

## Define "instruction time"

*We recommended that the Ministry of Education define "instruction time" to set clear expectations for delivery of the core curriculum.*
*(2009 Report—Volume 3)*

Education has researched the area and drafted a definition of "instruction time." The definition attempts to distinguish which activities constitute instructional time and which do not. Education is consulting on the draft definition with its partners in the education sector.

While Education has made progress in addressing this recommendation, the definition remains draft pending further consultations and study.

**Status** – We continue to make this recommendation.

## Require school divisions to publicly report

*We recommended that the Ministry of Education require school divisions to publicly report on their performance in meeting the Ministry's instruction time requirements.* (2009 Report—Volume 3)

Education does not require school divisions to publicly report their performance in meeting instruction time requirements. However, Education has itself begun to provide more information related to instruction time. Education has published instruction time results for most school divisions and education levels (Grades 1 to 5, Grade 6, Grades 7 to 9 and Grades 10 to 12) in two areas (mathematics in 2009 and language arts in 2010). These results were included in the *Saskatchewan Education Indicators Reports*.[5] Education told us that it plans to report on both mathematics and reading results for most school divisions in the 2011 report.

**Status** – We continue to make this recommendation.

## Monitor compliance with core curriculum requirements

*We recommended that 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.* (2009 Report—Volume 3)

Education is investigating methods for collecting information on instructional time for all subject areas. Education has met with school divisions to discuss the issue of instruction time. Education's partners in the education sector have formed a committee to study the issue. The committee's purpose is to determine the potential issues and possible processes available for collecting information on instructional time. The committee plans to report to Education in 2012.

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[5] The 2010 report is available at http://www.education.gov.sk.ca/2010-Indicators. The 2009 report is available at http://www.education.gov.sk.ca/Default.aspx?DN=dfaff52e-a0f2-485e-9213-daaa59424ffe.

Although Education has made progress towards addressing this recommendation, Education still has work to do.

Information on instruction time is gathered through voluntary, self-assessment questionnaires to be completed by teachers. Non-responses may lead to incomplete data. Education should continue to work towards effective monitoring of instruction time in the required core areas of study.

**Status** – We continue to make this recommendation.

## Take corrective action where necessary

***We recommended that the Ministry of Education take corrective action where necessary to improve school division compliance with the Ministry's requirements for instruction time.*** *(2009 Report—Volume 3)*

Education told us it plans to work with school divisions to determine how its existing tools can be used to monitor and take corrective action to ensure requirements for instructional time are met.

**Status** – We continue to make this recommendation.

# Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[6] Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[7] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of Education – Child care facilities** (2010 Report – Volume 1) | | |
| 2011 | 5-2 that the Ministry of Education monitor key health, safety, and programming requirements of The Child Care Regulations during unscheduled visits to child care facilities and document its findings. | **Not implemented** (as at February 28, 2010). We plan to do a follow up in 2012. |
| 2011 | 5-3 that the Ministry of Education report trends in child care facilities' compliance with The Child Care Regulations to senior management quarterly and to the public annually. | **Not implemented** (as at February 28, 2010). We plan to do a follow up in 2012. |
| **Ministry of Education – Teachers' Superannuation Commission** | | |
| 2009 | 3-6 that the Teachers' Superannuation Commission establish complete and written guidance for preparing its interim and year-end financial reports. (2008 Report – Volume 1) | **Partially implemented** (as at June 30, 2010). We plan to do a follow up in 2012. |
| 2009 | 3-7 that the Teachers' Superannuation Commission's annual report includes a report on the activities and the financial statements for each benefit plan the Commission administers. (2008 Report – Volume 1) | **Partially implemented** (as at June 30, 2010). We plan to do a follow up in 2012. |

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[6] For definitions of the Key Terms used in the exhibit, see Chapter 27 – 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 |
|---|---|---|
| 2011 | 4-2 that the Teachers' Superannuation Commission have adequate support for all payments.<br><br>(2009 Report – Volume 1) | **Partially implemented** (as at June 30, 2010).<br><br>We plan to do a follow up in 2012. |
| 2011 | 5-1 that the Teachers' Superannuation Commission implement adequate processes to establish and monitor agreements with the insurance company.<br><br>(2010 Report – Volume 1) | **Not implemented** (as at June 30, 2010).<br><br>We plan to do a follow up in 2012. |

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# Energy and Resources

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# Main points

The Ministry of Energy and Resources (Energy and Resources) and its special purpose funds complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, the financial statements of its three special purpose funds (the Oil and Gas Orphan Fund, the Institutional Control Monitoring and Maintenance Fund, and the Institutional Control Unforeseen Events Fund) are reliable.

Energy and Resources and its special purpose funds had adequate rules and procedures to safeguard public resources except that Energy and Resources needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data.

**Process Renewal and Infrastructure Management Enhancements (PRIME) project**

This chapter also contains our report on Energy and Resources' project management processes for its Process Renewal and Infrastructure Management Enhancements project or PRIME project. Energy and Resources is replacing its 25 year old oil and gas information technology systems with one integrated system. This is a significant project for Energy and Resources.

Energy and Resources project management processes for its PRIME Project were adequate except that it should:

♦ document its plans for measuring and reporting on the expected benefits of its new oil and gas system

♦ include in its project status reports to senior management the actual development and maintenance costs incurred to date compared to the project's percentage of completion

♦ prepare an analysis on the merits of conducting an independent risk assessment on the PRIME project

# Introduction

The Ministry of Energy and Resources (Energy and Resources) works to achieve sustainable development of Saskatchewan's diverse energy, mineral and forestry resources, including oil and gas, potash, and uranium. It has a regulatory role with industry and develops and administers various tax and royalty structures related to resources. It also has programs and policies that encourage exploration, research, and value-added investment in resources and resource projects.[1]

## Financial overview

Energy and Resources received $80.9 million from the General Revenue Fund for its programs. Information about Energy and Resources' revenues and expenses appear in Energy and Resources' *2010-11 Annual Report* (see www.er.gov.sk.ca). Energy and Resources spending on major programs and revenue include:

|  | Original Estimates | Actual |
|---|---|---|
|  | (in millions of dollars) | |
| Spending |  |  |
| Central Management Services | $ 20.4 | $ 20.4 |
| Forestry Development | 1.4 | 1.6 |
| Revenue and Program Services | 3.7 | 3.5 |
| Petroleum and Natural Gas | 7.4 | 7.8 |
| Exploration and Geological Services | 5.7 | 1.4 |
| Resource and Energy Policy | 5.4 | 46.2 |
|  | $ 44.0 | $ 80.9 |

|  | Original Estimates | Actual |
|---|---|---|
|  | (in millions of dollars) | |
| Revenues |  |  |
| Oil | $ 1,098.3 | $ 1,274.1 |
| Crown Land Sales | 202.8 | 467.0 |
| Natural Gas | 42.2 | 29.7 |
| Potash | 221.0 | 262.5 |
| Other Minerals | 145.0 | 133.6 |
|  | $ 1,709.3 | $ 2,166.9 |

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[1] Saskatchewan. Ministry of Finance. *2011-12 Saskatchewan Provincial Budget: Estimates*, p. 51.

## Special purpose funds

Energy and Resources is responsible for the following special purpose funds:

Year Ended March 31
Oil and Gas Orphan Fund
Institutional Control Monitoring and Maintenance Fund
Institutional Control Unforeseen Events Fund

## Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦ **Energy and Resources and its special purpose funds had
adequate rules and procedures to safeguard public resources
except for the matter described below**

♦ **Energy and Resources and its special purpose funds
complied with the following authorities governing its
activities relating to financial reporting, safeguarding public
resources, revenue raising, spending, borrowing, and
investing:**

> *The Crown Mineral Act*
> *The Energy and Mines Act*
> *The Economic and Co-operative Development Act* and
>     related regulations (Section 8(a) only)
> *The Freehold Oil and Gas Production Tax Act*
> *The Mineral Resources Act, 1985*
> *The Mineral Taxation Act, 1983*
> *The Oil and Gas Conservation Act*
> *The Surface Rights acquisition and Compensation Act*
> *The Pipelines Act, 1998*
> *The Reclaimed Industrial Sites Act*
> *The Forestry Resources Management Act,* section 5
> *The Financial Administration Act, 1993*
> *The Government Organization Act*
> *The Purchasing Act*
> *The Public Service Act, 1998*

*The Revenue and Financial Services Act*
**Regulations and Orders in Council issued pursuant to the above legislation**

♦    **the financial statements of the special purpose funds listed above are reliable**

Later in this chapter, we report the results of our audit of Energy and Resources' project management processes to develop and implement its Process Renewal and Infrastructure Management Enhancements project or PRIME project.

## User access

Energy and Resources needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data.

Energy and Resources has established procedures for the timely removal of user access to its computer systems and data. However, Energy and Resources did not follow its established procedures. During the audit, we noted nine instances where Energy and Resources had not removed access on a timely basis.

Without following its established procedures for removing user access, Energy and Resources cannot ensure that only authorized individuals have access to its computer systems and data. As a result, Energy and Resources is exposed to the risk of loss of public money and inappropriate access to confidential information.

1.    **We recommend that the Ministry of Energy and Resources follow its established procedures for removing user access to its computer systems and data.**

## Process Renewal and Infrastructure Management Enhancements (PRIME) project

Energy and Resources is responsible for overseeing and managing the province's resource sector. Its responsibilities are set out in numerous acts and regulations that govern Saskatchewan's natural resources.

Energy and Resources' mandate is to achieve full and responsible development of Saskatchewan's energy, mineral and forestry resources; work with businesses to expand the Saskatchewan economy by promoting, co-ordinating and implementing policies, strategies and programs that encourage sustainable economic growth; and to optimize revenues to fund government programs and services.[2]

Energy and Resources' existing oil and gas information technology (IT) systems are over 25 years old and its processes are based on the information technology of that era. In fulfilling its mandate, Energy and Resources embarked on a significant initiative to replace those systems and business processes with one integrated information system. Energy and Resources calls this initiative the Process Renewal and Infrastructure Management Enhancements or PRIME project. The system will track oil and gas well information, report oil and gas production and disposition, and bill oil and gas royalties and taxes.

## Background

The PRIME project involves redesigning Energy and Resources' business processes using recent advances in information technology, amending oil and gas legislation to accommodate this new technology, and working with the oil and gas industry to better meet its needs and the needs of Energy and Resources.[3]

In July 2009, the Government of Saskatchewan signed a Memorandum of Agreement, with the Government of Alberta, to join the Alberta Petroleum Registry (Registry). The agreement gives Saskatchewan voting rights on the Registry's governance and administrative committees and allows it to make amendments to meet its needs.

The Registry is a joint strategic organization supporting Canada's upstream oil and gas industry and is represented by Government (Alberta Department of Energy, the Alberta Energy Resources Conservation Board and the Saskatchewan Ministry of Energy and Resources), and Industry (represented by the Canadian Association of Petroleum

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[2] Taken from the Ministry of Energy and Resources' website: www.er.gov.sk.ca/Overview.
[3] Taken from the Ministry of Energy and Resources' website: www.er.gov.sk.ca/PRIME.

Producers and the Small Explorer and Producers Association of Canada).[4]

The decision to join the Registry was based on a business case and cost-benefit analysis. In 2009, the initial estimated cost of the project was $48.7 million plus or minus fifty per cent over five years with completion of the project set for 2013. As of September 2011, Energy and Resources has spent approximately $22 million on the project and management estimates total cost of the project to be $66.8 million with an estimated completion date of 2015.

The first phase of the PRIME project is the implementation of the Registry and it is planned for April 1, 2012. The Registry will require oil and gas companies to report well production and disposition data on-line and Energy and Resources will subsequently bill those companies the applicable royalties and taxes.

The PRIME project is a significant project for Energy and Resources. The oil and gas industry is a major contributor to the provincial economy and to provincial government revenues. The oil and gas industry contributed $1.8 billion to the Government's General Revenue Fund for the 2010-11 fiscal year.[5] Energy and Resources' oil and gas systems are instrumental in collecting and processing the data necessary for assessing and collecting this revenue and for regulating and encouraging oil and gas development.

Large projects involving process change, complex transactions, information technology, and external stakeholders are inherently risky. Strong project management controls and processes can reduce these risks and increase the likelihood of a project's success. These controls and processes can help ensure projects:

♦    are done on time
♦    are done on budget and includes all costs
♦    meet user needs

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[4] Taken from the Petroleum Registry of Alberta's website: www.petroleumregistry.gov.ab.ca.
[5] Ministry of Energy and Resources: *2010-11 Annual Report*, p 27.

## Our objective, criteria, and conclusion

The objective of this audit was to assess whether Energy and Resources had adequate project management processes, for the six-month period ending September 30, 2011, to develop and implement its Process Renewal and Infrastructure Management Enhancements or PRIME project.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*.

Exhibit 1 below outlines the criteria that we used to do our work. We based the criteria upon international standards, literature, and reports of other auditors (see selected references in Exhibit 3). We discussed the criteria with Energy and Resources. They agreed with the criteria.

**We concluded that for the six-month period ended September 30, 2011, the Ministry of Energy and Resources had adequate project management processes for its PRIME Project except that the Ministry:**

♦ **had not documented its plans for measuring and reporting on the expected benefits of the project**

♦ **did not report sufficient information to senior management on the project's costs incurred to date and its percentage of completion**

♦ **should prepare an analysis on the merits of conducting an independent risk assessment**

## Key findings and recommendations

Exhibit 1 provides a brief summary of key findings by criterion. Following the exhibit, we set out, in more detail the criteria (expectations) in italics and key findings along with any related recommendations.

**Exhibit 1**

Objective

Criteria

Findings

```
                    ┌─────────────────────────────┐
                    │ To assess whether the Minstry│
                    │ had adequate project         │
                    │ management processes to      │
                    │ develop and implement its    │
                    │ PRIME project for the six-   │
                    │ month period ending          │
                    │ September 30, 2011           │
                    └─────────────────────────────┘
```

| maintain management and stakeholder commitment | track and report on the realization of the project's benefits | adequate project management practices and reports |
|---|---|---|
| met except progress reports to management did not contain complete cost information | met except that the plans for benefit realization were not documented | met except that progress reports did not provide sufficient information on project costs incurred to date |

### *Maintaining management and stakeholder commitment*

*We expected the Ministry of Energy and Resources to have project management processes to obtain and maintain strong senior management commitment to the project. We expected senior management would:*

- *ensure that the project fits within Energy and Resources' strategic plan*
- *be accountable for the success of the project*
- *establish a strong project team with adequate resources to carry out the project*
- *have clear timely communication and reporting throughout the project*

One of Energy and Resources' key strategies outlined in its strategic plan is to "modernize energy and resource sector business and regulatory systems."[6] The PRIME project is a critical part of this strategy.

Energy and Resources' senior management have taken responsibility for the project. The three Assistant Deputy Ministers (ADM's), who are responsible for the Energy and Resources' branches most affected by the PRIME project, are the sponsors of the project. As the project's sponsors,

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[6] Ministry of Energy and Resources; *Plan for 2011-12*, p. 3.

they approved the project charter[7] and they oversee the project. In addition, they and other senior members of management are designated as project champions. This latter responsibility includes ensuring there are adequate resources for the project, quickly resolving obstacles, and actively promoting the project's vision and its benefits.

Energy and Resources has also established a project steering committee called the PRIME Advisory Board. The Board is composed of senior managers with expertise in key aspects of Energy and Resources' oil and gas operations and royalty structures. The Advisory Board meets regularly to monitor the project and make recommendations to keep the project "on track". They also receive monthly reports on the project's status including its risks. One of the project's risks is a lack of sufficient staff with specialized knowledge in key areas (subject matter experts) to work on the project. The shortage arises because these employees are also required to run Energy and Resources' regular operations. The project team, project sponsors, and Advisory Board monitor the management of this risk.

The ADM's receive monthly project progress reports to help them monitor the project. These reports do not provide information on the project's costs incurred to date compared to its percentage of completion. Without this kind of information, it is difficult for senior management to assess if the project is staying within its budget. We describe this issue in more detail under Project management practices and reports.

### *Tracking and reporting on the realization of the project's benefits*

*We expected the Ministry of Energy and Resources to:*
- *have a process to track the realization of the project's benefits*
- *base these benefits on a strong business case that is consistent with its vision, strategic goals, and objectives*

*The business case should outline the full costs of the project and compare the costs to the expected benefits. The project's expected benefits should be measurable and management should have a plan for*

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[7] A project charter sets out project information such as the project's objective, the roles and responsibilities of project team members, budget, risks, benefits, and reporting structure.

*measuring and reporting on the realization of the benefits. A project should not be considered complete until the benefits are realized.*

In 2008, Energy and Resources adopted, as one of its key strategies for achieving its strategic vision and goals, "the modernization of its energy and resource sector business and regulatory systems to take advantage of emerging technologies."[8]

Energy and Resources' business case addressed all of the key elements of a solid business case. For example, for the Registry, its business case and cost-benefit analysis considered three options: join the Alberta Petroleum Registry; buy the rights to and customize this registry; or build its own Saskatchewan registry. The cost-benefit analysis showed that joining the Alberta Petroleum Registry provided the most benefits for encouraging and regulating the oil and gas sector.

The expected benefits for the whole project included better services for the industry, reduced well licence turnaround time, better access to data, better data analytical tools, and reduced data errors.

Energy and Resources does not have a documented plan for measuring and reporting on the expected benefits. Without a documented plan, benefits may not be realized, system processes may not be implemented as designed, and system processes may not be optimized.

**2.    We recommend that the Ministry of Energy and Resources document its plans for measuring and reporting on the expected benefits of its new oil and gas system.**

Energy and Resources told us that it plans to use a balanced scorecard system as part of its annual strategic planning processes. Energy and Resources will also use the balanced scorecard to track and monitor the realization of the expected benefits for the PRIME project.

## *Project management practices and reports*

*We expected the Ministry of Energy and Resources to have good project management systems and practices to control the development and*

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[8] Ministry of Energy and Resources: *Plan for 2009-10*, p.2.

*implementation of the PRIME project as outlined by the nine areas in Exhibit 2.*

*The project team should have clear roles and responsibilities and collectively have the necessary experience, skills, and leadership to manage the project. Good project management practices include planning and reporting progress against the plan, managing risks, the quality of work, and communicating progress and successes. These project management practices help ensure that project teams meet deadlines, contain costs, and meet requirements.*

The PRIME project has a well-defined project structure with clear roles and responsibilities. Energy and Resources has developed an overall program charter for the project and has assigned a project director to oversee all aspects of the project. The first phase of the project is divided into seven significant components or sub-projects and two affiliated projects. Each sub-project and affiliated project has a project charter, a project sponsor who is a senior Energy and Resources manager with expertise in the area, and a professional project manager. Each project manager's role is to oversee all aspects of their project and provide periodic status reports to the Project Director and the PRIME Advisory Board. These projects also use several employees to provide expert advice on Energy and Resources' business processes. This helps ensure that the new system will adequately meet Energy and Resources' needs.

The project team includes a project management office (PMO) that oversees the sub-projects and affiliated projects. The PMO consists of consultants who collectively have expertise with Energy and Resources' existing business processes and IT systems, project management, change and communication management, and IT architecture. The PMO provides leadership to the sub-project and affiliated project teams including guidance on the design of new business processes, IT architecture design, defining templates to ensure quality development, managing risks, and coordinating and monitoring the project.

The project team also consists of the IT vendor that developed and continues to maintain the Alberta Petroleum Registry. Its role includes modifying the Registry's computer programs to meet Energy and Resources' needs and running tests to ensure the programs process the data correctly. This vendor's expertise helps reduce the project's risk.

Energy and Resources has set up strong processes to monitor the status of the project including its resource requirements, project risks, and the project schedule. It has a system to record and track the project's budget and costs. The project teams meet frequently to discuss the status and risks of the sub-project and affiliated projects. The PRIME Advisory Board meets monthly to review the projects' status reports.

The monthly status reports are critical to the effective monitoring of the PRIME project. The format and content of these reports effectively addresses all of the key elements necessary to monitor progress except that they do not contain information on the costs incurred to date compared to the project's percentage of completion. For example, the September 30, 2011 PRIME Project Performance Report focuses on the current approved budget of $67.2 million compared to the forecasted cost to complete of $66.8 million. No actual costs incurred to date or percentage completion information are included in the reports. The ADM of Corporate and Financial Services meets monthly with members of the project team to review the costs incurred to date and the changes to the forecast.

In addition, the PRIME project budget is composed of development costs of approximately $54 million and maintenance costs of approximately $12 million. The maintenance costs are to cover the higher costs of maintenance expected in the first five years of operations. The status reports do not separately show these budgeted costs and their status.

The performance reports to Energy and Resources' executive (i.e., Deputy Minister and the ADM sponsors) should provide information on the development and maintenance costs incurred to date compared to the project's percentage of completion. Without this information, it is difficult to assess the status of the project and ask timely questions on whether the project will be completed on time, on budget, and will meet the needs of the users.

3.     **We recommend that the Ministry of Energy and Resources include in its project status reports to senior management the actual development and maintenance costs incurred to date compared to the project's percentage of completion.**

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We found that the PRIME project's processes for managing the project's scope, quality, human resources, communication, procurement, and the integration of project's various processes are adequate.

The risk management processes for this phase of the project appear to be adequate. However, this project is a high-risk project for Energy and Resources and therefore it should consider an independent risk assessment. The maximum budget for the project is set at $73 million ($48.7 million plus the 50 percent approved contingency). Energy and Resources is now forecasting the project to cost $66.8 million which is approaching the maximum budget. As at September 2011, $22 million of costs has been incurred and the project completion date is expected to be two years later than the original date of 2013. Also, the project has many interdependencies, many external and internal stakeholders, and is critical to the provincial economy. Best practice in risk management for high-risk projects is a timely independent risk assessment. An independent risk assessment would provide a fresh perspective on the project's risks and their impact on the success of the project.

4.      **We recommend that the Ministry of Energy and Resources prepare an analysis on the merits of conducting an independent risk assessment on the Process Renewal and Infrastructure Management Enhancements project.**

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**Exhibit 2–Project management framework**

The three general criteria of a strong project management climate are:

♦ management commitment to the project
♦ the project's ability to achieve its objectives and benefits
♦ good project management systems and practices

We will use the Project Management Institute's standard titled *A Guide to the Project Management Body of Knowledge* as the management framework to support the above three criteria. The nine processes are:

1. *Integration management* – the processes required to ensure that the various elements of a project are properly co-ordinated.

2. *Scope management* – the processes involved in determining what the users need, how the needs will be met and verifying if they are met.

3. *Time management* – the processes to plan, schedule, and control the project's activities to help get the project done on time.

4. *Cost management* – the processes to plan, estimate, and control the project costs.

5. *Quality management* – the processes needed to evaluate if the project is managed well and meets the stakeholders' needs.

6. *Human resource management* – the processes required to make the most effective use of people involved in the project, including stakeholders. This includes change management, training, and staffing.

7. *Communication management* – the processes, including the organizational structure, used to ensure the timely and complete creation, movement, and storage of information.

8. *Risk management* – the processes to identify, evaluate, plan, and respond to risks.

9. *Procurement management* – the processes to decide what to contract for tendering and selecting the best contractor; and negotiating, managing and closing the contract.

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# Enterprise and Innovation programs

**7**

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## Main points

Enterprise Saskatchewan complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Enterprise Saskatchewan administers the Ethanol Fuel Tax Rebate (grant) program on behalf of the Minister of Enterprise. For the year 2010-11, it recorded ethanol fuel tax rebate expenses of $23.8 million.

Because final information on ethanol sales is not available at year-end, Enterprise Saskatchewan estimates the cost of ethanol fuel tax expenses. We found that Enterprise Saskatchewan overestimated the cost of the program each year since the program began in 2006-07. Enterprise Saskatchewan needs to document its analysis and the assumptions it uses to estimate ethanol fuel tax expenses.

# Introduction

The Minister of Enterprise is responsible for the Small Business Loans Associations program, Ethanol Fuel Tax Rebate (grant) program, and Labour-sponsored Venture Capital Corporations program. These three programs are called the Enterprise and Innovation programs. Since November 1, 2008, the Minister of Enterprise has entered into an Administrative Services Agreement with Enterprise Saskatchewan and the Ministry of Finance to be jointly responsible for the delivery of the Enterprise and Innovation programs on the Minister's behalf.

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

♦     for the Small Business Loans Associations program, processing new loans, collecting loan repayments, and monitoring existing loans

♦     for the Ethanol Fuel Tax Rebate (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 authorizes and disburses the related payments from the General Revenue Fund (GRF) and records the receipt of cash, if any, into the GRF.

## Financial overview

For the year ended March 31, 2011, small business loans of $9 million were outstanding. Also in 2010-11, Enterprise Saskatchewan issued $15.3 million of provincial income tax credits[1] under the LSVCC program. The following is a list of spending of the Enterprise and Innovation programs, by investment program, for the year ending March 31, 2011:

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[1] Provincial income tax credits are foregone revenue – that is, income tax revenue that the Government has decided not to collect if certain conditions are met.

| | Original Estimates | Actual |
|---|---|---|
| | (in millions) | |
| Small Business Loan Associations | $ 0.7 | $ 0.3 |
| Ethanol Fuel Tax Rebate[2] | 8.8 | 23.8 |
| Total | $ 9.5 | $ 24.1 |

## Audit conclusion and finding

**In our opinion, for the year ended March 31, 2011:**

♦ **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 noted in this chapter**

♦ **Enterprise Saskatchewan and the Ministry of Finance complied with the following authorities governing activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Ethanol Fuel Act*
> *The Financial Administration Act, 1993*
> *The Labour-sponsored Venture Capital Corporations Act*
> *The Rural Development Act* **(shared responsibility with the Minister of Municipal Affairs)**
> *The Ethanol Fuel (Grants) Regulations*
> *The Labour-sponsored Venture Capital Corporations Regulations*
> *The Small Business Loans Association Program Regulations*
> **Orders in Council issued pursuant to the above legislation**

## Better accounting estimation processes needed

Enterprise Saskatchewan needs to document and refine its process to estimate ethanol fuel tax expenses.

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[2] Cabinet approved, through special warrants, additional funding totalling $14.85 million. Later, the Legislative Assembly approved these amounts through supplementary estimates.

Each year, because final information on ethanol sold is not available at year-end, Enterprise Saskatchewan estimates the cost of the ethanol fuel tax expenses. It is important that management have processes to estimate amounts that reasonably reflect the underlying circumstances and events. It is also important that Enterprise Saskatchewan document the method, key assumptions, and supporting data it uses to make such estimates. Also, a person independent of the estimate's preparation needs to review the reasonableness of the estimate and leave evidence of this review.

At regular intervals, Enterprise Saskatchewan obtained estimates of ethanol fuel sold from each of the five ethanol fuel distributors in Saskatchewan. Management told us that to prepare its estimate of program expenses, Enterprise Saskatchewan adjusted the distributors' estimates based on its analysis and knowledge of the distributors. Enterprise Saskatchewan did not keep documentation of its analysis or document the assumptions it used to adjust the distributors' estimates.

When we compared Enterprise Saskatchewan's estimate to actual amounts paid, we found that since the inception of the program in 2006-07, its estimates of the program consistently exceeded the actual program costs (see Exhibit 1). When we reviewed the distributors' estimates, we found that, in most cases, their estimates more accurately reflected the actual cost of the program. For the year ended March 31, 2011, we estimate that ethanol fuel tax expenses will likely be lower than Enterprise Saskatchewan's estimate of $23.8 million.

**Exhibit 1**

| Fiscal year (in millions) | 2009-10 | 2008-09 | 2007-08 | 2006-07 |
|---|---|---|---|---|
| Amount that estimated ethanol tax expenses exceeded actual costs of the program | $ 1.1 | $ 0.3 | $ 0.9 | $ 0.5 |

1. **We recommend that Enterprise Saskatchewan document its analysis and assumptions used to estimate ethanol fuel tax expenses.**

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# Environment

<span style="color:teal; font-size:xx-large">**8**</span>

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## Main points

The Ministry of Environment (Environment) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing and the financial statements of Environment's funds and agencies are reliable.

Environment should establish adequate processes to secure its systems and data, enter into an adequate agreement with the Information Technology Office and Public Service Commission, and complete a business continuity plan.

Environment has made some progress in addressing our past recommendations. However, progress is slow in the following areas.

**Regulating air emissions—a follow up**

In 2004, we assessed Environment's processes to regulate air emissions. We found that Environment had to improve how it gives permits to operators. Also, Environment had to establish a process to maintain information and report publicly on air emissions. Although two recommendations have been met, five continue to be outstanding.

**Regulating contaminated sites—a follow up**

In 2007, we assessed Environment's processes to regulate contaminated sites. We found that Environment needed better processes to assess, monitor, and report on the status of contaminated sites. Four recommendations remain outstanding.

**Regulating reforestation—a follow up**

In 2009, we assessed Environment's processes to regulate reforestation. We found that Environment needed to improve its monitoring and reporting of reforestation activities. Six recommendations remain outstanding.

# Introduction

The Ministry of Environment (Environment) is responsible for working with Saskatchewan stakeholders to protect the water, air and natural resources to achieve a high environmental standard and to support sustainable development in the use of these resources. Environment's mandate includes guiding government efforts to help Saskatchewan people and communities "Go Green" and to meet provincial greenhouse gas emission targets.[1]

## Special purpose funds and Crown agencies

At March 31, 2011, Environment was responsible for the following special purpose funds and Crown agencies (agencies). Each one has a March 31 year-end:

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

We report Saskatchewan Watershed Authority in Chapter 23.

## Financial overview

For the year ended March 31, 2011, Environment spent $222 million (2010 - $186 million) including net capital acquisitions of $14 million (2010 - $18 million). Also, Environment recorded revenue of $51 million (2010 - $49 million) from licenses and permit fees for fishing, hunting, forestry and non-refundable deposits on beverage containers. In addition, Environment raises revenue and incurs expenses through the Fish and Wildlife Development Fund and eleven forest management funds.

Information about Environment's revenues and expenditures appear in Environment's *2010-11 Annual Report* (see www.environment.gov.sk.ca). Environment's major programs and spending include:

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[1] Saskatchewan Ministry of Finance. *2011-12 Saskatchewan Provincial Budget: Estimates,* p. 59.

|                                      | Original Estimates | Actual |
|--------------------------------------|-------------------:|-------:|
|                                      | (in millions of dollars) | |
| Central Management Services          | $ 17.1 | $ 16.5 |
| Climate Change                       | 16.7 | 16.1 |
| Land                                 | 2.8 | 2.7 |
| Environmental Support                | 11.1 | 9.5 |
| Fish, Wildlife and Biodiversity      | 8.9 | 8.5 |
| Compliance and Field Services        | 16.6 | 17.6 |
| Environmental Protection             | 31.2 | 74.6 |
| Forest Service                       | 9.9 | 9.6 |
| Fire Management and Forest Protection | 71.5 | 66.7 |
|                                      | $ 185.8 | 221.8 |
| Capital asset acquisitions           | | (14.1) |
| Capital asset amortization           | | 6.2 |
| Total Expenses                       | | $ 213.9 |

This chapter reports the results of our 2010-11 audit of Environment and our follow up on recommendations made on three previous audits: regulating contaminated sites, regulating air emissions, and regulating reforestation.

## Audit conclusion and findings

We worked with Mintz & Wallace, the appointed auditor for the Operator Certification Board, to form our opinions for this agency. 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).

**In our opinion, for the year ended March 31, 2011:**

♦ **Environment and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦ **Environment and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Environmental Management and Protection Act,*
>    *2002*
> *The Financial Administration Act, 1993*
> *The Fisheries Act (Saskatchewan), 1994*
> *The Forest Resources Management Act*
> T*he Government Organization Act*
> *The Litter Control Act*
> *The Ministry of Environment Regulations, 2007*
> *The Natural Resources Act*
> *The Prairie and Forest Fires Act, 1982*
> *The Provincial Lands Act*
> *The Public Service Act, 1998*
> *The Purchasing Act, 2004*
> *The State of the Environment Report Act*
> *The Wildlife Act, 1998*
> **Regulations and Orders in Council issued pursuant to**
>    **the above legislation**

♦    **the financial statements of Environment's fund and agencies are reliable**

## Monitoring of forest management funds needed

*We recommended that 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.* (2009 Report – Volume 3)

On June 25, 2010, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

Environment has eleven forest management funds used to collect fees from forest operators and other licensees based on the number and types of trees harvested under *The Forest Resources Management Act*. These funds are held by the forest operators or their trustees. At March 31, 2011, these funds held approximately $8.5 million for the Government.

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Forest operators collect fees and pay for reforestation activities. Environment must ensure that all operators of forest management agreements and term supply licenses collect and pay the correct fees into the relevant forest management fund for reforestation and for other activities. Environment must also ensure that forest operators used the money for its intended purposes.

Environment receives periodic financial information on the revenues and expenses of the management funds. However, the financial information does not provide assurance that operators paid the correct fees into their related funds or that the funds' managers spent the money for allowable purposes.

Environment is currently developing and implementing directives under its forestry financial control framework. These directives will set processes to verify that the correct fees are paid into the funds and that the funds' managers spend the money for allowable purposes including reforestation.

**Status** – We continue to make this recommendation.

## Need to follow payroll guidance

*We recommended that the Ministry supervise its employees to ensure they follow the Ministry of Environment's policies and procedures for preparing the amount owing to terminated employees. (2008 Report – Volume 3)*

On December 9, 2008, PAC agreed with our recommendation.

Environment paid salaries and wages totalling approximately $64.8 million for the year ended March 31, 2011.

As in the past, supervisors did not submit all staff termination documents to the Public Service Commission (PSC) prior to calculating final pay. As a result, Environment overpaid amounts totalling $18,197 to former employees, employees on seasonal layoff, and employees on definite leaves of absence. The Ministry is trying to collect this money.

**Status** – We continue to make this recommendation.

## Adequate payroll service agreement needed

Environment does not have a complete service agreement with PSC. PSC provides payroll services to Environment.

Environment's current service agreement with PSC does not clearly assign responsibilities for key payroll activities. An inadequate agreement increases the risk that Environment will not receive the services it needs.

1. **We recommend that the Ministry of Environment modify its agreement with the Public Service Commission clarifying responsibilities for key payroll activities.**

## Adequate IT service agreement needed

*We recommended that the Ministry of Environment sign an adequate agreement with the Information Technology Office for information technology services.* (2008 Report – Volume 3)

On December 9, 2008, PAC agreed with our recommendation.

In 2011, the Information Technology Office (ITO) billed Environment $5 million ($6 million in 2010) for the services it provided to Environment.

Environment signed a service agreement with ITO on April 1, 2008. The agreement, however, does not adequately address disaster recovery and Environment's ability to obtain assurance as to security of its information systems. As a result, Environment does not know whether ITO can restore the systems and data when needed in the event of a disaster and that Environment's data is secure and appropriately stored. During the year, Environment made little progress in improving its agreement with ITO.

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

**Status** – We continue to make this recommendation.

## Establish processes to secure data

***We recommended that the Ministry of Environment establish adequate processes to secure its systems and data.*** *(2008 Report – Volume 3)*

On December 9, 2008, PAC agreed with our recommendation.

To know the security of its computer systems, Environment needs to monitor whether the security ITO provides is adequate. Environment does not ask for or receive any information from ITO on the security or availability of its systems.

Environment needs to ensure it has strong security to protect its information technology (IT) systems and data. Without strong security plans and processes, Environment cannot ensure the confidentiality, integrity, and availability of its systems and data. Also, management may not know if it has addressed all of the threats and risks to Environment's systems and data. An IT plan can help management do so.

Environment accepts credit card payments for some fees, such as the Big Game Draw. Environment is required to comply with industry standards for credit cards as part of its agreement with its credit card service provider. Environment does not have processes to determine whether it complies with these standards. Lack of compliance with 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.

Environment has adequate procedures for granting and removing user access to its computer systems and data. However, employees did not always follow its established procedures. During the audit, we noted nine instances where Environment did not remove access to its systems and data for those who no longer needed such access.

Environment uses a computer system to issue licenses. During our audit, we noted that all users of this system were capable of carrying out some super user responsibilities. This increases the risk of loss of revenue.

Environment needs to monitor and limit access to ensure user access is appropriate.

Environment uses a computer system for its leases and land sale operations. During our audit, it was noted that user access for this system was not monitored from April – November 2010. Also, Environment did not have access to a current user access listing for the system. This increases the risk of inappropriate user access to the system. Environment needs to monitor and limit user access to this computer system to ensure user access is appropriate.

**Status** – We continue to make this recommendation.

## Complete business continuity plan needed

*We recommended that the Ministry of Environment prepare a complete business continuity plan.* (2006 Report – Volume 3)

On March 27, 2007, PAC agreed with our recommendation.

Environment 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, Environment is at risk of not being able to deliver its programs and services in a timely manner.

Environment prepared an initial business impact assessment in March 2010 to identify priority systems. Since that time, Environment has had ongoing discussions with the ITO regarding their disaster recovery services.

Management told us that it has developed a draft Business Continuity Plan that addresses a broad range of catastrophic events including pandemic, environmental disasters, civil disorder and natural disasters. It was approved in principle pending the submission of the draft implementation plan.

**Status** – We continue to make this recommendation.

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## Regulating air emissions—a follow up

Our 2004 Report – Volume 1, Chapter 10 (pp. 140-151) concluded that Environment did not have adequate processes to regulate air emissions. Regulating air emissions is a challenge. To meet this challenge, Environment needed to decide what resources it needed to monitor air emissions. Environment also needed to establish processes to ensure it issued appropriate permits to operators and followed up expired permits. Environment could then establish processes to monitor compliance with permits, handle air emission complaints, maintain information relating to air emissions, and report publicly on air emissions. We made seven recommendations.

On December 1, 2004, PAC agreed with our recommendations.

In our 2006 Report – Volume 3 and our 2009 Report – Volume 3, we concluded that Environment still had not adequately addressed our recommendations.

The following section sets out the recommendations (in italics) and Environment's actions to March 31, 2011. We found that Environment has met two recommendations and still has work to do to meet the remaining five recommendations.

## Sound and consistent terms and conditions for permits

*We recommended that the Ministry of Environment should set sound and consistent terms and conditions for permits to regulate air emissions.* (2004 Report – Volume 1)

In 2011, Environment updated its *Clean Air Permitting Protocol* for staff to follow in setting terms and conditions for permits. Environment also provided training to staff to reinforce the manner in which the protocol is to be applied.

**Status** – Environment has implemented this recommendation.

## Prompt follow up and approval of expired permits

*We recommended that the Ministry of Environment should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.* (2004 Report – Volume 1)

Environment continues to maintain an inventory of permits and their expiry dates on a spreadsheet. Operators are required to apply for a clean air permit renewal sixty days prior to expiry. 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, the listing does not include certain information on some permits such as: permit number, operator locations, and reasons why the identified permit is not renewable. Some permits that expired remain on the spreadsheet as current permits even though the permit holder is no longer in operation. We also found instances where Environment is aware of companies operating without permits and without waivers. Some of these companies had permits that expired prior to 2010. Under *The Clean Air Act,* the Minister can waive a permit for a minor source of air contaminants.

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

**Status** – We continue to make this recommendation.

## Monitoring compliance with permits

*We recommended that the Ministry of Environment should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.* (2004 Report – Volume 1)

*The Clean Air Permitting Protocol* and the *Air Monitoring Directive for Saskatchewan* provide employees guidance on what to monitor and when. The guidance requires employees to review operators' annual compliance reports and prepare a summary report for management on non-compliance. Employees use a standardized form to monitor

operators and take action on complaints. Environment has also drafted a Clean Air Compliance Inspection Protocol to provide guidance for employees to follow for inspecting operators to monitor compliance with permits. Environment is also in the process of developing a comprehensive Industrial Compliance Inspection protocol. This Inspection Protocol is in the process of being approved by management.

Environment has processes to record, investigate, and document resolution of complaints. Environment needs to ensure employees follow those processes. Employees use a spreadsheet to track complaints for facilities that are not directly related to a larger assigned industrial facility. For the larger facilities, the complaints are directed to the appropriate Environmental Project Offices and are recorded in the operator's individual file. However, 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.

**Status** – We continue to make this recommendation.

## Collecting and maintaining information to prepare reliable reports

*We recommended that the Ministry of Environment should establish systems to collect and maintain information to prepare reliable reports.* *(2004 Report – Volume 1)*

Environment maintains manual records for each of its permit holders. It uses a spreadsheet to collect and maintain centrally some information for each operator, such as the number and date of issued permits and their expiry dates. 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 Environment documents its monitoring of operators. Environment could not provide all of the files we requested.

Environment collects and stores air quality data from five monitoring stations (Regina, Saskatoon, Prince Albert, Swift Current and La Loche) in the province.

**Status** – We continue to make this recommendation.

## Non-compliance reporting on air emissions

***We recommended that the Ministry of Environment should improve its internal and external reporting on air emissions.*** *(2004 Report – Volume 1)*

Employees are expected to report to management any air emission incidents and non-compliant items identified for specific industries. Industries are required to meet the Saskatchewan Ambient Air Quality Standards along with any other site specific conditions in their operating approvals. The frequency of monitoring and reporting on air emissions are identified in each industry's operating approval. Environment determines the frequency of compliance inspections through branch compliance planning and individual employee work planning sessions.

Air quality reporting updates are provided to management through summaries of the Saskatchewan Air Monitoring Lab activities, the state of the environment reporting process and through internal processes at various levels including briefings and participation in meetings and teleconferences.

In 2011, Environment drafted a status of the environment reporting guideline covering reporting to senior management and the public. The draft guideline will set standardized reporting and terminology. Senior management plans to review and approve this guideline in 2012.

Environment has improved its external reporting. It now posts on its website the Air Quality Index and the Air Quality Health Index which contain real time and historical data for several sites in the province. Environment has established the Southeast Saskatchewan Airshed Association which reports continuous regional air quality monitoring results on its website. Ministry staff told us they also plan to table a ten-year provincial air quality monitoring report in 2011.

**Status** – We continue to make this recommendation.

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## Regulating contaminated sites—a follow up

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

Regulating contaminated sites is necessary to prevent, minimize, or mitigate damage to human or ecosystem health.[2] Environment is responsible for identifying contaminated sites, assessing risks to human and ecosystem health, and for determining who was responsible for contaminating the sites. It then must ensure appropriate remediation of the contaminated sites.

Our 2008 Report – Volume 1 (Chapter 4) concluded that Environment had adequate processes at August 31, 2007 to regulate contaminated sites except it needed to implement processes for assessing, monitoring, tracking, and reporting the status of contaminated sites. We made four recommendations. On June 16, 2008, PAC agreed with our recommendations.

In our 2009 Report – Volume 3, we concluded that Environment had not adequately addressed the recommendations relating to regulation of contaminated sites.

We completed our second follow up to assess Environment's progress. The following sections set out our past recommendations (in italics) and our findings to March 31, 2011. We found that Environment needs to do more work to meet our recommendations.

## Adequate system needed for tracking contaminated sites

***We recommended that the Ministry of Environment establish an adequate system for tracking contaminated sites.*** *(2008 Report – Volume 1)*

Environment continues to use a contaminated sites tracking system that is not up to date, complete and accurate. Environment is developing a replacement system called the Impacted Sites Information System (ISIS)

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[2] System involving interaction between organisms and the non-living environment.

database. This system is intended to contain information about 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.

Effective February 15, 2010, Environment has implemented the National Classification System for Contaminated Sites (NCSCS)[3] for all impacted sites in Saskatchewan. This system will facilitate the tracking of contaminated sites to prioritize actions at impacted sites.

**Status** – We continue to make this recommendation.

## Assessing the risks of contaminated sites

*We recommended that the Ministry of Environment complete its risk assessments for identified contaminated sites and rank them in terms of priority.* (2008 Report – Volume 1)

Environment has made little progress towards this recommendation. Through the NCSCS work discussed above, management told us it is becoming better positioned to be able to undertake evaluations of all known impacted sites and rank them in terms of priority action.

**Status** – We continue to make this recommendation.

## Monitoring and reporting on the status of sites

*We recommended that the Ministry of Environment complete its written guidance for monitoring contaminated sites.* (2008 Report – Volume 1)

Environment is currently developing written guidance for the various activities associated with contaminated sites. These documents are being developed in conjunction with the ISIS database, Information management enhancements, as well as the Environmental Code.[4]

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[3] As developed by the Canadian Council of Ministers of the Environment.
[4] Once completed, the Saskatchewan Environmental Code is intended to be a clear, concise statement of objectives and best practices that will govern the management and protection of Saskatchewan's environment and natural resources while promoting economic growth. This code will provide directions and guidelines for projects, allowing operators in many situations to proceed in environmentally friendly manners without unnecessary permits from the ministry (*2010-11 Annual Report*).

Environment anticipates that this guidance will be finalized by fall 2011. Environment expects that the Environmental Code will then enter the regulatory approvals process and become effective in June 2012.

**Status** – We continue to make this recommendation.

***We recommended that the Ministry of Environment prepare a communication plan for internal and external reporting on the status of contaminated sites.*** *(2008 Report – Volume 1)*

Environment has started a review of a plan developed in 2009 (Communication Strategy Contaminated Sites and Hazardous Materials Environmental Emergencies Communication Plan). Changes to the plan will be made once the Environmental Code, database and information management components are finalized. Environment plans to have a revised communication plan in place prior to enabling the Environmental Code in June 2012.

**Status** – We continue to make this recommendation.

## Regulating reforestation—a follow up

Our 2009 Report – Volume 3, Chapter 6 (pp. 95-106) concluded that Environment had adequate processes to regulate reforestation of the provincial forest on Crown land as at June 30, 2009 except for the lack of:

♦   processes to set and approve reforestation terms and conditions, and fees at a level to cover reforestation costs
♦   monitoring of forest operator compliance with reforestation requirements
♦   a communication strategy to inform stakeholders about the effectiveness of reforestation and regular reports to oversee proper reforestation

We made seven recommendations. On June 25, 2010, PAC agreed with our recommendations.

The following section sets out the recommendations (in italics) and Environment's actions to March 31, 2011. We found that Environment still has work to do to meet these recommendations.

## Setting out reforestation requirements

*We recommended that the Ministry of Environment establish processes for setting reforestation terms and conditions and for approving forest product permits.* (2009 Report – Volume 3)

During 2011, Environment did not include reforestation terms and conditions for the issued permits. However, during 2011 Environment approved a forestry directive that sets out the process for issuing forest product permits (FPPs) and the approval process for FPPs. These processes are being incorporated into a new digital permitting system, which Environment has told us will go live in late 2011. Once operational, the new permitting system should ensure that FPPs are issued with the necessary reforestation requirements.

**Status** – We continue to make this recommendation.

*We recommended that the Ministry of Environment establish processes to set reforestation fees at a level to cover reforestation costs.* (*2009 Report – Volume 3*)

In 2011, Environment approved a new forestry directive on the calculation and assessment of forest management fees. The stated intent of the directive is to support the sustainable renewal of the forest by ensuring the fees levied will cover the expected future cost of renewal activities. Environment has begun to work with operators to reassess forest management fees.

Environment told us it is planning to implement changes to the Forest Resource Management Regulations that would allow for a reassessment of fees charged to TSL licensees, in place of the current prescribed fee.

**Status** – We continue to make this recommendation.

## Monitoring forest operators' reforestation activities

*We recommended that the Ministry of Environment set a formal plan to ensure proper reforestation of the forest.* (2009 Report – Volume 3)

In 2010, Environment approved a new directive for the preparation of a five-year forest renewal plan for the Forest Service's renewal program. The stated purpose of the program is to address the backlog of Not Sufficiently Regenerated (NSR) lands that Environment is responsible to remediate. In 2011, Environment developed a plan outlining the activities it would undertake in 2011-12 to renew NSR lands. Management told us it expects to complete the five-year plan later in 2011 after it has obtained more survey information verifying the location and extent of NSR lands. Environment told us that it expects all NSR lands it is responsible for will be reforested in 10 to 15 years.

**Status** – We continue to make this recommendation.

*We recommended that the Ministry of Environment establish processes to monitor operators' compliance with reforestation requirements.* (2009 Report – Volume 3)

In 2011, Environment developed a series of directives to provide guidance to Forest Service staff on monitoring operators' compliance with reforestation requirements. The various directives specify the assessment procedures, monitoring and reporting, needed to ensure operators are meeting reforestation requirements. Because Environment approved these monitoring procedures in 2011, Forest Service staff are just starting to carry out these processes.

**Status** – We continue to make this recommendation.

## Report on reforestation activities

*We recommended that senior management of the Ministry of Environment receive regular reports with adequate information to properly oversee and regulate reforestation.* (2009 Report – Volume 3)

In 2011, Environment drafted a silviculture[5] reporting directive that includes reporting to senior management and the public. Senior management plans to review and approve the directive in 2012. The draft directive states the intent of the annual report to senior management is to

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[5] Silviculture is the practice of controlling the establishment, growth, composition, health, and quality of forests to meet diverse needs and values.

provide adequate information upon which management could base decisions that direct policy on licensee compliance and any related enforcement actions. The information would form part of a larger annual statistical report. At March 2011, Environment did not provide senior management with regular reports.

**Status** – We continue to make this recommendation.

*We recommended that the Ministry of Environment develop a communication strategy to inform stakeholders about the effectiveness of reforestation activities in the Province.* (2009 Report – Volume 3)

As noted earlier, Environment drafted a silviculture reporting directive covering reporting to the public. Senior management plans to review and approve the directive in 2012. The draft directive outlines how the public is to be informed of reforestation requirements and of industry compliance with these requirements annually.

Management released its *State of the Forest Report* in December 2009. *The Forest Resources Management Act* requires Environment to provide the Legislative Assembly the *State of the Forest Report* every ten years. This report provides information on various environmental, economic and social indicators on the forestry industry in the province. The report contains some indicators that are specific to the state of reforestation, such as the proportion of timber harvest area successfully regenerated, and rate of compliance with forest management laws and regulations.

**Status** – We continue to make this recommendation.

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# Finance

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<div style="text-align: right;">**157**</div>

# Main points

The Ministry of Finance (Finance) and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Their financial statements are reliable. Finance and its agencies had adequate rules and procedures to safeguard public resources except it needs to address the items mentioned below.

Finance administers the corporate capital tax program including the resource surcharge. Finance needs to improve the processes it uses to record resource surcharge revenue so that it records the revenue it earns in the proper period.

Finance continues to improve its business continuity plan and is working with the Information Technology Office to obtain better information to help it monitor its information technology systems. It improved its reporting to senior management on its sinking fund and money-market investments. However, Finance had not set market-based benchmarks for its sinking fund investments to help evaluate whether it earned an effective return on these investments. Finance continued to research methods for assessing the performance of these investments.

The three pension plans administered by the Public Employees Benefits Agency (a division of Finance) continue to make progress on completing their business continuity plans but more work remains.

The Public Service Superannuation Board does not know if it complied with the law with respect to stopping pensions of retired members who return to work for the Government. We continue to recommend that the 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 Act. Alternatively, the Board should seek changes to the Act.

**Oversight of information technology—a follow up**

Finance has made some progress implementing our 2009 recommendations about its processes for oversight of information technology but still has work to do.

**Provincial sales tax (PST) audit selection—a follow up**

Finance has implemented three of our five 2007 recommendations about its processes to select businesses for provincial sales tax audits and has plans to address the remaining two recommendations.

This chapter also contains a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

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# Introduction

The Ministry of Finance (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 following:

♦ 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 central revenue and expense systems including the financial modules of the computerized Multi-informational Database Applications system (MIDAS Financials)
♦ 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[1]

This chapter sets out the results of our audits of the Ministry of Finance and its agencies for the year ended March 31, 2011. It also includes our follow up of recommendations outstanding from two previous audits.

## Special purpose funds and 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[2]) provides the Legislative Assembly with audited financial statements; some also provide an annual report.

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[1] Ministry of Finance. (2011). *2010-11 Annual Report*.
[2] This Fund does not prepare financial statements and is not legally required to do so.

Year ended March 31

Growth and Financial Security Fund

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

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

## Overview of the Ministry's finances

For the year ended March 31, 2011, Finance administered revenues of $8.0 billion (2010 - $8.0 billion) and spent approximately $0.8 billion (2010 - $0.8 billion) (see Exhibits 1 and 2 for detail). Finance's annual report explains significant differences between actual and budgeted revenues and expenses.[3]

Finance managed gross public debt of $10.5 billion (2010 - $10.7 billion) and investments in sinking funds of $2.4 billion (2010 - $2.7 billion).[4]

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[3] Ministry of Finance. *2010-11 Annual Report.*
[4] Government of Saskatchewan. *2010-11 Public Accounts*, Volume 1. p.64.

### Exhibit 1—Revenues by type

|  | Original Estimates | Actual |
|---|---|---|
|  | (in millions of dollars) | |
| Taxation | $ 4,851.2 | $ 5,123.3 |
| Non-renewable resources–resource surcharge | 398.7 | 360.8 |
| Transfers from Government Entities | 747.3 | 938.3 |
| Other own-source revenue | 288.6 | 386.5 |
| Transfers from the Federal Government | 1,164.2 | 1,148.2 |
|  | $ 7,450.0 | $ 7,957.1 |

### Exhibit 2—Expenses by program

|  | Original Estimates | Actual |
|---|---|---|
|  | (in millions of dollars) | |
| Public service pension and benefits | $ 264.5 | $ 278.4[5] |
| Revenue | 18.0 | 18.4 |
| Research and development tax credit | 18.0 | 12.0 |
| Provincial comptroller | 8.6 | 8.6 |
| Central management and services | 6.6 | 6.4 |
| Budget analysis | 5.0 | 4.8 |
| Treasury and debt management | 2.5 | 2.0 |
| Personnel policy secretariat | 0.5 | 0.4 |
| Miscellaneous | 0.1 | 0.1 |
| Amortization of capital assets[6] | 1.0 | 1.1 |
| Total expense–Vote 18 | 324.8 | 332.3 |
| Debt servicing–Vote 12 | 435.0 | 424.3 |
|  | $ 759.8 | $ 756.6 |

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[5] Finance determines the estimated and actual expenses for public service pension and benefits using the cash basis of accounting instead of the accrual basis. The cash-based amount reported in Finance's annual report was $260.4 million. Using the accrual basis of accounting for the year ended March 31, 2011, the actual expense was $278.4 million (restated to include $18.0 million of unrecorded pension costs).

[6] Amounts do not include capital asset acquisitions of $4.2 million (original estimate) and $853,000 (actual).

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## Audit conclusion and findings

To form our opinion on the Public Employees Pension Plan, our Office worked with Deloitte & Touche LLP, the Plan's appointed auditor. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[7]

**In our opinion, for the year ended March 31, 2011:**

♦   **Finance and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦   **Finance and its agencies complied with authorities set out in Exhibit 7 governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦   **Finance's agencies with a March year-end had reliable financial statements**

The law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2011, the Government approved, through Orders in Council (special warrants), spending of $633.1 million; the Legislative Assembly later approved these amounts through appropriation acts.

## Improved processes to record certain revenues needed

Finance needs to improve processes to record resource surcharge revenue so that it records the revenue it earns in the proper period.

**Exhibit 3—Highlights of the Resource Surcharge Program**

Finance administers the corporate capital tax program including the resource surcharge. Under *The Corporation Capital Tax Act,* certain resource companies must pay a resource surcharge on the value of their sales of oil, natural gas, potash, uranium, and coal in Saskatchewan.

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

Each month, these corporations must pay instalments based on their estimates of the current year's surcharge payable. Corporations can choose to make instalment payments on the basis of prior-year results.

Corporations must file an annual corporation capital tax return within six months of the close of their fiscal year and pay any residual amount owed within six months of their fiscal year-end. Most corporations have a December 31 fiscal year-end with a June 30 filing and payment deadline. However, there are other major corporations which have different year-ends (e.g., Mosaic (potash) has a May 31 fiscal year-end with a November 30 filing and payment deadline). Finance has a March 31 year-end.

Finance's accounting policies appropriately expect it to record revenue on an accrual basis, that is, record amounts as revenue as it earns these amounts. This policy helps ensure Finance records the revenue in the proper period (e.g., proper quarter or fiscal year).

Because of the timing for filing annual capital tax returns, to record resource surcharge revenue as it is earned, Finance needs to estimate what it expects these amounts will be. When estimating its resource surcharge revenues, we expected that Finance would set out the key assumptions that it uses it in its estimation process; identify and keep track of key information to assess the ongoing relevance of its assumptions; identify and take into account the effect of events, transactions, and changes in circumstances that would affect those assumptions and in turn its estimate; and record revenues based on its best estimate.

For the year ended March 31, 2011, Finance recorded $360.8 million of resource surcharge revenues using taxpayers' estimates as reflected in their monthly instalments and adjustments made in the year resulting from annual returns (e.g., adjustments resulting from taxpayers filing 2009 fiscal year returns after April 1, 2010). This amount includes Finance's estimate of resource surcharge revenue for taxpayers that had not made complete instalment payments.

However, the Ministry did not attempt to estimate or record the difference between the amount of taxpayer instalments and amounts it expected to receive or pay based on the unfiled annual tax returns. Management told

us that it assumed that taxpayer instalments best reflected the revenues earned for the year and that adjustments remained relatively consistent from year to year.

We found that Finance did not take steps to confirm that these instalments were a reasonable basis for estimating and recording resource surcharge revenue. For example, at each quarter and at year-end, Finance did not determine whether assumptions that corporations used to make their initial estimates remained valid (that is, the level of expected sales remained consistent for the related period). At July 2011, the estimated differences between instalment payments received (i.e., revenue recognized in 2010-11) and amounts determined on 2010 corporate tax returns are set out in Exhibit 4 below.[8]

__Exhibit 4—Extent of differences identified between instalments received and 2010 corporate tax returns__

| Sector | Overpayment (underpayment) |
|--------|----------------------------|
| Potash | ($38,759,969) |
| Oil & Gas | $31,214,468 |
| Uranium | $1,764,484 |
| Coal | $73,250 |

During 2010-11, Finance did not track, on an overall basis, the nature and extent of adjustments to resource surcharge revenues based on actual amounts reflected in annual capital tax returns.

Tracking and monitoring adjustments would help Finance determine the accuracy of estimates of resource corporations and help it to better estimate the amount of resource surcharge revenue earned for each quarter and for the year. Without adequate estimation processes, Finance may record significant revenues in the incorrect quarter or fiscal year.

1.    __We recommend that the Ministry of Finance establish a process to better estimate resource surcharge revenue earned during each quarter and record this estimate each quarter.__

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[8] Finance did not prepare comparative information for the 2009 corporation capital tax returns.

## Current human resources service agreement needed

Finance did not maintain a current service agreement with Public Service Commission (PSC) for key human resources activities other than payroll services.

PSC provides human resources services to Finance and other Ministries. Finance spends about $23 million each year on salaries and benefits and had a staff complement of 315 full-time equivalents[9] at March 31, 2011.[10]

While Finance had a service agreement in effect for payroll services that PSC provides, its human resources service agreement expired on March 31, 2010. During 2010-11, the PSC changed how it delivered some of its human resource services (e.g., in May 2010, PSC delegated staffing for out-of-scope positions to ministries). At July 31 2011, Finance had not extended or renewed its agreement with PSC.

Lack of maintaining a current, signed service agreement increases the risk that Finance and PSC may not have a common understanding of the roles and responsibilities of each party and that PSC's human resources services may not address Finance's needs.

2.      **We recommend that the Ministry of Finance establish a current service agreement with the Public Service Commission for the provision of human resources services.**

## Implementation of past recommendations needed

In Exhibit 5, we set out our past recommendations, actions the Ministry took during 2010-11, and the status of these recommendations at March 31, 2011.

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[9] Full-time equivalent is a measure of paid hours to employees divided by a standard number of hours a full-time employee would be paid in a year.
[10] Ministry of Finance. *2010-11 Annual Report*. (p. 7). Amount reported does not include staff of the Public Employees Benefits Agency Revolving Fund.

**Exhibit 5—Status of past recommendations**

| Past Recommendation (initial report) | Public Accounts Committee (PAC) | Actions Finance took in 2010-11 | Status of recommendation at March 31, 2011 |
|---|---|---|---|
| **Information technology** | | | |
| *We recommended that the Ministry of Finance confirm, in writing, processes and policies that the Information Technology Office (ITO) uses to address its specific information technology security and disaster recovery requirements, and then identify and set up additional policies unique to the Ministry of Finance as necessary.*<br><br>(2006 Report – Volume 3 – Chapter 15) | PAC agreed with this recommendation on March 13, 2007. | Finance finalized its business continuity plan (BCP[11]) in 2009-10 and advised ITO of its disaster recovery and availability requirements. Finance did not receive confirmation from ITO that ITO can provide disaster recovery and availability that would meet the requirements set out in Finance's BCP.<br><br>Finance and ITO are developing a new service level agreement which will address disaster recovery requirements. | **Partially implemented** – we continue to make this recommendation. |
| *We recommended that the Ministry of Finance require the Information Technology Office (ITO) to give it, each year, information on the adequacy of ITO's controls for keeping Finance's computer systems and data secure and available.*<br><br>(2010 Report – Volume 2 – Chapter 8) | PAC agreed with this recommendation on May 18, 2011. | Finance did not receive information from the ITO on the adequacy of controls at the ITO. Finance needs to know of ITO's control weaknesses (if any) so that it can assess the impact on its computer systems and data and take the necessary steps to mitigate the impact. Finance received regular security reports and followed up any security breaches identified. | **Not implemented** – we continue to make this recommendation. |
| *We recommended that the Ministry of Finance follow its processes for removing unneeded user access to its information technology systems and data promptly.* | PAC agreed with this recommendation on May 18, 2011. | In 2010-11 Finance began receiving a biweekly report that identifies inactive system users. Finance used this report to help identify and remove employees who no longer require system access. However, during 2010-11, | **Partially implemented** – we continue to make this recommendation. |

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[11] **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.

| Past Recommendation (initial report) | Public Accounts Committee (PAC) | Actions Finance took in 2010-11 | Status of recommendation at March 31, 2011 |
|---|---|---|---|
| (2010 Report – Volume 2 – Chapter 8) | | there were still instances where Finance did not request timely removal of unneeded user access to its IT systems. | |
| ***Treasury management*** | | | |
| ***We recommended that the Ministry of Finance set out its investment expectations in sufficient detail to make possible the measurement and evaluation of its investment performance.***<br><br>(2009 Report – Volume 1 – Chapter 5) | PAC agreed with these recommendations on September 1, 2009. | Finance has two main types of investments: money market (short term) and sinking fund (long term).<br><br>For money market investments<br><br>Finance prepared a quarterly report for senior management that communicates detailed information regarding market-based investment expectations and evaluation of investment performance.<br><br>For sinking fund investments<br><br>Finance had not set market-based benchmarks for the sinking fund investments to enable assessing whether it earned an effective return on these investments. Finance continued to research relevant basis for assessing the performance of these investments. | **For money market investments – implemented.**<br><br>**For sinking fund investments - Not implemented** – we continue to make this recommendation. |
| ***We recommended the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds.***<br><br>(2009 Report – Volume 1 – Chapter 5) | | As noted above, Finance continued to research relevant basis for measuring and in turn reporting the performance of the sinking funds publicly. | **Not implemented** – we continue to make this recommendation. |

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| Past Recommendation (initial report) | Public Accounts Committee (PAC) | Actions Finance took in 2010-11 | Status of recommendation at March 31, 2011 |
|---|---|---|---|
| ***We recommended the Ministry of Finance document its key treasury management procedures in sufficient detail so it can continue to operate effectively after staff turnover.***<br><br>(2009 Report – Volume 1 – Chapter 5) | | Finance identified opportunities to improve documentation, and plans to complete the following in 2011-12:<br>- implement a debt system to centralize information associated with debt issues; and<br>- document procedures relating to Saskatchewan Savings Bonds. | **Partially implemented** – we continue to make this recommendation. |

# Public Employees Benefits Agency and pension plans it administers

The Public Employees Benefits Agency (PEBA) is part of the Ministry of Finance. PEBA administers government pension and benefit plans. This includes the Public Employees Pension Plan (PEPP), Public Service Superannuation Plan (PSSP) and Municipal Employees' Pension Plan (MEPP). PEBA serves about 79,000 active and inactive (deferred) members, pensioners, and surviving spouses and dependents of these plans.

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, 2011, PEBA incurred $14 million in administration costs and recovered those costs from the plans. At March 31, 2011, PEBA held assets of $2 million. PEBA's 2010-11 Annual Report includes the PEBA Revolving Fund's audited financial statements.

The Public Employees Pension Board is responsible for *The Public Employees Pension Plan Act*. The Board manages PEPP, a defined contribution pension plan. The Board's primary objective is to provide retirement benefits to PEPP members in accordance with the law.

PEPP's 2010-11 Annual Report included its audited financial statements. These financial statements report contributions of $108.6 million from employees and $122.1 million from employers, investment income of

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$139.8 million, and an increase in market value of the investments of $328.6 million. For the year, PEPP incurred administrative expenses of $19.7 million and made transfers or payments out of PEPP of $165.3 million. At March 31, 2011, PEPP held assets of $4.9 billion.

PSSP is responsible for the administration of *The Public Service Superannuation Act* and other relevant legislation.

The Board governs PSSP, which consists of the Public Service Superannuation Fund, the Anti-Tuberculosis League Employees Superannuation Fund, and the Saskatchewan Transportation Company Employees Superannuation Fund. The primary objective of PSSP is to provide superannuation allowances to employees who retire and to the dependents of deceased superannuates and employees, in accordance with governing legislation.

In 2010-11, PSSP received contributions of $1.7 million from employees and $119 million from the General Revenue Fund. At March 31, 2011, PSSP held assets of $7.2 million and had liabilities of $1,939 million.

## Business continuity plans needed

***We recommended that PEBA complete a business continuity plan for the pension and benefit plans it administers.*** *(2008 Report – Volume 3)*

In December 2008, PAC agreed with our recommendation.

The critical services that PEBA and these Plans provide include receiving and recording contributions from employers and employees, handling transfers, and providing termination benefits, death benefits, and retirement benefits to members. PEBA and each of these plans must be able to provide these services even if a disaster disrupts its operations and services. Without an adequate business continuity plan, they may not be able to provide their critical services.

Exhibit 6 sets out the actions that PEBA and each Plan took in 2010-11 towards completing their business continuity plans.

**Exhibit 6—Plans Actions taken in 2010-11**

| Agency | Actions taken in 2010-11 |
|---|---|
| PEBA | PEBA continued to work on a business continuity plan for its critical services. It had developed a plan, but had not tested it. Until PEBA tests its plan, there is a risk that the plan will not meet its business continuity needs. |
| PEPP | PEPP developed a business continuity plan for its critical services in 2009-10. PEPP needs to test the effectiveness of the business continuity plan. Management told us it expects to test its business continuity plan in 2012-13. |
| PSSB | The Board completed developing a business continuity plan for its critical services in 2009-10. The Board needs to test the effectiveness of the business continuity plan. Management told us it expects to test its business continuity plan in 2012-13. |

**Status** – We continue to make this recommendation.

# Retired members' pensions

*We recommended that the Public Service Superannuation Board establish rules and procedures to ensure that all retired members who are receiving a pension and who 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.* (2001 Spring Report)

In November 2001, PAC agreed with this recommendation.

The Board of PSSP needs information about retired plan members 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 PSSP 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. The Act requires PSSP's 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 PSSP's Board to stop the pension of a retired member that the Government re-hires as a permanent employee when that member starts work.

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However, PSSP's Board did not have rules and procedures to know if retired members are working for the Government. It relied on retired plan members notifying it upon re-employment with the Government. As a result, PSSP's Board could not ensure that all pensions it paid comply with the law. Accordingly, we cannot determine if PSSP's Board complied with section 27 of the Act.

**Status** – We continue to make this recommendation.

**Exhibit 7—Legislation**

| Finance: | Judges of the Provincial Court Superannuation Plan: |
|---|---|
| *The Government Organization Act* | *The Financial Administration Act, 1993,* section 64 |
| *The Ministry of Finance Regulations, 2007* | *The Pension Benefits Standards Regulations (Canada), 1985* (Schedule III) |
| *The Corporation Capital Tax Act* | *The Provincial Court Act, 1998* |
| *The Corporation Capital Tax Regulations, 1984* | *The Provincial Court Compensation Regulations* |
| *The Federal-Provincial Agreements Act* | *The Pension Benefits Act, 1992* |
| *The Financial Administration Act, 1993* | *The Pension Benefits Regulations, 1993* |
| *The Fire Prevention Act* | *The Income Tax Act (Canada)* sections 147.1, 147.2, and 147.3 |
| *The Fire Insurance Fees and Reporting Regulations* | *The Income Tax Regulations (Canada): 8501-8504, 8512, 8514, 8520* |
| *The Fuel Tax Act, 2000* | *The Superannuation (Supplementary Provisions) Act,* section 36.2 |
| *The Fuel Tax Regulations, 2000* | Orders in Council issued pursuant to the above legislation |
| *The Growth and Financial Security Act* | |
| *The Income Tax Act, 2000* | |
| *The Insurance Premiums Tax Act* | Public Employees Benefits Agency Revolving Fund |
| *The Liquor Consumption Tax Act* | *The Financial Administration Act, 1993,* section 64 |
| *The Motor Vehicle Insurance Premiums Tax Act* | *Financial Administration Manual* |
| *The Public Service Act* | Orders in Council issued pursuant to the above legislation |
| *The Provincial Sales Tax Act* | |
| *The Provincial Sales Tax Regulations* | |
| *The Revenue and Financial Services Act* | |
| *The Revenue Collection Administration Regulations* | |
| *The Tobacco Tax Act, 1998* | |
| *The Tobacco Tax Regulations, 1998* | |
| Orders in Council issued pursuant to the above legislation | |

| Public Employees Pension Plan: | Public Service Superannuation Plan: |
|---|---|
| *The Public Employees Pension Plan Act, 1996*<br>*The Public Employees Pension Plan Regulations*<br>*The Superannuation (Supplementary Provisions) Act*<br>*The Pension Benefits Act, 1992*<br>*The Pension Benefits Regulations, 1993*<br>*The Pension Benefits Standards Regulations, 1985 (Canada)*<br>*The Income Tax Act (Canada)* sections 147.1-147.3<br>*The Income Tax Regulations (Canada)* sections: 8501-8505, 8512, 8514<br>Orders in Council issued pursuant to the above legislation | *The Public Service Superannuation Act*<br>*The Superannuation (Supplementary Provisions) Act*<br>*The Superannuation Acts Uniform Regulations*<br>*The Pension Benefits Standards Regulations (Canada)*, 1985 (Schedule III)<br>*The Pension Benefits Act, 1992*<br>*The Pension Benefits Regulations, 1993*, section 38<br>*The Financial Administration Act, 1993*, section 64<br>*The Income Tax Act (Canada)* sections 147.1, 147.2, and 147.3<br>*The Income Tax Act Regulations (Canada)* sections 8501 – 8504; 8512; 8514; 8520<br>Orders in Council issued pursuant to the above legislation |
| Saskatchewan Pension Annuity Fund: | Saskatchewan Watershed Authority Retirement Allowance Plan: |
| *The Saskatchewan Pension Annuity Fund Act*<br>*The Saskatchewan Pension Annuity Fund Regulations*<br>*The Pension Benefits Act, 1992*<br>*The Pension Benefits Regulations, 1993*<br>*The Pension Benefits Standards Regulations (Canada), 1985*<br>*The Financial Administration Act, 1993*<br>Orders in Council issued pursuant to the above legislation | *The Financial Administration Act, 1993*, section 64 & 65<br>Saskatchewan Watershed Authority Retirement Allowance Plan Document<br>Orders in Council issued pursuant to the above legislation |

## Oversight of information technology—a follow up

### Background

In carrying out its mandate, the Ministry makes extensive use of information technology (IT). In 2010-11, Finance spent $7.4 million on information technology and the Ministry estimates expenditures of $7.4 million for 2011-12.[12]

Finance works with service providers, including the Information Technology Office (ITO) in using IT. Nevertheless, Finance is ultimately responsible for its use of IT, and thus must maintain effective oversight.

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[12] Source: Ministry of Finance.

In 2009, we assessed the Ministry's processes for oversight of information technology. Our 2009 Report – Volume 3, Chapter 7 (pp. 136-141) concluded that Finance had adequate processes for oversight of its information technology (IT) for the 12-month period ending September 30, 2009 except Finance needed to:

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

On June 25, 2010, PAC agreed with our recommendations.

The following section sets out the recommendations (in italics), Finance's actions to August 31, 2011, and the status of the recommendations. We found that Finance has made progress in implementing our recommendations and has some work yet to do. Management told us that it plans to have the recommendations fully implemented within 2011.

## IT risk analysis and risk management plan

*We recommended the Ministry of Finance develop an information technology risk management plan based on an analysis of information technology risks.* (2009 Report – Volume 3)

Since 2009, Finance has identified and assessed risks relating to the critical applications that are required to keep the Ministry's business processes operational. The risk assessment aligned with the Ministry's draft IT strategic plan (discussed further in the next section).

The risk assessment listed critical applications and provided a description of the applications, the business functions the applications provide, an assessment of related risks, and a risk indicator (of low, medium or high).

The assessment identified risks related to software expiry, support expiry, dated and obsolete technology, necessary upgrades, lack of trained support, and ability to meet business requirements. Assessments had been completed for 14 of 17 critical systems identified.

Finance had also assessed IT risks in its business continuity planning.

Finance had not yet used the risk assessment to complete a risk management plan. Management told us that it plans to draft an IT risk management plan within 2011.

**Status** – We continue to make this recommendation.

## IT strategic plan

***We recommended the Ministry of Finance implement a strategic information technology plan that aligns with its strategic business objectives.*** *(2009 Report – Volume 3)*

Finance, in collaboration with the ITO, has developed a draft IT strategic plan. Finance has planned IT initiatives for all divisions in the Ministry. The plan aligned IT priorities and strategies to the overall mission and mandate of the Ministry.

Management told us it plans to complete the IT strategic plan within 2011.

**Status** – We continue to make this recommendation.

## Provincial sales tax (PST) audit selection—a follow up

Under *The Provincial Sales Tax Act,* the Ministry of Finance (Finance) collects a five percent provincial sales tax (PST) on certain consumer purchases. In 2010-11, Finance collected approximately $1.2 billion in PST revenues.[13] Finance conducts routine audits of taxpayer records to promote compliance with PST laws[14] and to determine if taxpayers have reported and paid the correct amount of taxes.

Our 2007 Report – Volume 3 (Chapter 9) reported that Finance had adequate processes to select businesses for PST audit with some exceptions. We made five recommendations. On March 25, 2009, PAC agreed with our recommendations. Our 2009 Report – Volume 3 (Chapter 7) reported that while Finance made considerable progress and planned for further progress, the recommendations were not met.

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[13]Ministry of Finance. *2010-11 Annual Report* (www.finance.gov.sk.ca/PlanningAndReporting/2010-11/201011FinanceAnnualReport.pdf).
[14] *The Provincial Sales Tax Act* and *The Provincial Sales Tax Regulations.*

At September 16, 2011, we found that Finance has now implemented three of the five recommendations and partially implemented the remaining two recommendations. The following section sets out the five recommendations (in italics) and Finance's actions up to September 16, 2011.

## Set desired outcomes

***We recommended that the Ministry of Finance set the desired outcomes of the PST audit selection process in measureable terms.*** *(2007 Report – Volume 3)*

Finance's audit branch prepared a 2011-12 strategic plan that formed part of Finance's 2011-12 Performance Plan. Finance's performance plan included the following two goals that specifically relate to PST audit selection and related action plans:

1. *Optimize revenue to the Province through fair policies and systems to ensure greater voluntary payment of and compliance with taxes owing to the Province*
2. *Continue to work on a tax audit selection process and the allocation of audit resources to the highest risk areas*[15]

Finance identified several potential performance measures it could use to assess its progress towards achievement of the above goals. Some of these performance measures were output measures (e.g., amount of audit revenues assessed, cost of audits); while others were outcome measures (e.g., overall rate of non-compliance). Finance calls the overall rate of non-compliance the "tax gap." It collected baseline data for these draft performance measures. At September 2011, Finance had not decided which performance measures to use.

**Status** – We continue to make this recommendation.

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[15] Ministry of Finance. *2011-12 Performance Plan* (www.finance.gov.sk.ca./PlanningAndReporting/2011-12/FinancePlan1112.pdf).

## Analyze the risks of non-compliance

*We recommended that the Ministry of Finance analyze the risks that businesses are not complying with PST laws and rank identified risks according to their potential significance.* *(2007 Report – Volume 3)*

Since 2009, Finance has identified the key risk areas related to PST and ranked each of these areas. Also, it has established and applied initial weighting criteria (e.g., commencement date of business, sales, industry code, previous assessments) to all businesses currently remitting PST.

For businesses identified as posing a higher risk of non-compliance with PST laws, Finance required audit staff to prepare an audit selection analysis. This selection analysis set out additional information such as expected revenue from the audit and required audit resources.

Finance then calculated an overall weighting for each business based on the initial weighting criteria, the selection analysis, information from the Canada Revenue Agency, and other information (such as concerns raised by consumers). Using the overall weighting, it ranked businesses and assigned them to a particular audit group.

Finance revised the initial weighting criteria as new information became available. The weighting criteria was updated monthly to incorporate any new information.

Finance set a minimum expected revenue recovery threshold that it used to determine whether or not it would be economical or practicable to perform audit activity. Finance communicated this threshold to staff and used the threshold when selecting businesses for audit.

**Status** – Finance has implemented this recommendation.

## Document strategy to address risk

*We recommended that the Ministry of Finance document its audit strategy to address identified risks that businesses are not complying with PST laws.* *(2007 Report – Volume 3)*

As noted above, the strategic plan of Finance's audit branch included its strategy to address identified risks and it completed an audit selection analysis for each business selected for audit. The selection analysis documented risks of each business not complying with the PST laws. Finance tailored its audit for each business to address risks identified in its selection analysis.

**Status** – Finance has implemented this recommendation.

## Direct audit effort towards risk

*We recommended that the Ministry of Finance direct its audit efforts based on an overall risk analysis of businesses not complying with PST laws.* *(2007 Report – Volume 3)*

Finance maintained an audit manual that set out its procedures for conducting audits. As noted above, Finance used the weighting process to allocate its audit staff to audits of businesses with the highest risk of non-compliance. In addition, to foster greater voluntary payment and compliance, Finance randomly selected for audit businesses with lower risks of non-compliance.

**Status** – Finance has implemented this recommendation.

## Report on effectiveness of audit selection process

*We recommended that the Ministry of Finance require its senior management to receive reports on the effectiveness of the PST audit selection process.* *(2007 Report – Volume 3)*

Finance requested staff to provide input on the effectiveness of the audit selection process. For example, audit managers met quarterly to discuss better ways to identify risks and possible process improvements. Reports prepared for each audit compared expected results for each audit (e.g., expected risks, expected audit revenues, expected audit hours) to actual audit results. Finance used this information to evaluate whether its weighting criteria effectively selected for audit those businesses with the highest risk of non-compliance.

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However, as noted previously, Finance had not yet decided which performance measures to use for reporting to senior management on the overall effectiveness of its PST audit selection process. Also, it had not set performance targets for these measures.

**Status** – We continue to make this recommendation.

## Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[16] Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[17] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Public Employees' Benefits Agency – IT security** (2010 Report – Volume 2) | | |
| 2011 | 8-5 that the Public Employees Benefits Agency periodically review the completeness of its information technology policies. | **Not implemented** (as at March 31, 2010). We plan to follow up in 2012. |
| 2011 | 8-6 that the Public Employees Benefits Agency periodically test the effectiveness of its information technology security. | **Not implemented** (as at March 31, 2010). We plan to follow up in 2012. |
| 2011 | 8-7 that the Public Employees Benefits Agency comply with its security policy of monitoring software developers' access to its information systems and data. | **Not implemented** (as at March 31, 2010). We plan to follow up in 2012. |
| 2011 | 8-8 that the Public Employees Benefits Agency implement and test its disaster recovery plan. | **Partially implemented** (as at March 31, 2011). |
| 2011 | 8-9 that the Public Employees Benefits Agency implement its approved policies and procedures for making changes to its information technology infrastructure. | **Not implemented** (as at March 31, 2010). We plan to follow up in 2012. |

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[16] For definitions of the Key Terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.
[17] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to the Legislative Assembly.

| PAC REPORT YEAR[17] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Municipal Employees' Pension Commission** (2007 Report – Volume 1) | | |
| 2009 | 4-4 that the Municipal Employees' Pension Commission have a written, tested, and approved disaster recovery plan. | **Partially implemented** (as at December 31, 2010).<br><br>We plan to follow up in conjunction with our annual audit. |

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# Financial reporting— Public financial reporting— the need to change

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# Main points

This chapter provides information to legislators and citizens about the nature of financial reporting in Saskatchewan. It explains why public reporting on a government's financial results should be based on all agencies that a government controls. This information is only available in a government's summary financial statements. Only summary financial statements should be used to assess a government's performance in managing Saskatchewan's financial affairs and public resources.

The financial statements of the General Revenue Fund contain significant errors. Unfortunately, Saskatchewan governments have used these statements as their main way to explain financial results to the people of Saskatchewan for many years. The financial statements of the General Revenue Fund are not complete and do not reflect how governments use all resources over which they have control. It is reasonable for a government to use the GRF to manage a part of the government's operations that are included in the Summary Financial Statements, but the appropriate statements to use when communicating to the public are the Summary Financial Statements.

The bottom line (annual surplus/deficit) of the General Revenue Fund is controllable and can generally reflect the financial results a government desires. This is because the financial value of transfers between Crown agencies and the transfers from "rainy day funds" can be controlled and can affect the bottom line. The Summary Financial Statements are not subject to the same potential for accounting adjustments as they eliminate the financial impact of a government doing business with itself.

Other provincial governments and the Federal Government are using summary financial statements to publicly communicate financial information. It is time for Saskatchewan to focus public reporting on financial results using these statements.

Moving to the use of summary financial statements as the primary means of public communications will be a significant change for Saskatchewan governments. It will likely create the possibility that less predicable results may need to be explained.

We believe that the first government that focuses on public reporting using summary financial statements will be one that is confident of its performance, and that is willing to make concrete changes to advance appropriate, open, and understandable financial reporting to the people of Saskatchewan. We encourage Saskatchewan to make this move.

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# Introduction

This chapter provides information to legislators and citizens about the nature of financial reporting in Saskatchewan. It explains why public reporting on a government's financial results should be based on the Summary Financial Statements.

This Office has made several recommendations over the years encouraging governments to report publicly focusing on the Summary Financial Statements (SFS) instead of the General Revenue Fund (GRF) financial statements. Making this public reporting change would result in Saskatchewan being consistent with other Canadian provincial governments and the Federal Government. Saskatchewan already produces Summary Financial Statements and if fact, for the year ending March 31, 2011, was the first province in Canada to issue them. We believe a publicly reporting focus on them is appropriate to ensure government is accountable for all operations that it controls.

# Financial reporting structure of the Public Accounts of Saskatchewan

The Public Accounts of Saskatchewan are key accountability reports required by law (i.e., *The Financial Administration Act, 1993*). Public Accounts includes the annual financial statements for the Government of the Province of Saskatchewan (commonly referred to as the Summary Financial Statements) and other information as required by a subcommittee of Cabinet (i.e., Treasury Board). Legislation also requires financial statements on the General Revenue Fund to be prepared. The Public Accounts provides an important link in an essential chain of public accountability. They are the principal means by which the Government reports on its stewardship of public money to the Legislative Assembly and to the people of Saskatchewan.

**Chart 1–The composition of the Government of Saskatchewan**

| Government of the Province of Saskatchewan - represented by the Summary Financial Statements |
|---|

| General Revenue Fund (a special purpose fund) | Crown Investments Corporation of Saskatchewan (CIC) , its 15 subsidiary Crown corporations, and about 64 Crown agencies including pension plans | About 190 other Crown agencies including special purpose funds and pension plans |
|---|---|---|
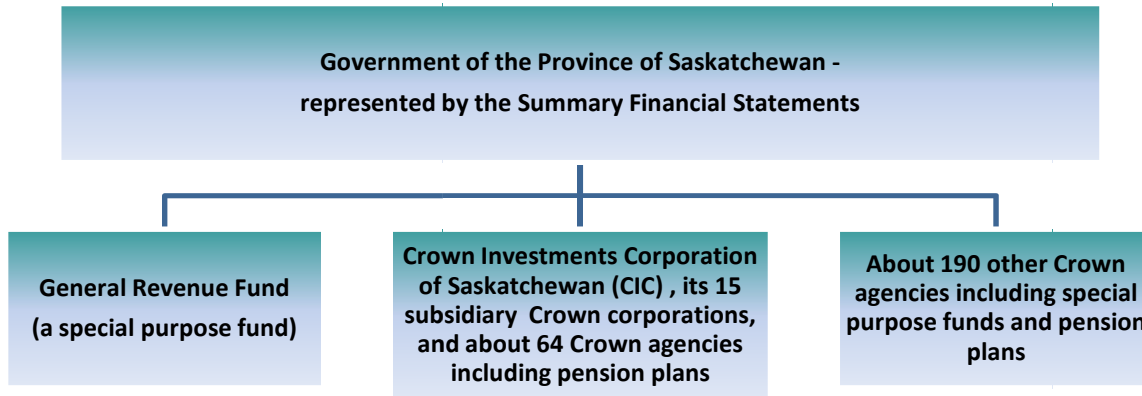
In Saskatchewan, the Public Accounts are represented by two distinct sets of financial statements.

♦ **Summary Financial Statements.** These statements provide audited information on the aggregate financial affairs and resources for which the Government is responsible (about 270 agencies including the General Revenue Fund, Crown corporations, and other Crown agencies – see Chart 1). These statements are also the appropriate statements to use when comparing the operating results and the financial position of Saskatchewan to other provincial governments and the Federal Government.

♦ **General Revenue Fund financial statements**. These statements compare spending of ministries to that authorized by the Appropriation Acts and other statutory spending authorities (Estimates).[1] They provide audited information on spending of ministries and revenues (primarily from taxes, non-renewable resources, and transfers from the Federal Government). As explained later in this chapter, these statements contain significant errors and do not include results of all agencies controlled by the Government.

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[1] Various acts give the Government ongoing spending authority. For these amounts, the Government is not required to seek annual legislative authority through Appropriation Acts. For example, *The Financial Administration Act, 1993* gives the Ministry of Finance the ongoing authority to pay debt servicing costs (e.g., interest, fees and commissions). These amounts are called statutory appropriations.

Saskatchewan publishes Public Accounts in two volumes.

Public Accounts - Volume 1 (Main Financial Statements) contains:

♦ Financial Statement Discussion and Analysis for both the General Revenue Fund (GRF) and Summary Financial Statements

♦ General Revenue Fund Financial Statements (audited)

♦ Summary Financial Statements (audited)

♦ Unaudited Supplementary Information on the Growth and Financial Security Fund, GRF issued debentures, and a glossary of terms

Public Accounts - Volume 2 (Details of Revenue and Expenses) contains unaudited:

♦ Details of GRF Revenue and Expense including lists of salaries and benefits, transfers, payments to suppliers

♦ GRF transfers to the Growth and Financial Security Fund

♦ GRF Details of Capital Asset Acquisitions

♦ GRF Supplier Summary

♦ Various other information including Summary of Pension Plan and Trust Fund Balances, Statement of Remission of Taxes and Fees, and the Road-use Fuel Tax Accountability Report

Also, other key accountability documents that the Government publishes include:

♦ a compendium of audited financial statements of various Crown agencies accountable to Treasury Board (a subcommittee of cabinet)[2]

♦ the audited financial statements of Crown Investments Corporation of Saskatchewan (CIC) and subsidiary Crown corporations (e.g., SaskPower, SaskTel) accountable to the Board of CIC (a subcommittee of cabinet)[3]

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[2] These are available on the internet at http://www.finance.gov.sk.ca/public-accounts. The payee disclosure reports of these agencies are tabled in the Legislative Assembly in conjunction with their annual reports and/or audited financial statements.

[3] The website of Crown Investments Corporation of Saskatchewan provides web links to the audited financial statements of each of its subsidiary crowns (http://www.cicorp.sk.ca/) and to the payee disclosure report for the CIC sector (http://www.cicorp.sk.ca/publications). The audited financial statements of the other related CIC crown agencies are tabled in the Legislative Assembly.

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# Audit of the Public Accounts

Every year, our Office audits and issues audit opinions on the two sets of financial statements included in Public Accounts – Volume 1:

♦ the Summary Financial Statements

♦ the General Revenue Fund

Ever since the Summary Financial Statements were first prepared in 1992, our Office has issued a clean opinion, with no audit qualifications, on the Summary Financial Statements (see Exhibit 1). These financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Summary Financial Statements provide a complete, fair, and accurate representation of the Government's financial position and the results of its operations.

For over sixteen years, our Office has issued a qualified audit opinion on the GRF financial statements (see information under headings of "Basis for Qualified Opinion", "Qualified Opinion", and "Usefulness of these Financial Statements is Limited" in Exhibit 2). These statements are <u>not</u> prepared in accordance with GAAP.

**Exhibit 1–Auditor's Report on 2010-11 Summary Financial Statements**

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**INDEPENDENT AUDITOR'S REPORT**

**To the Members of the Legislative Assembly of Saskatchewan**

I have audited the accompanying financial statements of the Government of Saskatchewan, which comprise the summary statement of financial position as at March 31, 2011, and the summary statements of operations, accumulated surplus, change in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Government of Saskatchewan as at March 31, 2011, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.


Regina, Saskatchewan                                      Bonnie Lysyk, MBA, CA•CIA
June 16, 2011                                             Provincial Auditor

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**Exhibit 2–Auditor's Report on 2010-11 General Revenue Fund Financial Statements**

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**INDEPENDENT AUDITOR'S REPORT**

**To:      The Members of the Legislative Assembly of Saskatchewan**

I have audited the accompanying financial statements of the General Revenue Fund, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, accumulated deficit, change in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting principles for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Basis for Qualified Opinion*

1.  The Government through the General Revenue Fund is responsible for the liabilities of several pension plans and a disability benefit plan. Notes 1 and 4 state that the pension liabilities and a disability benefit liability are not recorded in these financial statements. Canadian public sector accounting principles require that the pension and disability benefit liabilities be recorded in the financial statements. Had the pension and disability benefit liabilities been recorded, liabilities and accumulated deficit would increase by $6,024 million (2010 - $5,783 million) as at March 31, 2011 and, for the year, expenses would increase by $240 million (2010 - $341 million), and surplus would decrease by the same amounts.

2.  The Government records transactions between the General Revenue Fund and the Growth and Financial Security Fund (GFSF) as revenue or expense of the General Revenue Fund. The substance of the transactions between the General Revenue Fund and the GFSF is that the amounts the General Revenue Fund owes the GFSF must be repaid by the GFSF to the General Revenue Fund. Canadian public sector accounting principles do not allow the General Revenue Fund to record changes in the amount due to the GFSF as revenue or expense of the General Revenue Fund.

    The financial statements show an expense (as Transfer to the GFSF) of $48 million (2010 - net Transfer from the GFSF of $257 million). It is not appropriate to record an expense because the GFSF must return all amounts due to the General Revenue Fund. Likewise, it is not appropriate to record revenue for it is only the amount the GFSF has returned to the General Revenue Fund in the year. Instead of recording an expense or revenue, the financial statements should record an asset equal to the amount it owed or paid to the GFSF. Had the Government properly recorded the transactions, Total Financial Assets would increase by $1,006 million (2010 - $958 million) and accumulated deficit would decrease by the same amount as at March 31, 2011 and, Surplus for the year would increase by $48 million (2010 - decrease by $257 million).

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*Qualified Opinion*

In my opinion, except for the effects of not recording pension and disability benefit liabilities and recording the amounts that the General Revenue Fund has paid to the GFSF as expense of the General Revenue Fund as described in the preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of the General Revenue Fund as at March 31, 2011, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Usefulness of these Financial Statements is Limited*

These financial statements contain qualifications from Canadian public sector accounting standards and only report transactions and events of the General Revenue Fund, a component of the Summary Financial Statements. Therefore, readers should not use the General Revenue Fund financial statements to understand and assess the Government's overall management of public financial affairs and provincial resources. Rather, they should use the Summary Financial Statements of the Government of the Saskatchewan.

The Government is comprised of over 270 different entities other than the General Revenue Fund. The extent of the Government's controlled financial activities outside of this Fund is significant. Consideration of the financial activities of these entities, and adjusting for the qualifications to the General Revenue Fund has the following impact: total financial assets increase by $7,188 million (2010 - $6,661 million); total liabilities increase by $7,295 million (2010 - $6,582 million); net debt increases by $107 million (2010 - decreases by $79 million); total non-financial assets increase by $3,567 million (2010 - $3,304 million); accumulated deficit decreases by $3,460 million (2010 - $3,382 million); total revenue including net income from government business enterprises increases by $2,237 million (2010 - $1,469 million); total expense increases by $2,298 million (2010 - $2,303 million); and the annual surplus decreases by $61 million (2010 - $834 million).

Only the Summary Financial Statements report the full nature and extent of the overall financial affairs and resources of the Government of the Province of Saskatchewan.

Regina, Saskatchewan          Bonnie Lysyk, MBA, CA•CIA
June 16, 2011          Provincial Auditor

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Of these two sets of audited statements, Saskatchewan governments primarily use the GRF to publicly communicate financial information. Our Office has encouraged Saskatchewan governments to use the Summary Financial Statements as the focus of public reporting. Our Office has, for several years, recommended that the Government:

♦    use the summary reporting entity as the primary basis for reporting its financial plans and results (2008 Report – Volume 2)

♦    include a statement of operations with estimated revenues and expenses in its summary financial budget (2008 Report – Volume 2)

♦    publish actual and forecasted results compared to its financial plan for the entire Government in each quarter (2007 Report – Volume 2)

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## Focus on GRF financial statements is inappropriate

Since 1992, Saskatchewan governments have not used the Summary Financial Statements to explain the financial results of the Government to the people of Saskatchewan. Rather, many Saskatchewan governments have regarded the GRF financial statements as their main financial statements. They have used the GRF financial statements as the primary source of financial information for public communication.

Proponents claim the use of the GRF statements is relevant because they show tax-supported activities of government and spending as approved by the Legislative Assembly. However, this argument is flawed for at least three reasons:

1.  GRF financial statements include significant errors – they do not account for pension costs and promises that will ultimately have to be paid through taxes. They inappropriately include as revenue/expense transfers to/from a "rainy day fund".[4] These transfers allow governments to change the financial results of the GRF.[5]

2.  GRF's financial results can be affected to achieve a desired financial picture because the GRF does significant business with other provincial Crown agencies. Government decisions on the amount and timing of funding from/to other Crown agencies (revenue/expenses) dramatically impact the GRF's annual financial results.

3.  GRF financial statements are not meant to provide the complete picture of the Government's financial performance. The Government carries out significant business outside of the GRF. The GRF financial statements do not reflect these financial results.

To date, Saskatchewan governments have only prepared detailed budgets for the GRF (i.e., the Estimates) for used in the Legislative

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[4] For example, the Growth and Financial Security Fund or the Fiscal Stabilization Fund.
[5] Legislation permitted Treasury Board to approve transfers between the GRF and the "rainy day fund". For example, under *The Growth and Financial Security Act,* 50% of a GRF surplus is transferred into the Growth and Fiscal Stabilization Fund and Treasury Board can approve other transfers.

Assembly. Summary budget information is limited. Without detailed budgets for the entire Government, legislators do not have the full picture before them when they are considering how public resources should be spent.

Saskatchewan's use of the GRF differs from that of most other provincial governments where summary financial statements are the main vehicle used to explain their financial plans and results.

It is important that legislators and the public understand that the financial plans and results of the GRF are not the same as those of the entire Government.

In this chapter, we explain why we believe that the primary statements for reporting to the public should be the Summary Financial Statements.

## Why should a government use the Summary Financial Statements as its primary tool to report on and communicate its financial results?

Provincial governments throughout Canada focus on the summary financial statements to best portray their government's overall management of provincial finances. Reporting primarily on the Summary Financial Statements is now the standard approach used in other Canadian jurisdictions.

By choosing to move forward to the Summary Financial Statements as the primary tool for public reporting on financial results, a government would:

♦ show positive progress in presenting the financial results for the province in a clear, appropriate, and less confusing manner

♦ agree that balancing a budget for only a portion of its operations (i.e., the GRF) is no longer appropriate

♦ eliminate the confusion caused by using two sets of books to explain its financial results

♦ clarify for the public its level of provincial debt

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♦ acknowledge that a provincial debt rating is based on more than the results from the GRF

♦ communicate accurate financial results

## Why should the public want financial results reported using the Summary Financial Statements?

The following highlights why public reporting on government financial results in Saskatchewan needs to change:

♦ The GRF financial statements contain significant errors by not including the portion of Government's debt related to pension liabilities and by inappropriately including transfers from/to a rainy day fund as revenue/expense. The Summary Financial Statements do not contain these errors.

♦ GRF financial earnings can be adjusted to achieve a desired financial picture; the Summary Financial Statement results cannot.

♦ The GRF financial statements do not include the over 270 entities controlled by the Government (Crown agencies); the Summary Financial Statements do. Only the Summary Financial Statements capture the financial results of the GRF and all of the Government's Crown agencies.

♦ The GRF financial statements do not include the liability for pension debt; the Summary Financial Statements do.

♦ Public reporting on two sets of financial statements by a government is confusing; focusing public reporting on the Summary Financial Statements would eliminate this confusion.

♦ Saskatchewan's public financial reporting practices are inconsistent to that of other provinces; focusing public reporting on the Summary Financial Statements would make it consistent.

The following sections expand on many of these reasons.

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## The GRF financial statements contain significant errors

For the past 16 years, our Office has reported concerns about the use and reliability the GRF financial statements published each year in Volume 1 of Public Accounts.[6] Each year, the audit opinion on the GRF financial statements has been qualified because of significant errors. "Qualified" audit opinions are not normal and should cause concern for legislators and the public.

As set out in Exhibit 2, the Provincial Auditor's audit opinion on the 2011 GRF financial statements is also qualified. The audit opinion advised readers of the significant errors in these financial statements. Also, the audit opinion cautioned them not to use the GRF financial statements to understand the financial results of the Government.

Exhibit 3 explains the errors in the March 31, 2011 General Revenue Fund financial statements. It sets out, by line item, the affected information from the GRF financial statements, the amount reported, the amount that should have been reported, the difference between these two amounts, and the reason for that difference.

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[6] For example, see *Provincial Auditor Saskatchewan: 1996 Fall Report*, Chapter 12, Department of Finance, p.165.

**Exhibit 3 –Impact of errors on the GRF financial statements for the year ended March 31, 2011**

| Line item on financial statements | Amount reported in the statements | Amount that should be reported in the statements | Difference<br><br>Amount reported is:<br>Overstated (too high)<br>Understated (too low) | Reason for difference |
|---|---|---|---|---|
| **Statement of Financial Position** | | | | |
| Total Financial Assets | $3.08 billion | $4.08 billion | $1.00 billion (understated) | Unrecorded "Due from Growth and Financial Security Fund" |
| Total Liabilities | $6.76 billion | $12.78 billion | $6.02 billion (understated) | Unrecorded pension and a disability plan debt |
| Net Debt | $3.68 billion | $ 8.70 billion | $5.02 billion (understated) | Net impact of not recording the above amounts |
| Accumulated Deficit | $499 million | $5.52 billion | $5.02 billion (understated) | Net impact of not recording the above amounts |
| **Statement of Operations** | | | | |
| Total Expense | $10.97 billion | $11.21 billion | $240 million (understated) | Unrecorded pension and a disability plan costs for current year |
| Transfer to the Growth and Financial Security Fund | $48 million | $ --- | $48 million (overstated) | Inappropriately including transfer as an expense |
| Surplus (deficit) | $48 million | $(145) million | $193 million (overstated) | Net impact of above errors on current year surplus |

Instead of following Canadian GAAP, Saskatchewan governments have set inappropriate accounting policies to account for pension costs and transfers between the GRF and a rainy day fund. They have decided to account for pension costs on a cash basis and to treat transfers between the GRF and a rainy day fund as revenues or expenses of the GRF. As previously noted, this allows governments to adjust the financial results of the GRF. As a result, for years, the GRF financial statements have contained significant errors.

**Graph 1–Ten-year comparison of GRF annual surplus as reported in the GRF financial statements to what should have been reported[7]**
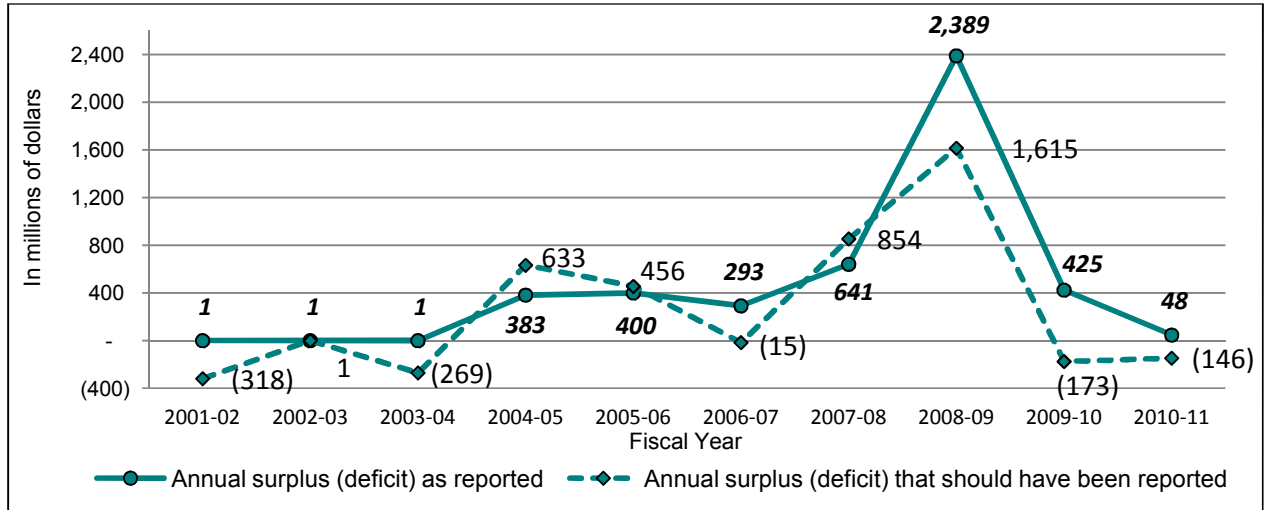


Source: General Revenue Fund audited financial statements and related Provincial Auditor's reports

Annual surplus or deficit is an important financial indicator for governments. It shows the extent to which the revenues raised in a reporting period exceed the expenses (or use of resources) in that period.

As shown in Graph 1, in five out of the last ten years, Saskatchewan governments have reported annual surpluses in the GRF financial statements when they should have reported annual deficits in the GRF financial statements.

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[7] The amounts reflected for GRF are adjusted to reflect the amounts that should have been reported if the GRF followed appropriate accounting policies. See Exhibit 3 for further detail.

**Graph 2–Ten-year comparison of GRF net debt as reported in the GRF financial statements to net debt that should have been reported[8]**
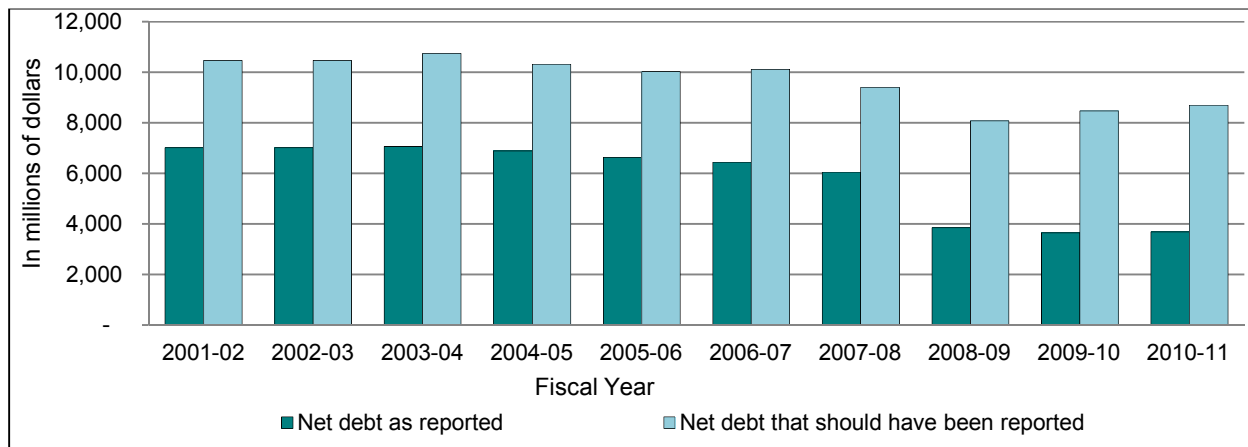


Source: General Revenue Fund audited financial statements and related independent auditor's reports

Net debt is another important financial indicator for governments. It highlights the affordability of future government services. It takes into account not just the total amount of debt that a government owes, but how much debt a government has in relation to its financial assets (e.g., cash, receivables). If a government has a large amount of debt, but large financial assets, it is better able to handle its debt situation than a government with a smaller amount of debt but very limited financial assets. A lower net debt is better.

As shown in Graph 2, Saskatchewan governments have consistently understated the net debt reported in the GRF financial statements.

The financial statements of the General Revenue Fund are not prepared in accordance with generally accepted accounting principles (GAAP). Use of GAAP is necessary so that governments account for the cost of their programs and decisions accurately.

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[8] The amounts reflected for GRF are adjusted to reflect the amounts that should have been reported if the GRF followed appropriate accounting policies. See Exhibit 3 for further detail.

# GRF financial earnings can be adjusted to achieve a desired financial picture

A government can determine the financial results of the GRF by deciding the amount and timing of transfers between the GRF and a rainy day fund and/or provincial crown agencies. Transfers between a rainy day fund and crown agencies do not affect the financial results of the Summary Financial Statements. The Summary Financial Statements eliminate the financial impact of the Government doing business with itself.

**Graph 3–Ten-year comparison of GRF pre-transfer surplus and annual surplus (deficit) (as reported in the GRF financial statements)**
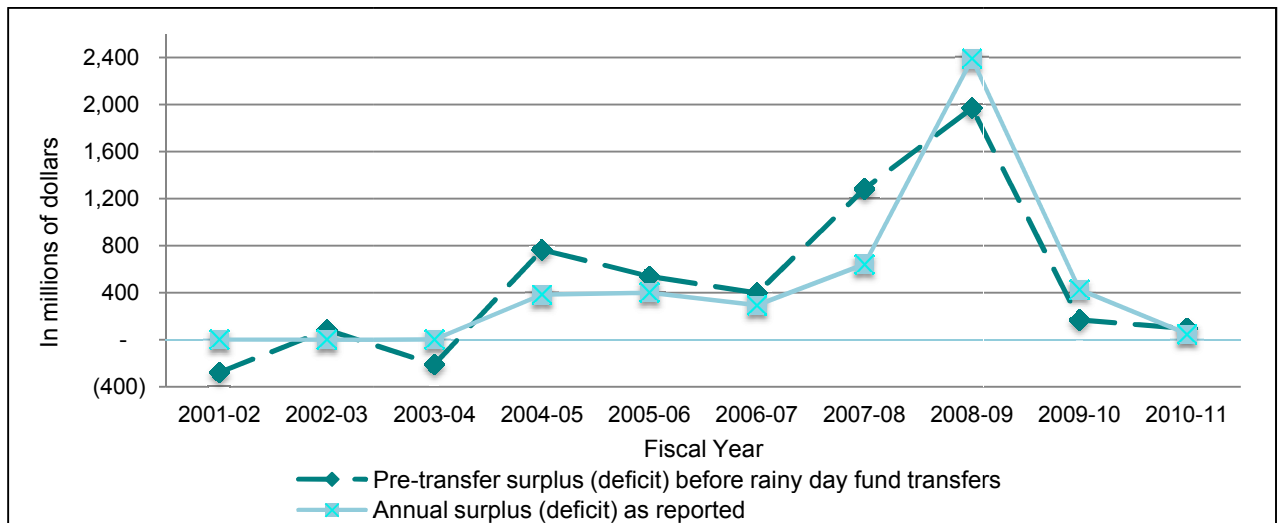


Source: General Revenue Fund audited financial statements

Governments use their annual surplus (deficit) as an overall indication of their annual financial results. They also routinely compare this amount to the budgeted annual surplus (deficit).

Since the creation of rainy day funds, Saskatchewan governments have used transfers between the GRF and rainy day funds to change the financial results of the GRF.

In the GRF financial statements, pre-transfer surplus (deficit) represents the excess of GRF revenues over its expenses before taking into account transfers to/from a rainy day fund. The annual surplus (deficit) reported in the GRF financial statements includes transfers to/from a rainy day fund.

As shown in Graph 3, in times of GRF deficits, Saskatchewan governments have used transfers from a rainy day fund to move the GRF from an annual deficit position into an adjusted annual surplus position (e.g., in 2001-02 and in 2003-04). In times of GRF surpluses, other than in 2008-09 and 2009-10, Saskatchewan governments have used the transfers to a rainy day fund to adjust down the GRF annual surplus. Thus, governments use such transfers to arrive at the desired results.

Also, each year the GRF does significant business with other provincial Crown agencies (e.g., Saskatchewan Liquor and Gaming Authority, CIC, regional health authorities). For example, in 2010-11, 79% of the GRF's expenses of $11.0 billion were for operating and capital transfers, of which 61% ($5.3 billion) was provided to other provincial Crown agencies (e.g., regional health authorities). In that same year, 9% of GRF revenues of $11.1 billion were from transfers or recovery of expenses from other provincial Crown agencies (e.g., Saskatchewan Liquor and Gaming Authority, CIC).

Government decisions on the amount and timing of transfers between the GRF and other provincial Crown agencies affect the GRF's financial results. For example,

♦    In 2010-11, the Government improved the GRF's financial results by directing certain Crown agencies to provide the GRF with $965 million (including a special dividend from CIC of $214 million) and, conversely, it worsened the GRF's financial results when it decided to provide regional health authorities with an additional $334 million.[9]

♦    In 2001-02, the Government improved the GRF's financial results by directing certain Crown agencies to provide the GRF with $561 million (including a special dividend from CIC of $200 million).[10]

When you look at a government as a whole, none of these transfers make a difference. As previously noted, the Summary Financial Statements eliminate transfers between the GRF, a government's rainy day fund, and various Crown agencies.

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[9] Government of Saskatchewan, *Ministry of Health 2010-11 Annual Report*. pp.33–34.
[10] Government of Saskatchewan, *2001-02 Public Accounts Volume 1*. pp.14, 32.

# GRF financial statements are not complete–they do not include all entities controlled by the Government

The GRF is a special purpose fund that primarily accounts for the spending of ministries and for revenues not directed by law to go elsewhere. The GRF does not and is not intended to provide an accounting of the full nature and extent of the financial activities of an entire Government. As such, the GRF does not present a complete picture of the financial results of a Government.

Government carries out a significant portion of its activities through Crown agencies other than the GRF (e.g., the delivery of power and telephone services through its CIC Crown corporations, or the provision of housing though Saskatchewan Housing Corporation).

## *Fewer fluctuations in GRF annual surplus*

**Graph 4–Ten-year comparison of SFS and GRF annual surplus (deficit) as reported**
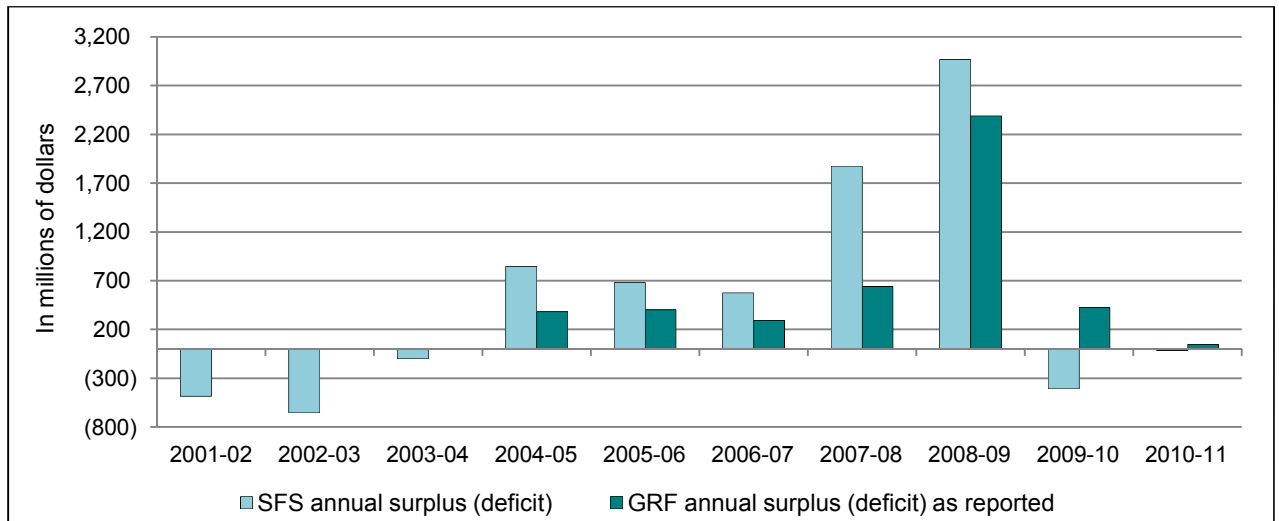


Source: General Revenue Fund and Summary Financial Statements audited financial statements
Note: The GRF financial statements reported an annual surplus of $1.1 million in 2001-02, $860,000 in 2002-03, $983,000 in 2003-04, $424.5 million in 2009-10, and $47.7 million in 2010-11. The SFS reported an annual deficit of $13.3 million in 2010-11.

Typically, the annual financial results of summary financial statements will fluctuate more. This is a function of the large size of the public sector. Also as noted in the previous section, the size of the GRF annual surplus (deficit) can be managed to achieve a desired result (see Graph 3).

As shown in Graph 4, other than in 2009-10 and 2010-11, since 2003-04, government activities outside of the GRF have contributed positively to Government's overall financial results resulting in higher annual surpluses in the Summary Financial Statements than in the GRF financial statements.

For five years where deficits were incurred on the Summary Financial Statements, the GRF statements reported surpluses. See discussion in the preceding section about governments' use of a rainy day fund and other transfers to improve the GRF financial position in times of deficits.

### *Reported GRF gross debt missing pension debt*

Governments use debt to finance their activities. Governments incur debt by issuing bonds and debentures or by delaying their funding of pension debt. Gross debt is the aggregate of borrowing through the issuance of debt instruments (e.g., bonds and debentures) and pension debt. The GRF statements do not report pension debt.

Saskatchewan governments have set aside money in the GRF to repay a portion of their debt (i.e., investments in sinking funds) and have required Crown corporations, who borrow from the GRF, to help pay for investments in sinking funds. Investments in sinking funds are reflected in both the SFS and GRF financial statements. As shown in Graph 5, over the last ten years, Saskatchewan governments have put aside an additional $1.5 billion in investments in sinking funds to pay for its debt.

**Graph 5–Ten-year comparison of GRF and SFS gross debt (in billions)**
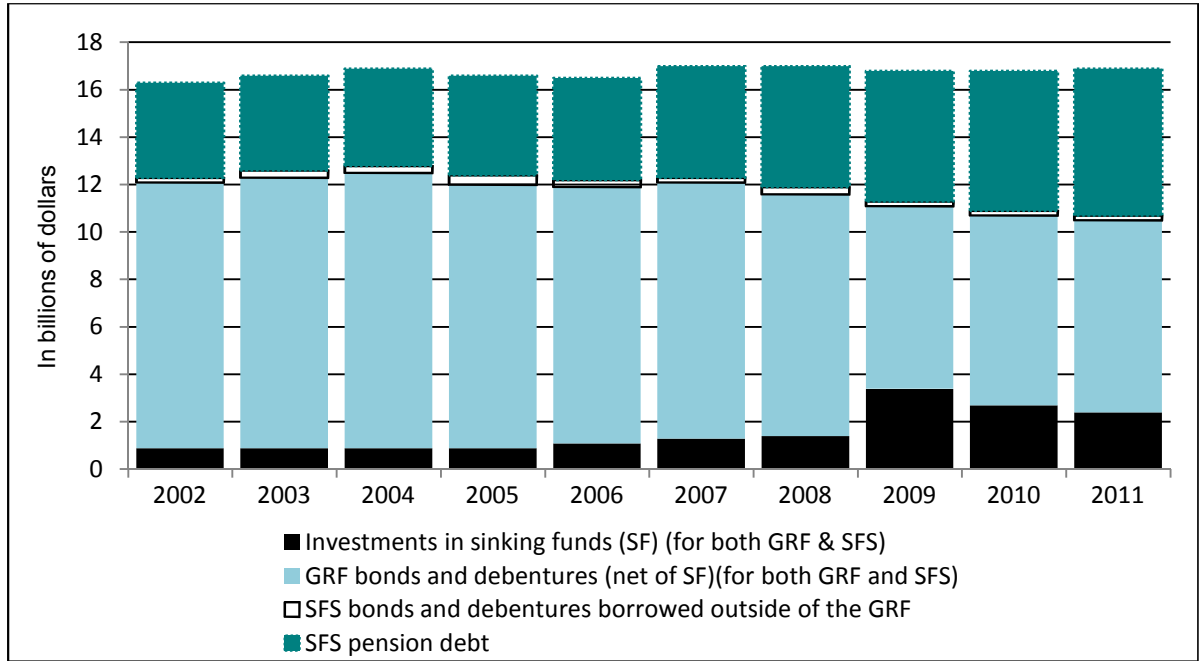


Source: General Revenue Fund and Summary Financial Statements audited financial statements

Saskatchewan governments have centralized most of their borrowing by requiring most Crown agencies to borrow through the GRF. Almost all of GRF's debt in bonds and debentures are non-callable (i.e., can not be redeemed before its maturity). As shown in Graph 5, governments have typically borrowed only small amounts outside of the GRF (e.g., borrowing of school divisions).

As shown in Graph 5, Saskatchewan governments have reported a decreasing GRF gross debt and an increasing SFS gross debt. Over the last ten years, the GRF gross debt reported in the GRF financial statements has decreased by $1.6 billion from $12.1 billion in 2002 to $10.5 billion in 2011. This $1.6 billion decrease is comprised of a $1.6 billion decrease in bonds and debentures.

Over the same period, SFS gross debt has increased by $600 million from $16.3 billion in 2002 to $16.9 billion in 2011. This $600 million increase is comprised of a $2.2 billion increase in pension debt offset by a $1.6 billion decrease in bonds and debentures.

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### *Reported GRF net debt typically lower than SFS*

Government holds significant financial assets and has significant liabilities (amounts owed) outside of the GRF. As previously noted, net debt highlights the affordability of future government services. A lower net debt is better.

**Graph 6–Ten-year comparison of SFS and GRF net debt as reported**
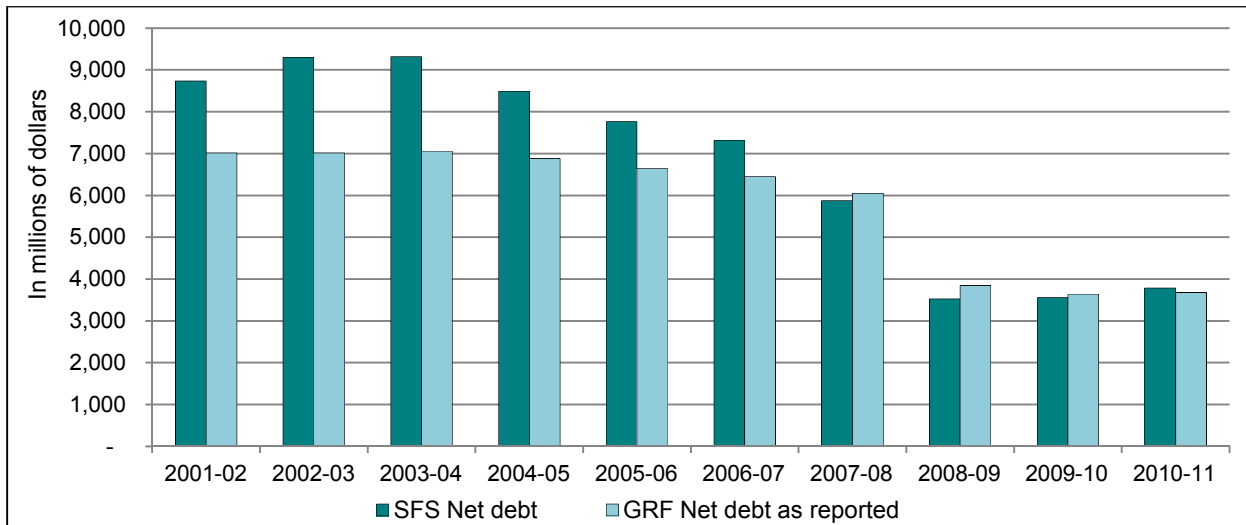


Source: General Revenue Fund and Summary Financial Statements audited financial statements

As shown in Graph 6, until 2006-07, net debt in the Summary Financial Statements was consistently higher than that of the GRF Financial Statements. For the last three years, without recording "due from the Growth and Financial Security Fund" and "pension debt", the GRF net debt reported in the GRF financial statements is similar to that reported in the SFS (see Exhibit 3 for details).

## Using two sets of financial results is confusing

Many Saskatchewan governments' publications about financial plans or results have included information related to the activities of both the GRF and Summary Financial Statements. In recent years, governments have more often identified whether reported amounts relate to the Summary Financial Statements or the GRF. In many cases, the source of reported amounts remains unclear or ambiguous. The following are recent examples of unclear or ambiguous statements:

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♦ the *11-12 Budget Summary* states "While others are recording deficits, Saskatchewan will post <u>a</u> surplus" [underline added] and the March 23, 2011 news release entitled "The Saskatchewan Advantage: lower taxes, improved services, less debt" states that the Government "will post <u>a</u> surplus" [underline added]. [11]

♦ the *Budget 2005-2006 Highlights* states "12th consecutive balanced budget… $179.3 million in permanent debt reduction in 2004-05; heading into 2005-06 government debt is at its lowest point in 14 years"[12]

It is unclear if these statements refer to the plans for the entire government (Summary Financial budget) or the GRF.

Saskatchewan governments, when referring to balanced budgets, typically have meant only the budget for the GRF. Saskatchewan governments do not have a history of preparing balanced summary financial budgets. For example, Saskatchewan governments planned for a deficit in 2005-06 ($173.1 million), and in 2010-11 ($622.7 million).

**Graph 7–Four-year comparison of SFS bonds and debentures (net of investments in sinking funds) by type**
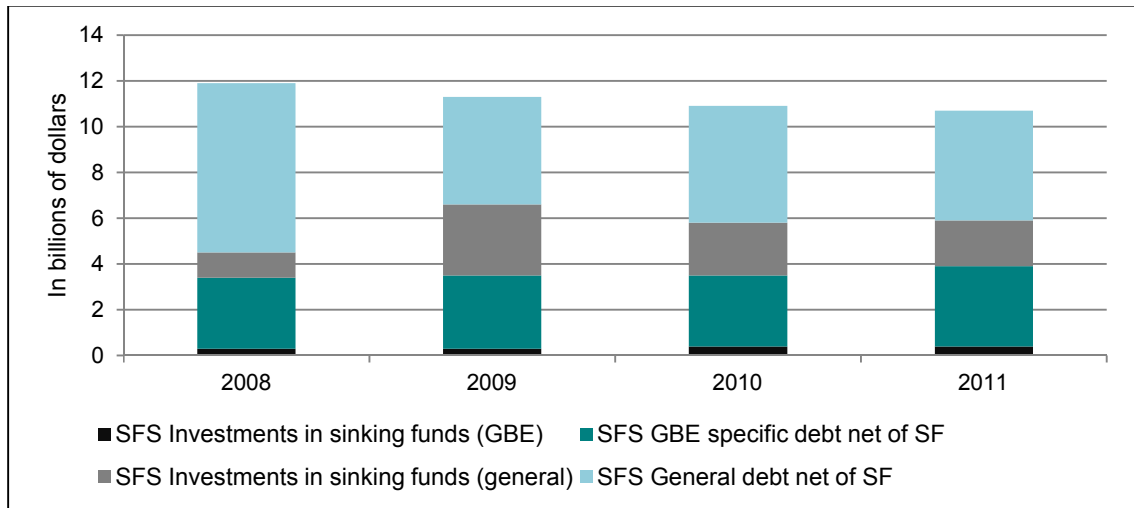


Source: Summary Financial Statements audited financial statements
(similar breakdown is not available prior to 2008)

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Saskatchewan governments when referring to reducing debt typically have meant the general government debt of the GRF (this is the debt primarily incurred to finance the activities of ministries; it does not include debt incurred to finance the activities of Crown corporations or agencies).

As previously noted, because most of the Government's debt can not be repaid before its maturity, Saskatchewan governments have increased their investments in sinking funds as a way to "reduce debt" (see Graph 5 for ten-year debt trend). Graph 7 shows that Saskatchewan governments have reduced "general" debt and increased government business enterprises debt (e.g., borrowing related to SaskPower, SaskEnergy, etc.). (See **Chapter 12 – Financial reporting—Financial status of pensions—an update** for further discussion of pension debt).

Overall, Saskatchewan governments have contributed to confusion by using financial information from both the GRF and Summary Financial Statements in public debate. Their use of both sets of statements has resulted in unclear messages when communicating information about their financial plans and results.

## Inconsistent reporting practices compared to other provinces

Saskatchewan governments' focus on the GRF is inconsistent with the practices of other provincial governments who in recent years have shifted their focus from their GRF-equivalent funds to that of the results of the entire Government.

While all other provincial governments have a fund similar to the GRF, only the governments of British Columbia, Prince Edward Island, and Newfoundland and Labrador publish financial statements for this fund. Newfoundland and Labrador is the only other provincial government that publishes audited financial statements of its GRF-equivalent fund.[13] However, Saskatchewan remains the only province to include the GRF audited financial statements within the same document as the Summary Financial Statements.

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[13] The Government of Newfoundland and Labrador publishes these statements in its Public Accounts – Volume 2.

# Conclusion

Our Office recognizes that Saskatchewan governments have historically used the GRF to communicate financial information. Other provincial governments and the Canadian government have moved to using summary financial statements as the basis of their primary public communications about their financial plans and results.

Change is always challenging. Making the move to using summary financial statements will help a Saskatchewan government to publicly explain their plans and decisions in a more understandable, appropriate, and accurate manner. We encourage Saskatchewan to make this move.

In preparation for this change, a Saskatchewan government will also need to revisit their existing practices for budgeting and reporting financial information of the entire government (see **Chapter 11 – Financial reporting—Summary reporting practices—from an entire government perspective**).

# Glossary

**Financial asset** – an asset that can be used to discharge existing liabilities or finance future operations and is not for consumption in the normal course of operations.

**Financial liability** – any liability that is a contractual obligation to deliver a financial asset to another party, or to exchange financial instruments with another party under conditions that are potentially unfavourable to the entity.

**General debt** – public debt net of loans to Crown corporations for government business enterprise specific debt.

**Government business enterprise** – a self-sufficient government organization that has the financial and operating authority to sell goods and services to individuals and organizations outside the government reporting entity as its principal activity. Government business enterprises are recorded in the Summary financial statements using the modified equity method.

**Government business enterprise specific debt** – debt issued by the GRF specifically on behalf of a government business enterprise where the government expects to realize the receivable from the government business enterprise and settle the external debt simultaneously.

**Gross debt** – the aggregate of borrowing through the issuance of debt instruments (e.g., bonds and debentures) and pension debt.

**Net debt** – a measure of a government's financial position that is calculated as the difference between financial assets and liabilities. Net debt provides a measure of the future revenues required to pay for past transactions and events.

**Sinking funds** – monies set aside (typically in investments) for the repayment of debt.

**Transfer** – a transfer of money from a government to an individual, an organization or another government for which the government making the transfer does not: receive any goods or services directly in return, as would occur in a purchase/sale transaction; expect to be repaid in the future, as would be expected in a loan; or expect a financial return, as would be expected in an investment. Major types of transfers include entitlements, transfers under shared cost agreements and grants.

# Financial reporting—
# Summary reporting practices—
# from an entire government perspective

# 11

## Main points

This chapter examines Governments' current practices for public reporting on the financial plans and results of the entire Government. It compares Saskatchewan's practices to those of other Canadian provincial governments.

Once a Government adopts the Summary Financial Statements as the basis for its public reporting, it will need to improve its key accountability reports on the entire Government. It will need to:

♦     prepare a summary detailed budget to provide legislators with complete information on the planned use of public resources within the Government reporting entity

♦     include year-to-date and actual results compared to a summary detailed budget in its mid-year and annual reports

♦     prepare a more complete annual report for the entire government

# Introduction

In **Chapter 10 – Financial reporting—Public financial reporting—the need to change**, we explain the need for a government to adopt summary financial statements as the basis of public reporting on financial information.

This chapter examines current financial reporting practices and compares them to those of other Canadian provincial governments.

# Analysis of Government's key accountability reports—from an entire government perspective

Legislators and the public need robust and timely information to help them assess a government's plans and performance. Key financial accountability reports typically used by governments include, but are not limited to, annual financial plans (budgets), interim financial reports, and annual reports (including audited financial statements).

## Summary budget needs more detailed information

In any given period, a government may finance its operations from tax and other revenues or by borrowing or incurring other liabilities. Governments set out their estimated financial resource requirements in a financial plan (budget).

Consistent with prior years and former Saskatchewan governments, the Government published the Summary Financial Plan (Summary Budget) as part of the *Saskatchewan Provincial Budget 11-12: The Saskatchewan Advantage Budget Summary*. The form and content of the Summary Budget remained unchanged from prior years.

While the Summary Budget included good information on borrowing requirements, information on planned operations continued to be limited to the "planned surplus/deficit" of key agencies that Government owns and controls. The Summary Budget did not include a statement of operations (i.e., estimated revenues and expenses overall and by key agencies). To date, Saskatchewan governments have only prepared detailed budgets for the GRF (i.e., the Estimates).

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**Exhibit 1–Content of summary financial plans of other provincial governments**

| Jurisdiction | Summary budget prepared using same accounting policies as Summary Financial Statements (SFS) | Summary budget includes statement of operations similar to SFS | Summary budget includes budget for its capital, investing, or financing (borrowing) activities |
|---|---|---|---|
| Saskatchewan | No | No | Yes |
| British Columbia | Yes | Yes | Yes |
| Alberta | No[1] | No[1] | Yes |
| Manitoba | Yes | Yes | Yes |
| Ontario | Yes | Yes | Yes |
| Quebec | Yes | Yes | Yes |
| Newfoundland and Labrador | Yes | Yes | Yes |
| Nova Scotia | No | No | No |
| Prince Edward Island | Yes | No | Yes |
| New Brunswick | No[2] | No | No |

Saskatchewan's practice is not consistent with most other provinces. As set out in Exhibit 1, for the eight other provincial governments that publish summary budgets each year, six include a statement of operations in their summary budget prepared using the same accounting policies as used in preparing the Summary Financial Statements.

Without detailed budgets for the entire Government, legislators do not have the full picture before them when deciding how public resources should be spent.

## Summary interim financial reports need year-to-date information

Timely and reliable interim financial reporting improves the ability of legislators and the public to understand a government's management of public financial affairs and resources during the reporting period.

Government has not changed the content or format of its quarterly reports from those used in prior years. Other than a single reference to projected surplus on the Summary Financial Statement basis in the *2011-12 First*

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[1] Consistent with SFS except that the SUCH sector (schools, universities, colleges, hospitals), Alberta Innovates corporations and changes in pension liabilities are not included.
[2] The Government of New Brunswick did not publish a summary financial budget.

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*Quarter Report*, the Government has not provided Summary Financial Statement information in its first and third quarterly reports. The Mid-Year Reports continue to compare annual budget to annual forecast on the Summary Financial Statement basis. None of the interim reports provided actual results to date.

**Exhibit 2–Summary interim reporting practices of other provincial governments**

| Jurisdiction | Frequency of interim reports | Format similar to summary financial plan and/or SFS | Discusses key risks | Explains significant variances between actual and planned | Explains significant changes in assumptions from those used to prepare budget | Nature of financial comparisons<br><br>CY: current reporting period<br>PY: prior reporting period<br>YTD: year to date |
|---|---|---|---|---|---|---|
| Saskatchewan | Semi – annual | Yes to Summary Plan/No to SFS | Yes | No | Yes | Annual budget to annual forecast<br>Annual projected debt to Annual PY debt |
| British Columbia | Quarterly | Yes | Yes | Yes | Yes | YTD planned to YTD actual<br>Annual budget to annual forecast |
| Alberta | Quarterly | No | Yes | Yes | Yes | YTD actual to YTD PY actual<br>Annual budget to annual forecast and previous quarter forecast |
| Manitoba | Quarterly | Yes | Yes | Yes | Yes | YTD planned to YTD actual<br>YTD actual to YTD PY actual<br>Annual budget to annual forecast and previous quarter forecast |
| Ontario | Quarterly | No | Yes | Yes | Yes | YTD planned to YTD actual<br>Annual budget to annual forecast |
| Quebec | Monthly | Yes | No | No | No | Annual budget to YTD actual<br>YTD actual to PY actual<br>CY actual to PY actual |
| Newfoundland and Labrador | Semi-annual | No | Yes | No | No | Annual budget to annual forecast |
| Nova Scotia | At least twice a year | Yes | Yes | No | No | Annual budget to annual forecast |

| Jurisdiction | Frequency of interim reports | Format similar to summary financial plan and/or SFS | Discusses key risks | Explains significant variances between actual and planned | Explains significant changes in assumptions from those used to prepare budget | Nature of financial comparisons<br><br>CY: current reporting period<br>PY: prior reporting period<br>YTD: year to date |
|---|---|---|---|---|---|---|
| New Brunswick | No[3] | NA | NA | NA | NA | NA |
| Prince Edward Island | No[3] | NA | NA | NA | NA | NA |

As set out in Exhibit 2, five out of seven other provincial governments, who publish interim reports, published, at least quarterly, interim reports that included actual results to date.[3]

# Annual report needs improvement

Sound annual reports promote better understanding and debate about how governments use resources and what they achieved in comparison to what was planned. They describe actual results compared with what was planned, explain significant differences, and highlights areas where key changes to future performance expectations, targets, or strategies are necessary.[4]

The Canadian Public Sector Accounting Board (PSAB) provides guidance to assist governments in public reporting (e.g., Statements of Recommended Practice (SORP-1) Financial Statement Discussion & Analysis, (SORP-2) Public Performance Reporting, and (SORP-4) Indicators of Financial Condition).[5] These Statements of Recommended Practices reflect best practice. They are not mandatory or prescriptive; rather PSAB encourages governments to voluntarily apply them.

As described in **Chapter 10 – Financial reporting—Public financial reporting—the need to change**, Public Accounts – Volume 1 includes the audited summary financial statements along with financial statement discussion and analysis. Using the 2010-11 Public Accounts – Volume 1 (2011 Report), we compared the information reported in the Summary

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[3] The governments of Prince Edward Island and New Brunswick do not publish interim financial reports.
[4] Canadian Public Sector Accounting Board, (SORP-2) Public Performance Reporting. p. 5.
[5] Canadian Public Sector Accounting Board's Statements of Recommended Practice are published by the Canadian Institute of Chartered Accountants. These are available from http://www.cica.ca.

Financial Statements - Financial Statement Discussion and Analysis section to the above guidance.

The 2011 Report included either five- or ten- year comparisons of key financial results (e.g., revenues by source, expense by object, debt charges, liabilities, public debt) with a brief analysis of significant trends. The Summary Budget did not include sufficient detail to allow for meaningful comparisons. Comparisons were limited to "estimated to actual" annual surpluses/deficits by key agency.

The 2011 Report included a separate section entitled "Assessment of Financial Condition". This section grouped key indicators of financial condition using three elements (sustainability, flexibility, and vulnerability). It provided all of the suggested key indicators of financial condition (e.g., net debt as a percentage of the Province's Gross Domestic Product (GDP), own-source revenue as a percentage of the Province's GDP, transfers from the Federal Government as a percentage of total revenue) providing a 10-year comparison for most of them. It provided a clear description of each of the three elements and related indicators. However, the discussion and analysis of the trends for the indicators was limited.

Further analysis of key financial indicators and trends would assist readers in interpreting a government's financial results.

Also, the 2011 Report did not provide non-financial information such as key strategies, goals, objectives, or performance targets for the reporting period or explain what was achieved in the reporting period. It did not discuss key factors (e.g., key risks, capacity considerations) that had a significant impact on performance or were expected to significantly impact its future results (e.g., changes in commodity prices and their impact on non-renewable resource revenues).

Comparisons of both financial and non-financial actual results to planned results with related explanations are key components of a fairly presented annual report. This information is essential to help legislators and the public understand and assess a government's performance. Over the past few years, Saskatchewan has improved the content of its annual report. However, more work is needed.

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## Conclusion

Saskatchewan's current practices for public reporting on the entire government are inconsistent with other provinces and with best practice. Once a government adopts the Summary Financial Statements as the basis for its public reporting, it could then improve its key accountability reports on the entire government.

# Financial reporting—
# Financial status of pensions—an update

# 12

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# Main points

This chapter provides an updated summary of the financial status of Government pension plans. Our Office last reported on the financial status of pensions in our 2006 Report – Volume 3.

Over the last five years, Saskatchewan's pension debt grew by almost $2 billion to $6.2 billion at March 31, 2011. Over this period, the cost of the Government's pension promises increased faster than its contributions.

At March 31, 2011, pension debt accounted for 43% of the Government's total debt. Since 2006, the Government reduced its other debt (primarily by increasing the amounts it has set aside as investments in sinking funds).

Governments operate and fund their pension plans based on their own fiscal strategies or laws. Over thirty years ago, Saskatchewan closed its pension plans, whereas other provinces have not yet done so.

The Saskatchewan Government expects future cash flows, needed to fund pension plans, to increase each year over the next ten years and to peak around 2021. This peak is three years later than projected in 2006 when the peak was projected to be in 2018. This later peak shows that projected cash flows can change significantly.

Because of Saskatchewan's strong financial performance over the last five years, it can better afford its pension debt in 2011 than it could in 2006. However, careful financial management is still needed.

## Introduction

From March 31, 2006 to March 31, 2011, pension debt has grown from $4.3 billion to $6.2 billion.[1] Determining whether retirement benefit plans should be funded and the amount to be funded in each period is a financial management matter in which legislators, the public, and pensioners are interested.

In our 2006 Report – Volume 3 (Chapter 13), this Office provided a summary of the financial status of pensions. This chapter provides an update. It analyzes the financial status of Saskatchewan's pension plans by looking at:

♦     future pension payments for funding pension plans

♦     future affordability of pension promises

♦     pension payments compared to total revenue

In this chapter, we focus primarily on two of the Government's largest defined benefit pension plans – the Teachers' Superannuation Plan (TSP) and the Public Service Superannuation Plan (PSSP). These plans account for 95% of the Government's total pension debt.[2]

We used the information available for these pension plans for their years ended on or before March 31, 2011.

## Future pension payments for funding pension plans

Anticipating future cash needs helps governments to plan for and manage their future borrowing and financing requirements. Periodically, governments estimate pensions' expected cash flows based on actuarial

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[1] The Government sponsors the following closed defined benefit plans: Teachers' Superannuation Plan, Public Service Superannuation Plan, Saskatchewan Transportation Company Employees' Superannuation Plan, Anti-TB League Employees Superannuation Plan, and Members of the Legislative Assembly Superannuation Fund. Also the Government sponsors the following open defined benefit plans: Judges of the Provincial Court Superannuation Plan, Pension Plan for the Non-Teaching Employees of the Saskatoon School Division No. 13, Saskatchewan Pension Annuity Fund. Finally, the Government contributes to the Saskatchewan Healthcare Employees' Pension Plan (a joint opened defined benefit plan). Furthermore, it sponsors several closed defined benefit plan of its government business enterprises. The two main plans are: Power Corporation Superannuation Plan, Saskatchewan Telecommunications Pension Plan. At March 31, 2011, its government business enterprise plans has a combined pension debt of $81.1 million. (*Public Accounts 2010-11 – Volume 1.* pp. 89 - 92).
[2] *Public Accounts 2010-11-Volume 1.* pp. 89-92.

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calculations and assumptions concerning inflation, mortality rates, wage rates, and investment returns.

In this section, we used projected future pension payments (cash flows) because projected pension debt (liability) was not available for both the TSP and PSSP. The following graphs shows the Government's projected future cash flows in nominal dollars for TSP and PSSP. Amounts are reflected in nominal dollars because PSSP did not project its cash flows in constant dollars (i.e., today's dollars).

**Graph 1—2006 PSSP & 2005 TSP projected net pension payments (funding) from 2007 to 2060 (in nominal dollars)**
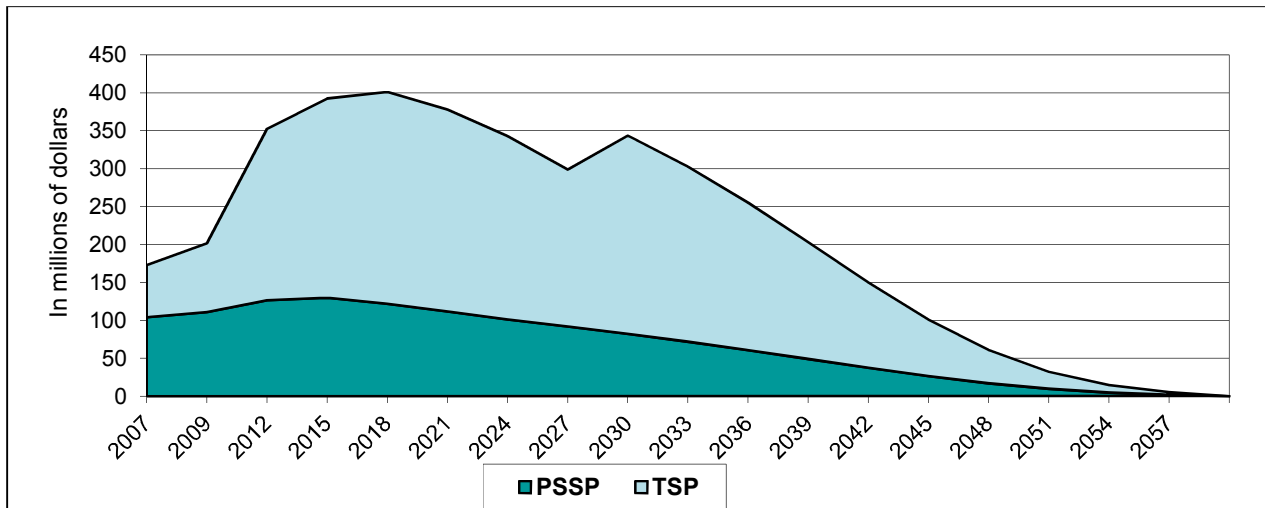


Source: from PSSP Actuarial Valuation Report at March 31, 2006 and TSP Financial Projections Report at June 30, 2005.

In 2006, the Government expected future cash flows for TSP and PSSP to increase each year until 2014 and peak around 2018 for a combined cash outflow of about $401 million (see Graph 1).

**Graph 2—2009 PSSP & TSP projected net pension payments (funding) from 2010 to 2069 (in nominal dollars)**
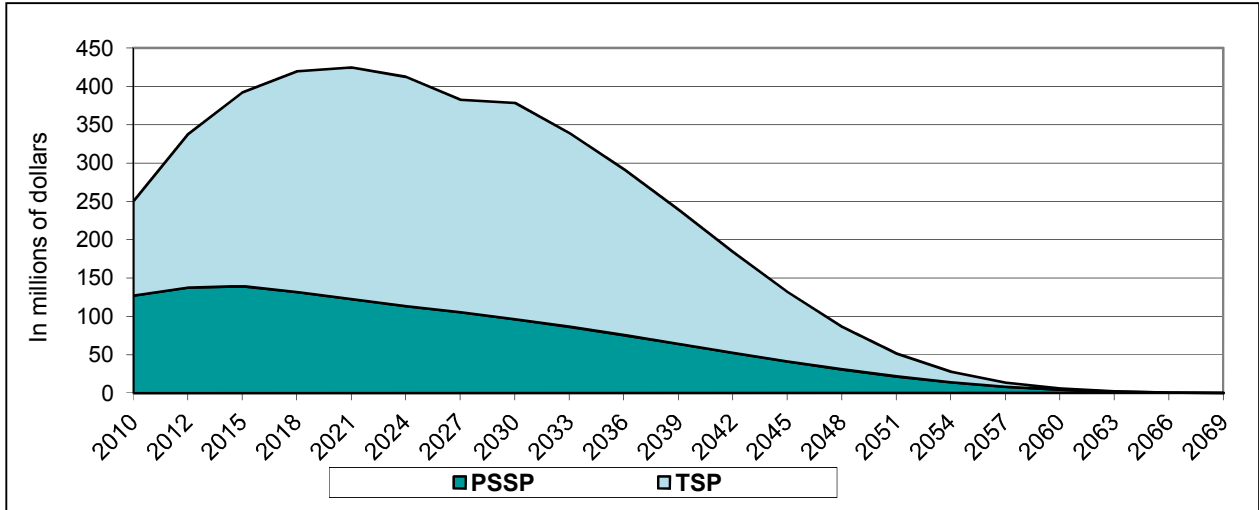


Source: PSSP Actuarial Valuation Report at December 31, 2008 with extrapolation to March 31, 2009 (prepared May 1, 2009) and TSP Financial Projections Report at June 30, 2009 (prepared December 2009)

The 2009 cash flow projection for the PSSP and TSP were the most last available at the time of this study. The 2009 cash flow projections show that the Government expected future cash flows for these plans to increase each year over the next ten years and to peak around 2021 for total combined cash outflow of $425 million (see Graph 2).

Five years ago, when we compared the 2001 cash flow projection[3] to the 2006 cash flow projection, we found that cash flows were most likely to grow faster than anticipated in 2001.[4]

When we compared the 2006 cash flow projection (graph 1) to the most recent cash flow projection (graph 2), we found that the pension cash flow projections were higher than previously anticipated, but would take longer to peak.

Projections, by their nature, do not take into consideration any future changes in actuarial assumptions and estimates, which could result in significant changes to the projections. As a result, projected cash flows can change significantly because of future changes in underlying

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[3] Saskatchewan Finance. (March 2011). *Report on addressing unfunded pension liabilities.* Regina: Author. [This document can be obtained from Standing Committee on Public Accounts as tabled document 12/24].
[4] 2006 Report – Volume 3 (Chapter 13).

assumptions and estimates (e.g., employees are retiring later than previously anticipated).

# Future affordability of pension promises

Looking at the trends of a government's debt, including pension debt, provides insight into how much will be left for future generations of citizens to pay or finance. A government's total debt includes amounts due to members of pension plans (pension debt) and bondholders (bonds and debentures) less amounts set aside as investments in sinking funds. For example, the total debt shown in Graph 3 for March 31, 20011 is comprised of $5.1 billion of public debt, $3.2 billion of government business enterprise specific debt and $6.2 billion of pension debt. These amounts agree with the Summary Financial Statements.

**Graph 3—The Government's total debt fiscal years ended March 31 from 1995 to 2011**
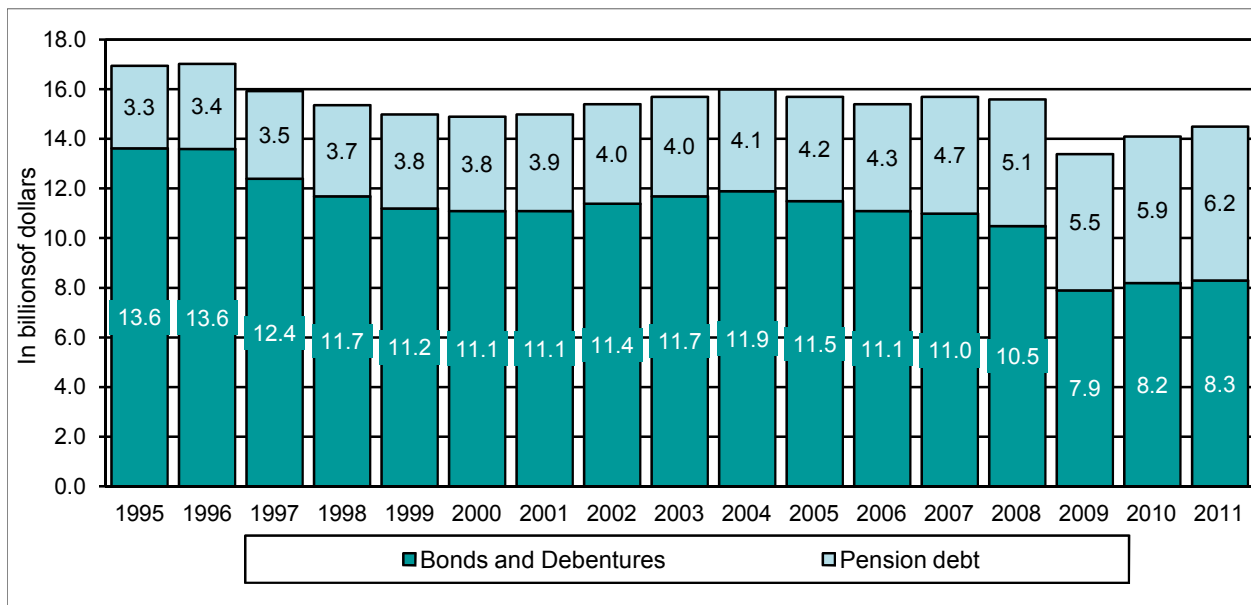


Source: Audited Saskatchewan Summary Financial Statements. Total debt is net of sinking funds.

Graph 3 shows that in the last five years pension debt relative to the Government's total debt has increased by 15% from 28% in 2006 to 43% in 2011. Saskatchewan uses a "pay-as-you-go" strategy to fund PSSP and pays contributions to TSP based on a formula set out in law. Because the costs of these pension plans have increased faster than its contributions, the pension debt has grown.

Based on TSP's audited financial statements, TSP's pension debt at June 30, 2011 was about $4.5 billion. Based on PSSP's audited financial statements its debt at March 31, 2011 was $1.9 billion.

In 2009, the Government projected TSP's pension debt (liability) to peak in 2013/2014 at about $4.3 billion.[5] Projected PSSP debt was not available at the time of this study; projected PSSP cash flows peak in 2015. TSP's debt at June 30, 2011 was higher than the 2009 projected debt. As previously noted, projections can change significantly.

Also, Graph 3 shows that during the same period the Government's total debt has declined $0.9 billion from $15.4 billion in 2006 to $14.5 billion in 2011 (see **Chapter 10 – Public financial reporting–the need to change** for further discussion of Government debt).

## SFS net debt as a percentage of provincial GDP

Net debt as a percentage of provincial gross domestic product (GDP) measures the level of financial demands placed on the economy by a government's spending and revenue-raising practices. Comparing the Government's net debt to the state of the economy (i.e., GDP) provides insight into the degree to which a government can maintain existing service commitments and meet its existing financial obligations without increasing debt or taxes.

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[5] TSP Financial Projections Report at June 30, 2009 (prepared December 2009).

**Graph 4—SFS net debt as a percentage of the Saskatchewan's gross domestic product – from March 31, 2006 to March 31, 2011**
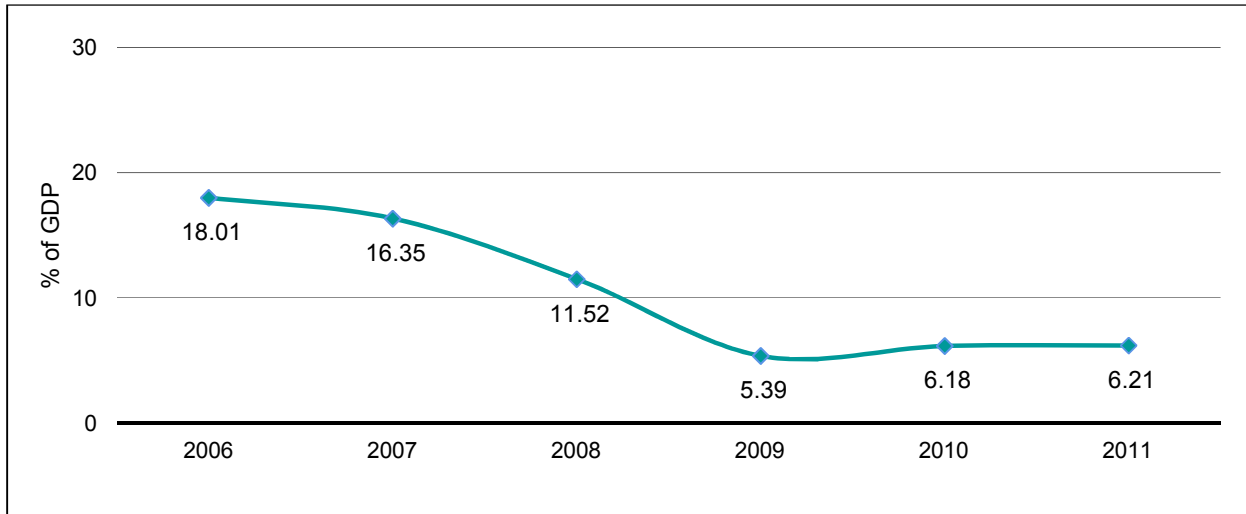


Source: Saskatchewan Public Accounts 2010-11 Volume 1, p.37.
SFS - Summary Financial Statements

A growing economy helps governments to maintain their programs and reduce debt. Graph 4 shows that since 2006 the Government's net debt as a percentage of gross domestic product (GDP) has decreased from 18.01% in 2006 to 6.21% in 2011. This decrease suggests that the Government is better able to afford its debt (including its pension debt) in 2011 than in 2006.

## Pension payments compared to total revenue

Comparing pension payments to total revenue shows a government's flexibility to respond to rising commitments (i.e., increased pension payments). Changes in this indicator may affect a government's ability to incur increasing pension payments while continuing to provide other essential government services.

**Graph 5—TSP & PSSP pension payments as a percentage of SFS total revenues**
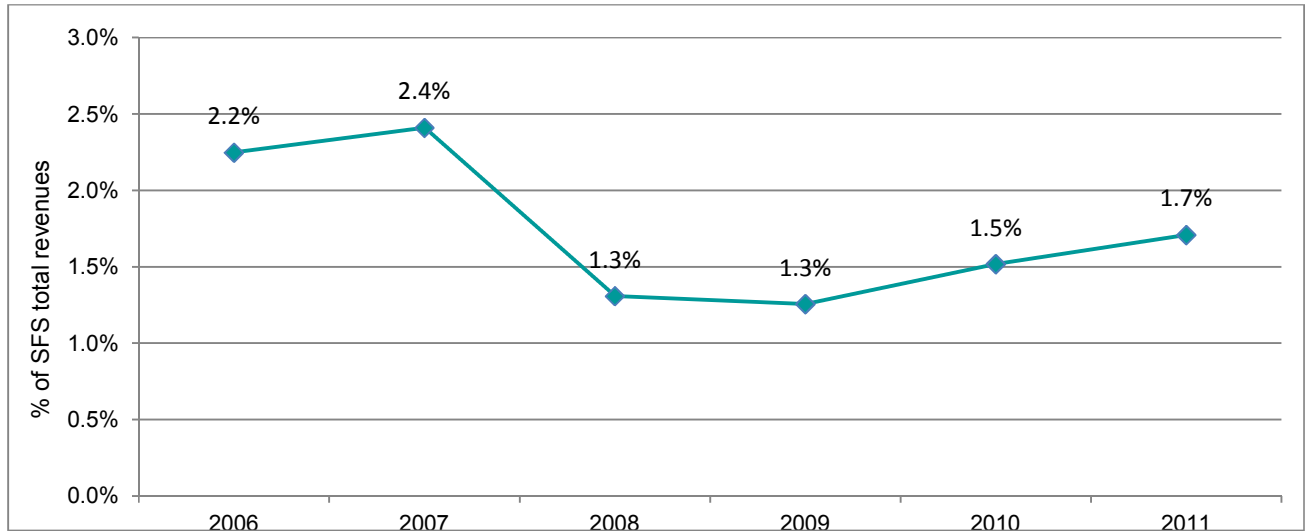


Source: Payments derived from components of the pension expense in the Government's summary financial statements as of March 31. SFS revenue is "total revenue" from audited Summary Financial Statements (SFS)–statement of operations.

Graph 5 shows Saskatchewan's combined pension payments for TSP and PSSP as a percentage of its total revenues (SFS revenues). From 2006 to 2011, pension payments as a percentage of SFS revenues decreased 0.5% from 2.2% to 1.7%. This decrease occurred primarily because since 2006 the Government's revenues increased faster than pension payments. Although, the Government is in better financial position to afford its pension promises in 2011 than in 2006, pension payments are increasing and are not anticipated to peak until 2021.

## Summary

Even though, over the last five years, the Government's pension debt increased by $1.5 billion, total debt was reduced by almost a billion dollars. To date, the strategy has been not to fund pension debt.

During this same five years, the growth in the economy as reflected by growth in the provincial GDP and a strong resource sector helped the Government lower its net debt as percentage of GDP by 11.8%. This suggests that the Government has a greater ability to meet its existing pension commitments today than it did five years ago.

However, the Government must exercise caution. Pension debt remains significant at $6.2 billion at March 31, 2011 and accounts for 43% of the Government's total debt. Projected cash flows show that cash flows are

now anticipated to grow faster than previously planned. Pension debt is projected to peak within the next ten years. Projections can change significantly.

In future years, under its current funding strategy, the Government will likely need to spend more of its money for paying past pension promises. The Government must continue to use pensions' projected cash flows to assess the impact on the Government's overall cash flow, borrowing needs, and pension funding strategy.

## Glossary

**Constant dollars** – removes the effect of inflation to show the expected future cash flows in today's dollars.

**Closed plan** – is a pension plan that does not allow new members to join; existing members continue to receive the promised pension benefits.

**Defined benefit pension plan** – a pension plan that specifies the amount of pension that members of the plan receive on retirement or the method of determining the pension.

**Defined contribution plan** – a pension plan in which the contributions are fixed. The member's pension is based on the accumulated contributions (i.e., total contributions made by the employee and employer over the member's career) and the investment earnings on these contributions.

**General debt** – public debt net of loans to Crown corporations for government business enterprise specific debt.

**Government business enterprises** – are self-sufficient Crown corporations that have the financial and operating authority to sell goods and services to individuals and non-governmental organizations as their principal activity. Examples include SaskPower, SaskEnergy, SaskTel, and the Liquor and Gaming Authority.

**Government business enterprise specific debt** – debt issued by the GRF specifically on behalf of a government business enterprise where the government expects to realize the receivable from the government business enterprise and settle the external debt simultaneously.

**Investments in sinking funds** – monies set aside (typically in investments) for the repayment of debt.

**Net Debt** – a measure of a government's financial position that is, calculated as the difference between financial assets and liabilities. Net debt provides a measure of the future revenues required to pay for past transactions and events. If the total financial assets exceed the total liabilities, it is called net assets.

**Nominal dollars** – is the value of the actual cash flows that are expected to be in the future, taking into account factors such as inflation.

**Pension debt** – the amount by which the pension obligation (promise) exceeds the assets of the pension plan. This amount is called "pension liabilities" in Saskatchewan's Summary Financial Statements- Summary Statement of Financial Position.

**Summary Financial Statements** (SFS) – is a report of the financial results of all organizations that the Government uses to provide goods and services to the public. Summary financial statements combine the financial activity of all government organizations including ministries, Crown corporations, agencies, boards, and commissions, etc.

**Total debt** – is the aggregate of gross general debt, gross government business enterprise specific debt and pension debt liabilities less investments in sinking funds.

**Sinking fund** – are funds set aside for the repayment of debt.

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# Government Services

<span style="float:right; font-size:3em; color:teal;">**13**</span>

# Main points

The Ministry of Government Services (Government Services) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

This chapter summarizes our audit conclusions and findings on the audit of Government Services. Government Services had adequate rules and procedures to safeguard public resources except:

♦ at March 31, 2011, Government Services still does not have processes to monitor that credit card fuel purchases were for government business

♦ Government Services does not have an adequate agreement with the Information Technology Office, appropriately monitor security, or have a complete business continuity plan

This chapter also contains a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

# Introduction

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

## Financial overview

The following is a list of major programs and spending for the year ended March 31, 2011:

|  | Original Estimates[2] | Actual[3] |
|---|---:|---:|
|  | (in thousands of dollars) | |
| Central Management and Services | $ 45 | $ 44 |
| Accommodation Services | 169,115 | 170,000 |
| Project Management | 15,276 | 31,352 |
| Purchasing | 1,875 | 1,664 |
| Transportation Services | 43,752 | 47,334 |
| Government Support Services | 24,102 | 28,197 |
| Capital Acquisitions | 12,548 | 14,340 |
| Total expenditures | 266,713 | 292,931 |
|  |  |  |
| Cost-recovery from Ministries | (168,861) | (183,751) |
| Cost-recovery from external clients | (72,832) | (83,789) |
| Total recoveries | (241,693) | (267,540) |
|  | $ 25,020 | $ 25,391 |

Government Services manages a significant amount of infrastructure and assets (e.g., buildings, vehicles) for the Government. At March 31, 2011, Government Services held capital assets totalling $483 million.

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[1] *10-11 Annual Report, Ministry of Government Services,* p. 6.
[2] *Saskatchewan Provincial Budget 10-11 Estimates* – Government Services Vote 13: Government of Saskatchewan.
[3] The Ministry of Government Services provides services to other ministries and some external clients (i.e., commercial activities). These services are provided on a cost-recovery basis. Costs allocated to other agencies includes $35.5 million of amortization. Amortization is not included in appropriations.

Government Services had revenue of $267.5 million.[4] Its annual report[5] explains differences between actual and estimated revenues and expenses and provides reasons for differences from its approved budget.

# Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦  **Government Services had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦  **Government Services complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Public Works and Services Act*
> *The Purchasing Act, 2004*
> *The Purchasing Regulations*
> *The Public Service Act, 1998*
> *The Public Service Regulations, 1999*
> *The Crown Employment Contracts Act*
> *The Government Organization Act*
> *The Financial Administration Act, 1993*
> **Orders in Council issued pursuant to the above legislation**

This chapter includes an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## Better monitoring of fuel expense needed

*We recommended that 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.*
*(2008 Report – Volume 3)*

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[4] This includes $86.7 million in revenue and $183.8 million of recoveries of expenditures.
[5] See www.gs.gov.sk.ca for Government Services' *2010-11 Annual Report*.

On December 10, 2008, PAC agreed with our recommendation.

Government Services has a fleet of approximately 5,000 vehicles. The cost of fuel is the largest operating expense for its fleet. As previously reported, Government Services does not have adequate policies and procedures to systematically monitor that fuel purchases were for government purposes. Without adequate systems and practices for controlling fuel expenses, Government Services is at risk of spending public money for unauthorized purchases.

In 2010-11, Government Services implemented some new procedures and was in the process of replacing its vehicle fleet management and credit card systems. Government Services told us that this should allow it to adequately monitor fuel expenses in the future.

**Status** – We continue to make this recommendation.

## Better information technology processes needed

*We recommended that the Ministry of Government Services sign an adequate agreement on disaster recovery and security with the Information Technology Office.* (2010 Report – Volume 2)

On January 20, 2011, PAC agreed with our recommendation.

In December 2009, Government Services and Information Technology Office (ITO) signed a service agreement. The agreement sets out roles and responsibilities of both Government Services and ITO. It identifies some of Government Services' security and availability requirements, and sets out the scope, level, and quality of services that ITO is to provide Government Services. However, the agreement does not include the following:

♦ the security policies and procedures that Government Services' employees must follow

♦ requirements for reports from ITO on the adequacy of ITO's security

♦ adequate provisions for the on-going availability of Government Services' key information technology services or disaster recovery processes, expectations and reporting requirements.

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**Status** – We continue to make this recommendation.

***We recommended that the Ministry of Government Services adequately monitor the security of its information technology systems and data.*** *(2010 Report – Volume 2)*

On January 20, 2011, PAC agreed with our recommendation.

In 2010-11, Government Services continued receiving monthly reports from ITO. The reports include information on ITO's activities such as service levels and costs, but little information on the security or availability of its systems. Also, Government Services does not receive any information about the adequacy of ITO's controls or how any weak controls at ITO could impact Government Services' systems and data. Nor does Government Services know if ITO could meet Government Services' disaster recovery needs.

Although Government Services has processes for promptly removing user access from individuals who no longer work for Government Services, it did not follow them in 2010-11. Five out of 19 individuals we tested did not have their access removed promptly. If former employees do not have access removed promptly, it increases the risk of inappropriate access to Government Services' systems and data.

**Status** – We continue to make this recommendation.

## Business continuity plan needed

***We recommended that the Department of Property Management (now the Ministry of Government Services) have a complete business continuity plan.*** *(2007 Report – Volume 3)*

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

Government Services has developed and approved Business Continuity Plans (BCP)[6] for its ten most critical business functions. Periodic testing is a critical part of the BCP to ensure that in the event of an emergency, the plan will be effective. Government Services has a practice of testing and

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[6] 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.

maintaining its BCP annually. Government Services tested its BCP for its ten most critical business functions during 2010-11. However, as noted above, Government Services does not have an adequate agreement with ITO to ensure that Government Services' critical IT systems can be recovered in a timely way in the event of a disaster recovery. Without an adequate agreement with ITO, Government Services cannot have a complete BCP.

**Status** – We continue to make this recommendation.

## Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[7] Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[8] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of Government Services - Processes to Maintain Vehicle Fleet (2008 Report – Volume 1)** | | |
| 2009 | 6-1 that the Ministry of Government Services establish processes to ensure its vehicle fleet meets the safety standards of The Traffic Safety Act. | **Partially implemented** (as at September 30, 2010). |
| 2009 | 6-2 that the Ministry of Government Services keep reliable maintenance and repairs records for its vehicles. | **Partially implemented** (as at September 30, 2010). |
| 2009 | 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 September 30, 2010). |

[7] For definitions of the Key Terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.
[8] "PAC Report Year" refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

| PAC REPORT YEAR[8] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of Government Services - Cross-Government Infrastructure (2003 Report – Volume 3)** | | |
| 2005 | 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, 2011). |
| **Ministry of Government Services - Processes to Maintain Buildings (2009 Report – Volume 1)** | | |
| 2011 | 6-1 that the Ministry of Government Services establish and implement processes to ensure the information on its buildings is accurate, complete and available. | **Partially implemented** (as at March 31, 2011). |
| 2011 | 6-2 that the Ministry of Government Services approve adequate maintenance plans for all the buildings the Ministry owns. | **Partially implemented** (as at March 31, 2011). |
| 2011 | 6-3 that the Ministry of Government Services sign adequate agreements with its clients that describe each of the parties' responsibilities. | **Partially implemented** (as at March 31, 2011). |
| 2011 | 6-4 that the Ministry of Government Services have processes so that maintenance is effectively carried out on all of its buildings. | **Partially implemented** (as at March 31, 2011). |
| 2011 | 6-5 that the Ministry of Government Services provide senior management adequate reports to monitor the process to maintain its buildings. | **Partially implemented** (as at March 31, 2011). |

# Health

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# Health

# 14A

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# Main points

The Ministry of Health (Health) and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Its agencies' financial statements are reliable for the year ended on or before March 31, 2011.

Health and its agencies had adequate rules and procedures to safeguard public resources except for the following:

♦   Health needs to:
  −   implement a process to verify that patients received the medical services for which doctors bill
  −   update its risk assessment for agencies delivering healthcare services
  −   develop a capital asset plan
  −   revise its human resource plan to quantify its human resource needs and provide measurable indicators
  −   prepare a business continuity plan

♦   North Sask. Laundry & Support Services Ltd. needs to:
  −   establish policies and procedures for controlling payments to employees
  −   establish policies and procedures for purchasing goods and services
  −   establish a corporate credit card usage policy

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

# Introduction

The Ministry of Health (Health) oversees the provincial health care system. Health also regulates the delivery of health care. To ensure the provision of essential and appropriate services, Health establishes provincial strategy and policy direction, sets and monitors standards, and provides funding. It oversees a health care system that includes 12 regional health authorities (RHAs), the Saskatchewan Cancer Agency (SCA), the Athabasca Health Authority,[1] affiliated health care organizations and a diverse group of professionals. Health works with the RHAs, the SCA, and other stakeholders to recruit and retain health care providers, including nurses and physicians.[2]

Health's annual report includes information about Health's revenues and expenses (annual report is available at www.health.gov.sk.ca).

# Government spending on health

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

|  | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| Acute Services | $ 1,799 | $ 1,756 | $ 1,546 | $ 1,460 | $ 1,293 | $ 1,259 | $ 1,169 | $ 1,063 | $ 963 | $ 900 |
| Supportive care services | 867 | 851 | 755 | 716 | 673 | 634 | 585 | 554 | 512 | 507 |
| Medical services and education | 726 | 685 | 639 | 590 | 585 | 533 | 496 | 455 | 446 | 421 |
| Community care services | 480 | 450 | 407 | 364 | 329 | 314 | 286 | 277 | 305 | 276 |
| Prescription drugs | 354 | 338 | 316 | 294 | 246 | 229 | 212 | 194 | 173 | 156 |
| Provincial health services | 315 | 313 | 272 | 234 | 205 | 190 | 175 | 162 | 144 | 136 |
| Central Support Services | 40 | 51 | 49 | 53 | 49 | 50 | 44 | 46 | 23 | 21 |
| Other | 43 | 41 | 37 | 37 | 31 | 30 | 26 | 34 | 44 | 60 |
| Change in pension debt* | 58 | 88 | 33 | (25) | (7) | 22 | (4) | 10 |  |  |
| Timing Differences** | (5) | (53) | (24) | (72) | (59) | (39) | (45) | (50) | (52) | (53) |
| Total costs*** | $ 4,677 | $ 4,520 | $ 4,029 | $ 3,651 | $ 3,345 | $ 3,222 | $ 2,944 | $ 2,745 | $ 2,558 | $2,424 |

Source: *Public Accounts 2010-11: Volume 2: Details of Revenue and Expenditure* (see www.finance.gov.sk.ca/public-accounts) and March 31, 2011 financial statements of the RHAs and other Crown agencies.

*Source: *Public Accounts 2010-11: Volume 1: Main Financial Statements:* The Government participates in the Saskatchewan Healthcare Employees' Pension Plan (SHEPP), a joint defined benefit plan for employees of health agencies. The expense/(revenue) reflected is the change in the pension debt from the prior year. Agencies recorded a pension expense of $111 million for 2010-11 in their financial statements.
**Timing differences represent the recognition of revenues and expenses at different times by Health entities.
***The total cost equals the Government's summary financial statements for each year.

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[1] The Athabasca Health Authority operates under an agreement between the Province, Canada and 6 northern First Nations. The Ministry of Health funds the Authority for acute care expenses.
[2] Ministry of Health, *2010-11 Annual Report.*

The above table shows the Government's overall health sector costs by program totalling $4.677 billion for the year ended March 31, 2011. The costs in the table 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.

Health had $4.548 billion from the General Revenue Fund. The health sector raised a further $392 million of other revenues including $158 million in health care fees. The Government received transfers from the Federal Government of $795 million for the Canada Health Transfer.

## Crown agencies

Health is responsible for the following Crown agencies:

Year-end March 31
Twelve Regional Health Authorities[3]
Health Quality Council
North Sask. Laundry & Support Services Ltd.
Physician Recruitment Agency of Saskatchewan
Saskatchewan Association of Health Organizations (SAHO)
Saskatchewan Cancer Agency (see Chapter 14E)
eHealth (formerly Saskatchewan Health Information Network)
Saskatchewan Health Research Foundation
Saskatchewan Impaired Driver Treatment Centre Board of Governors

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

We worked with MNP LLP (appointed auditor) to form our opinions for North Sask. Laundry & Support Services Ltd. We used the framework

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[3] The twelve RHAs are discussed in Chapters 14B, 14C, and 14D.

recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

## Audit conclusion and findings

**In our opinion, for the year ended on or before March 31, 2011:**

♦ **Health and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦ **Health and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Department of Health Act*
> *The Regional Health Services Act*
> *The Saskatchewan Medical Care Insurance Act*
> *The Prescription Drugs Act*
> *The Public Health Act, 1994*
> *The Health Facilities Licensing Act*
> *The Mental Health Services Act*
> *An Act to incorporate Saskatchewan Health-Care Association*
> *The Financial Administration Act, 1993*
> *The Government Organization Act*
> *The Purchasing Act, 2004*
> **Orders in Council and regulations pursuant to the above Legislation**

♦ **The financial statements of the agencies listed above are reliable**

A separate opinion is provided on the Saskatchewan Cancer Agency in Chapter 14E.

This chapter also provides an update on the previous recommendations agreed to by the Standing Committee on Public Accounts that Health has not yet implemented.

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## Verifying medical services to patients

Health needs to verify medical services that physicians, chiropractors, optometrists, and dentists (collectively called doctors) provide patients for which they bill Health for payment.

Health pays about $464 million annually to doctors for medical services on a "fee for service" basis. Verifying doctor services could help ensure that doctors bill Health correctly, and could help Health in its efforts to recover any incorrect payment.

In prior years, Health compared each doctor's billing to doctors' historical trends and sought confirmation from patients receiving services. During the year ended March 31, 2011, Health did not seek confirmation from patients receiving medical services. Comparing doctors' billing to past billing trends alone is not sufficient without seeking periodic confirmation from those who received the services.

1. **We recommend that the Ministry of Health implement a process to verify that patients received the medical services for which doctors billed the Ministry.**

Management told us that Health is revising its process for verifying medical services that doctors provide to patients and expects to implement the new process by the end of 2011.

## Supervising agencies delivering health related services

Health needs to follow its established process to supervise agencies that provide health-related services on Health's behalf.

Health makes annual service agreements with health agencies to deliver health-related services. In the year ended March 31, 2011, Health paid $94 million to these agencies. Health has established a process to assess the risk that these agencies may not spend money for the intended purposes. To help Health supervise those agencies, the service agreements require agencies to provide Health with certain performance information by specified dates. Health follows up on agencies assessed as high-risk to obtain timely information to assess if those agencies use the money for the intended purposes.

Although Health's processes require annual risk assessments for agencies providing health-related services on its behalf, Health has not updated its risk assessments for all such agencies for a number of years. Without up-to-date risk assessments, Health may not identify agencies that it must follow up for monitoring performance. Delays in receiving performance information increase the risk that Health may not take timely corrective action when needed.

2.    **We recommend that the Ministry of Health update its risk assessments for agencies delivering healthcare services to help monitor their performance.**

## Controlling capital assets

*We recommended that the Ministry of Health develop a capital asset plan to help ensure that it can carry out its strategic plan.* *(2003 Report – Volume 3)*

In June 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

Health still does not have a capital asset plan. Lack of a capital asset plan increases the risk that the health care system may not have the capital assets it needs to deliver the services citizens require or that it may have idle capital assets that it could use at some other location. The health care system uses over $1.2 billion of capital assets (buildings and equipment) to deliver health care.

Health was given certain priorities in the Minister's mandate letter dated November 21, 2007. These priorities included the development of a 10 year capital plan for health care. Health has not yet prepared the plan.

**Status** – We continue to make this recommendation.

## Human resource planning

*We recommended that the Ministry of Health revise its human resource plan to quantify its human resources needs and provide measurable indicators and targets for all strategies.* *(2006 Report – Volume 3)*

In June 2007, PAC agreed with our recommendation.

Health has not revised the Ministry's human resource plan to address our recommendation.

**Status** – We continue to make this recommendation.

## Business continuity planning

*We recommended that the Ministry of Health prepare a complete business continuity plan.* *(2005 Report – Volume 3)*

In March 2006, PAC agreed with our recommendation.

Health has drafted a business continuity plan[4] but has not yet approved the draft plan. Health needs to prepare a complete plan and test that plan to ensure its effectiveness.

**Status** – We continue to make this recommendation.

# North Sask. Laundry & Support Services Ltd.

North Sask. Laundry & Support Services Ltd. (NSL) is a wholly-owned subsidiary of four regional health authorities (Prince Albert Parkland, Prairie North, Kelsey Trail, and Mamawetan Churchill River). It provides laundry services to various health authorities and other government organizations in Saskatchewan.

For the year ended March 31, 2011, NSL had revenue of $6.3 million, expenses of $5.8 million, and an operating surplus of $0.5 million. At year-end, the NSL held assets of $7.5 million.

## Controlling payroll and purchasing

NSL needs to establish clear policies and procedures for control when making payments to employees and vendors.

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[4] 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.

NSL has not established any policies for controlling payment of salaries and benefits. NSL has approximately 80 employees. In 2011, NSL spent about $3 million on payroll.

During the year, we noted that employees did not always sign their time sheets and their supervisors did not always leave evidence of their review and approval of the time sheets. Nor did NSL's management review and approve the payroll register before paying employees. Employees' time sheets determine employees' pay and benefits. Incorrect time sheets could result in incorrect pay and benefits. Also, lack of review and approval of the payroll register increases the risk of loss or misuse of public money and fraud without timely detection.

3.       **We recommend that North Sask. Laundry & Support Services Ltd. establish policies and procedures for controlling payments to its employees.**

NSL's policies do not set out that employees must complete and obtain approval of purchase orders before ordering goods and services. In addition, NSL does not have policies setting out who can use corporate credit cards, for what purposes and the approval requirements.
We noted employees did not always seek approval of purchase orders before ordering goods or services. Lack of clear policies could result in purchases of goods or services that are relatively expensive, not needed or unsuitable.

We also noted that a senior official used a NSL corporate credit card for personal expenses without any approval. The transactions were recorded as accounts receivable in NSL's accounting records. The personal expenses that the official charged totalled $2,176. The official is paying back the funds and at year-end still owed about $1,000 to NSL. Lack of clear policies and procedures has resulted in a misuse of public money.

Health reported this loss of public money in its 2011-12 first quarter report to PAC.

4.       **We recommend that North Sask. Laundry & Support Services Ltd. have clear policies and procedures for purchasing goods and services.**

5. **We recommend that North Sask. Laundry & Support Services Ltd. establish policies setting out who can use corporate credit cards, for what purpose, and the approval process.**

Subsequent to year-end, the Board approved an appropriate credit card usage policy. We intend to audit compliance with the policy in a future year.

## Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[5] Our intent is to follow up on outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[6] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of Health – Health Sector Human Resources** (2006 Report – Volume 1) | | |
| 2007 | 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 September 30, 2011. |
| 2007 | 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 September 30, 2011. |
| **Ministry of Health – Electronic Health Records** (2009 Report – Volume 3) | | |
| 2011 | 10C-1 that the Ministry of Health's strategic plan include its strategy for the electronic health record system. | **Not implemented** as at June 30, 2009. |

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[5] For definitions of the Key Terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.

[6] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to the Legislative Assembly.

| PAC REPORT YEAR[6] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| 2011 | 10C-2 that the Ministry of Health develop an operational plan to guide the development and implementation of the electronic health record system. | **Not implemented** as at June 30, 2009. |
| 2011 | 10C-3 that the Ministry of Health monitor its overall costs and timelines, compared to its plans, for development and implementation of the electronic health record system. | **Not implemented** as at June 30, 2009. |
| 2011 | 10C-4 that the Ministry of Health develop performance measures to allow it to assess and report its progress in achieving the electronic health record benefits. | **Not implemented** as at June 30, 2009. |
| **Ministry of Health – Processes to Buy IT Services** (2010 Report – Volume 1) | | |
| 2011 | 6-1 that the Ministry of Health establish a process to debrief unsuccessful vendors on their information technology proposals. | **Not implemented** as at December 31, 2009. |
| 2011 | 6-2 that the Ministry of Health establish an appeal mechanism to deal with vendors' complaints/disagreements. | **Not implemented** as at December 31, 2009. |
| 2011 | 6-3 that the Ministry of Health establish processes to ensure all requests for proposals for specific information technology expertise or services include complete criteria for evaluating those proposals. | **Not implemented** as at December 31, 2009. |
| 2011 | 6-4 that the Ministry of Health use consistent evaluation documentation for selecting vendors for specific information technology expertise or services. | **Not implemented** as at December 31, 2009. |
| 2011 | 6-5 that the Ministry of Health use its employees to hire employees of information technology vendors. | **Not implemented** as at December 31, 2009. |
| 2011 | 6-6 that the Ministry of Health obtain periodic independent updates of projects that are managed and staffed with vendor employees. | **Not implemented** as at December 31, 2009. |

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| PAC REPORT YEAR[6] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| 2011 | 6-7 that the Ministry of Health establish adequate processes for assessing information technology vendors' performance. | **Not implemented** as at December 31, 2009. |
| 2011 | 6-8 that the Ministry of Health keep records of vendors' performance to help decide future information technology services contracts. | **Not implemented** as at December 31, 2009. |
| **eHealth (formerly Health Information Solutions Centre)** (2007 Report – Volume 3) | | |
| 2009 | 11F-6 that the Health Information Solutions Centre of the Ministry of Health have an approved and tested disaster recovery plan for systems and data. | **Not implemented** as at September 30, 2010. |
| **Saskatchewan Association of Health Organizations Payroll System** (2006 Report – Volume 3) | | |
| 2009 | 2E-1 that the Saskatchewan Association of Health Organizations (SAHO) monitor the security controls of its Internet Personnel Front End service provider to protect SAHO's systems and data. | **Partially implemented** as at June 2009. |

# Regional Health Authorities

# 14B

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# Main points

This chapter reports the results of our annual audits for 10 Regional Health Authorities (RHAs). We report the results of our annual audits for Regina Qu'Appelle RHA and Saskatoon RHA in Chapters 14C and 14D respectively.

RHAs continue to make progress to strengthen their processes. Most RHAs have not yet completed and tested their disaster recovery plan and some need to do more to protect their information technology systems and data.

Most RHAs complied with authorities governing their activities and all RHAs had reliable financial statements.

**Prince Albert Parkland—Immunization for young children—a follow-up**

Prince Albert Parkland Regional Health Authority has implemented our past recommendations for strengthening processes to achieve recommended immunization results for two-year-old children.

**Sunrise—Hospital acquired infections—a follow-up**

Sunrise Regional Health Authority has implemented our past recommendations relating to its processes to manage hospital-acquired infections.

This chapter also includes a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

# Introduction

*The Regional Health Services Act (Act),* makes 12 Regional Health Authorities (RHAs) responsible for the planning, organization, delivery, and evaluation of health services in their health regions.

To complete our audits, we worked with RHAs' 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 10 RHAs and their appointed auditors. We report Regina Qu'Appelle RHA and Saskatoon RHA in Chapters 14C and 14D respectively.

| Regional Health Authority | Appointed Auditor |
|---|---|
| Cypress | Stark & March |
| 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 |
| Sun Country | Virtus Group LLP |
| Sunrise | Parker Quine LLP |

For the year ended March 31, 2011, the RHAs reported in this chapter show operating revenues totalling $1.27 billion and expenses totalling $1.25 billion. They also show capital fund revenues totalling $74 million and expenses totalling $44 million. These RHAs held assets totalling $777 million. Each RHA's annual report includes its audited financial statements.

This chapter also reports the results of our follow up work for the following RHAs:

♦ Prince Albert Parkland – Processes to achieve recommended immunization rates for two-year old children

♦ Sunrise – Processes to manage hospital acquired infection

We also provide an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦ **regional health authorities had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦ **regional health authorities complied with the following 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 Regional Health Services Act*
> *The Health Information Protection Act*
> *The Housing and Special-care Homes Act*
> *The Trustee Act*
> **Orders in Council and regulations issued pursuant to the above legislation**

♦ **each regional health authority has reliable financial statements**

## Controlling bank accounts

Keewatin Yatthé and Prince Albert Parkland (PA Parkland) have established policies and procedures to control their bank accounts. They require employees and their supervisors to sign and approve time sheets before submitting them for processing. Keewatin Yatthé and PA Parkland use the employee time sheets to determine employees' pay and benefits.

Keewatin Yatthé requires that all supplier invoices be approved before making payments. It also requires that its Board members be paid only for meetings they attend. Board members must complete expense claim forms for reimbursement of expenses.

During the year, Keewatin Yatthé's employees and their supervisors did not always sign and approve completed time sheets. Employees did not always obtain necessary approval of supplier invoices before processing payments.

Furthermore, Keewatin Yatthé's Board members did not always complete and submit expense claim forms for payments they received in advance of the Board meetings. Some Board members completed claim forms but did not sign them. Also, the claim forms did not have evidence of check and approval.

PA Parkland also did not always follow its established policies. Its employees did not always sign time sheets and their supervisors did not always approve them.

Lack of timely approval of employees' time sheets, supplier invoices, and completed and approved expense claim forms could result in loss or misuse of public money.

1. **We recommend that Keewatin Yatthé Regional Health Authority follow its established processes to control its bank accounts.**

2. **We recommend that Prince Albert Parkland Regional Health Authority follow its established processes to control its bank accounts.**

*We recommended that Prairie North Regional Health Authority follow its processes to control bank accounts when making payments to employees.* (2008 Report – Volume 3)

In June 2010, PAC agreed with our recommendation.

During the year, Prairie North's employees did not always ensure that employees' time sheets were properly approved before processing payroll, and supervisors did not follow the policy of approving all time sheets. Lack of approval of time sheets increases the risk of paying incorrect payroll amounts and providing incorrect benefits.

**Status** – We continue to make this recommendation.

# Protecting information technology (IT) systems and data

Prairie North and PA Parkland need to follow their policies to monitor inactive user accounts so that they can remove access to IT systems for those individuals who no longer work for them or require access. During 2010-11, some individuals had access to systems and data for many months after their employment ended.

Keewatin Yatthé needs to establish processes to improve timely identification and removal of access by individuals who no longer need access to its IT systems and data. Keewatin Yatthé did not always remove access to its systems and data for individuals who no longer need access.

Non-compliance with established policies or lack of adequate policies to grant and remove user access to IT systems increases the risk of inappropriate and unauthorized changes to systems and data.

3. **We recommend that Prairie North Regional Health Authority follow its processes to grant and remove user access to its IT systems and data.**

4. **We recommend that Prince Albert Parkland Regional Health Authority follow its processes to grant and remove user access to its IT systems and data.**

5. **We recommend that Keewatin Yatthé Regional Health Authority improve its processes to grant and remove user access to its IT systems and data.**

*We recommended that Mamawetan Churchill River Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis.* (2004 Report – Volume 3)

*We recommended that Heartland Regional Health Authority adequately protect its information technology systems and data.* (2009 Report – Volume 3)

*We recommended that Sun Country Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis.* (2007 Report – Volume 3)

PAC agreed with our recommendations in October 2005, January 2008 and June 2010.

Sun Country has addressed our recommendation.

Mamawetan Churchill River and Heartland continue to make progress on these recommendations but more work remains to improve the confidentiality, integrity, and availability of their IT systems and data.

For example, Mamawetan Churchill River and Heartland need to establish processes to improve timely identification and removal of access for individuals who no longer need access or no longer work for them. They also need to have processes to ensure their IT equipment is secure and that user access passwords are properly renewed.

**Status** – We continue to make these recommendations for Heartland and Mamawetan Churchill River RHAs.

## Disaster recovery planning

*We recommended that all regional health authorities establish disaster recovery plans and test those plans to ensure their effectiveness.* (2009 Report – Volume 3)

In June 2010, PAC agreed with our recommendation.

In 2009, we assessed the adequacy of RHAs' IT disaster recovery plans (DRPs) and concluded that the RHAs (except for PA Parkland and Five Hills) did not have a complete and tested DRP for the IT systems and data they managed.

During 2011, we reassessed each RHA's disaster recovery planning. We concluded that Keewatin and Prairie North had complete and tested DRPs. PA Parkland had not updated its DRP since 2008. It tested its DRP in 2009 and identified recommended actions to improve the DRP. PA Parkland has not documented how it addressed those

recommendations. Sunrise has a documented DRP but it did not test its plan in 2011 to assess its effectiveness.

Sun Country, Cypress, and Mamawetan Churchill River have not yet completed their DRPs. Once the plans are complete, they need to test those plans to ensure their effectiveness.

Heartland and Kelsey Trail need to update their DRPs to reflect administrative and system changes. Once updated, they must also test their plans to ensure their effectiveness.

Not having up-to-date and tested DRPs increases the risk that systems and data may not be available when needed. To have a robust DRP, RHAs must work with their service provider, eHealth.

**Status** – We continue to make this recommendation.

## Establishing complete policies and procedures

*We recommended that Cypress Regional Health Authority establish complete written financial management policies and procedures.* *(2008 Report - Volume 3)*

In December 2008, PAC agreed with our recommendation.

Cypress made good progress during 2010-11. However, it needs to establish policies for buying and selling capital assets (including furniture and medical equipment), investing, preparing annual financial statements, and explaining differences between planned and actual results.

Written policies and procedures help reduce the risk of errors, fraud, breakdowns in control, and unauthorized transactions.

**Status** – We continue to make this recommendation.

## Assessing the need for internal audit function

*We recommended that Prairie North Regional Health Authority assess the need for an internal audit function.* *(2009 Report – Volume 3)*

In June 2010, PAC agreed with our recommendation.

Prairie North's Board of Directors and its senior management need to know if the control systems they have established are sound enough to meet its objectives and if its employees comply with the established policies. An internal audit function can provide assurance to the Board and senior management that the appropriate controls are in place and are operating effectively.

In 2010, management told us that the Board continues to gather information to assess its need for an internal auditor. The Board has not yet completed its consultative process.

**Status** – We continue to make this recommendation.

## Controlling capital assets

*We recommended that Keewatin Yatthé Regional Health Authority count its capital assets and agree its capital asset records to its accounting record regularly. (2008 Report – Volume 3)*

In December 2008, PAC agreed with our recommendation.

Keewatin Yatthé has $33.5 million in capital assets. Because it does not count its assets and agree them with its capital asset records, it does not know if all of its capital assets exist or if its accounting records are accurate. Inaccurate capital asset records could result in wrong decisions about equipment purchases and disposals. During the year, Keewatin Yatthé made no progress to address our recommendation.

**Status** – We continue to make this recommendation.

## Spending without Authority

Keewatin Yatthé needs to obtain timely approval before spending money on capital projects.

*The Regional Health Services Act* (Act) prohibits RHAs from constructing, renovating or altering a facility where the cost of doing so exceeds a

prescribed amount unless the RHA receives approval of the Minister. Regulations under the Act set the prescribed amount at $100,000.

During the year, Keewatin Yatthé renovated a facility for a total cost exceeding $580,000. Keewatin Yatthé did not obtain the approval of the Minister for the renovation. The renovation was completed in February 2011. On March 29, 2011, management requested the Minister to approve the renovation.

Accordingly, Keewatin Yatthé did not comply with the Act and spent money without authority.[1]

6.     **We recommend that Keewatin Yatthé Regional Health Authority comply with *The Regional Health Services Act* when constructing, renovating, or altering its facilities.**

## Capital equipment plans needed

*We recommended that all Regional Health Authorities should prepare capital plans that contains the key elements for capital equipment plans in the public sector.* (2001 Fall Report – Volume 2)

In February 2002, PAC agreed with our recommendation.

Capital equipment plans are improving but still do not contain all key elements of good plans.

**Status** – We continue to make this recommendation.

## Prince Albert Parkland—Immunization for young children—a follow up

Governments provide free immunization for children to reduce severe illness and communicable disease in communities. Immunization also reduces hospitalizations and health care costs.

The Public Health Agency of Canada recommends that by age two, 95% of children be immunized.[1] In 2004, the Prince Albert Parkland Regional

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[1] Some children cannot be immunized due to chronic health conditions.

Health Authority (PA Parkland) was one of four regional health authorities with low immunization rates. The immunization rates fell below 70% for two-year-old children who received immunization from these authorities. With low immunization coverage, there is increased risk of serious communicable diseases in the province (e.g., mumps, measles). Unimmunized children risk complications and hospitalization due to these diseases. In 2009-10, immunization rates for two-year-old children varied between 65% and 88% in most health regions.[2] In 2009-10, PA Parkland's immunization rate for two-year-old children was about 67% compared to 61% in 2004.

In 2006, we audited PA Parkland's processes to immunize young children. In our 2006 Report – Volume 3, we concluded that at June 30, 2006, PA Parkland had adequate systems to achieve recommended immunization rates for two-year-old children, except for its processes to create opportunities to immunize by working with others and its processes to monitor immunization coverage.

We made three recommendations to improve PA Parkland's processes and one recommendation to the Ministry of Health. On June 25, 2007, PAC agreed with our recommendations.

Our first follow up reported (2008 Report – Volume 3) that the Ministry of Health had implemented our recommendation in 2007. PA Parkland still had to do more work to address their outstanding recommendations. The following sections describe the findings of our second follow up, setting out the recommendations (in italics) and PA Parkland's actions up to June 30, 2011. PA Parkland has implemented our recommendations.

## Working with First Nations and federal health agencies

*We recommended 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. (2006 Report – Volume 3)*

It is important that children receive the correct immunization at the correct time to protect them from disease. Within the PA Parkland geographic

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[2] The *Ministry of Health 2010-11 Annual Report* p.15 reports provincial immunization rates for two-year-old children registered in the Saskatchewan Immunization Management System (SIMS).

area, children can receive immunization from nurses employed by the health region or First Nations communities. Immunization services that First Nations communities provide are supported by First Nations Inuit Health (a federal health agency) or the Northern Intertribal Health Agency (NITHA). NITHA coordinates health services for several First Nations bands.

Communication among these agencies helps to reduce the risk of children receiving the wrong immunization. PA Parkland met periodically with NITHA to discuss services for families with young children, including immunization services. It also communicated with the federal health agency serving reserves in the area.

In addition, provincial meetings of public health nurse-managers also discussed ways to maximize immunization coverage for young children.[3] During these meetings, discussion focused on moving toward using one common electronic record regardless of the jurisdiction that provided the immunization. If each child had a unique identifier in a common electronic immunization record, it would help ensure that children receive the correct immunization at the correct time.[4]

The Ministry of Health established a provincial Population Health Council and its objectives included immunization. The Council had representation from regional health authorities, federal agencies, and First Nations groups including NITHA. The Council established a task force to develop a provincial strategy for immunization by 2012. The task force discussed issues that must be resolved before all agencies providing immunization can use the same electronic record to document immunizations. These issues included the privacy of family health information recorded at the time of immunization and the risk of loss of electronic immunization records.[5]

To improve access to immunization, PA Parkland needed to know which children were not immunized and where they lived. Many families moved

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[3] Representatives of regional health authorities, NITHA, and the federal agency First Nations Inuit Health attend these meetings of public health nurse managers.

[4] Saskatchewan has joined a project that aims to initiate a national record system for immunization by 2013 (PANORAMA).

[5] Prince Albert Parkland is part of a pilot project working with First Nations communities and NITHA to resolve these issues and prepare for participation in an evolving national immunization record system.

often. As a result, PA Parkland could not confirm whether children were not immunized or had left the area.

PA Parkland worked with First Nations and other regional health authorities serving northern Saskatchewan to obtain better information about unimmunized children. It received revised data from the Ministry of Health in May 2011 and arranged for an epidemiologist to analyze the data. PA Parkland expects the analysis to show that some children identified as unimmunized received their immunization in another location.

**Status** – PA Parkland has implemented this recommendation.

## Setting targets and action plans to achieve them

*We recommended 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.* (2006 Report – Volume 3)

Provincially, the Ministry of Health set a target to increase immunization coverage. The PA Parkland strategic plan directed staff to meet the provincial immunization target for two-year-old children. The Board approved a target of 70% or greater immunization coverage by March 2011.

PA Parkland had a work plan for 2011 to 2012 that addressed the low immunization rates. The work plan included analyzing immunization data and working with NITHA on a pilot project to use a common electronic immunization record.

**Status** – PA Parkland has implemented this recommendation.

## Reporting an analysis of immunization rates to the Board

*We recommended that the Prince Albert Parkland Regional Health Authority regularly report to its Board an analysis of the causes of its low immunization coverage rate.* (2006 Report – Volume 3)

The Board of PA Parkland received significantly improved reports about immunization in 2010 and 2011. Board policies requested regular reports

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on performance measures, including immunization targets. In addition, reports on immunization became part of routine monitoring on goals in the RHA's *Strategic Plan for 2010–14*.[6]

In February 2011, the Board received a report that explained the region's low immunization rate, possible causes, and possible solutions. It compared PA Parkland's immunization rate to the provincial immunization rate for young children.

**Status** – PA Parkland has implemented this recommendation.

## Sunrise—Hospital acquired infections—a follow up

Sunrise Regional Health Authority (Sunrise) annually spends nearly $200 million to provide a wide range of healthcare services to about 57,000 people.[7] Sunrise employs more than 2,600 professional and support staff throughout the region. It provides healthcare services in six hospitals, thirteen long-term care facilities, and six community health centres (three facilities are affiliates).[8]

In hospitals, infections cause complications and significantly increase the cost of care due to longer hospital stays, greater use of drugs, and more laboratory tests and other procedures.[9,10] A hospital-acquired infection is one that is not present when a patient enters the hospital. The infections most commonly acquired in hospitals are in surgical wounds or intravenous sites, urinary tract infections, and pneumonia; less common are outbreaks of infectious diarrhoea or influenza. Many of these infections could be prevented.

In 2007, we audited Sunrise's processes to manage hospital-acquired infections and made three recommendations (2007 Report – Volume 3). In January 2008, PAC agreed with our recommendations.

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[6] Immunization success measures are part of Goal 2.
[7] For the year ended March 31, 2011, Sunrise spent $198,243,254 (*Sunrise Regional Health Authority 2010-2011 Annual Report*).
[8] Home page and Program and Services Guide at http://www.sunrisehealthregion.sk.ca/
[9] United Kingdom. National Audit Office. (2000). The management and control of hospital acquired infection in acute NHS trusts in England. p.19.
[10] Montreal Jewish General Hospital 2004 study of ventilator-associated infections. Canadian Institute of Health Information.

Our 2009 Report – Volume 3 explained Sunrise had met one recommendation. This chapter describes our follow up of management's actions up to July 31, 2011 on the remaining two recommendations (in italics). Sunrise has implemented our recommendations.

## Guidance to staff has improved

*We recommended that Sunrise Regional Health Authority provide guidance to help staff fully identify, investigate, analyze, and report hospital-acquired infections.* *(2007 Report – Volume 3)*

In 2011, Sunrise used forms and policies to help staff identify, investigate, and analyze hospital-acquired infections. The forms guided staff to document key information when investigating infections. The policies explained how to calculate and analyze infection rates.

Sunrise also used a guide—*Definitions and Calculations for Surveillance Programs in Sunrise Health Region*—to help staff identify, analyze, and report common hospital-acquired infections (e.g., antibiotic resistant, surgical site). It included definitions, calculation methods, and some national benchmarks that helped staff consistently identify infections, analyze infection rates, and report hospital-acquired infections to management.

In addition, Sunrise guided staff to improve hand washing—an effective way to reduce hospital-acquired infections. Sunrise conducted hand hygiene campaigns in both acute care and long-term care facilities. As part of the campaigns, presentations explained required practices for effective hand washing to healthcare providers and other staff. Sunrise conducted hand hygiene audits that observed and documented how staff washed their hands and used hand cleansers. The regional infection prevention and control team reviewed the results of these hand hygiene audits and took action.

**Status** – Sunrise has implemented this recommendation.

## Better reporting and monitoring of infections

*We recommended that Sunrise Regional Health Authority focus its actions to prevent and manage hospital-acquired infections by*

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> *reporting and monitoring: a) the rates and causes of hospital-acquired infections, and b) progress toward targets by type of infection.* (2007 Report – Volume 3)

In 2011, Sunrise management asked staff to report probable causes of hospital-acquired infections. Forms for reporting infections required additional information about causes or other factors contributing to infections. This helped Sunrise take more timely action to prevent the spread of infections in its hospitals.

Sunrise set targets for some types of antibiotic-resistant infections. It regularly reported infection rates to senior management and the Board. It compared these results to its targets by type and facility on a quarterly basis.

Regional and local infection prevention and control teams also monitored infection rates and the causes of infectious outbreaks. These teams updated action plans and reviewed procedures in response to infection related issues.

Senior management and the Board received reports about Sunrise's infection control initiatives (e.g., Outbreak Report for 2009-2010, Hand Hygiene Report for 2010-2011). They also received reports about specific infection rates and trends such as *A Retrospective look at C-section Infection Rates in Sunrise Health Region July 1 – December 31, 2010*. In addition, the Board periodically reviewed balanced scorecard reports relating to hospital-acquired infections.

**Status** – Sunrise has implemented this recommendation.

## Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[11] Our intent is to follow up on outstanding recommendations in upcoming reports.

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[11] For definitions of the Key Terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.

| PAC REPORT YEAR[12] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Kelsey Trail Regional Health Authority – Medical Equipment** (2010 Report – Volume 2) | | |
| 2011 | 11C-1 that the Kelsey Trail Regional Health Authority clearly define roles and responsibilities for maintaining all of its medical equipment in accordance with recommended standards. | **Not implemented** (as at March 31, 2010). |
| 2011 | 11C-2 that the Kelsey Trail Regional Health Authority maintain all equipment in accordance with the required standards. | **Not implemented** (as at March 31, 2010). |
| 2011 | 11C-3 that the Kelsey Trail Regional Health Authority establish written policies and procedures for maintaining medical equipment at all of its healthcare facilities. | **Not implemented** (as at March 31, 2010). |
| 2011 | 11C-4 that the Kelsey Trail Regional Health Authority make an agreement with its service provider for the maintenance of medical equipment. | **Not implemented** (as at March 31, 2010). |
| 2011 | 11C-5 that the Kelsey Trail Regional Health Authority monitor the medical equipment maintenance work performed by manufacturers and its service provider. | **Not implemented** (as at March 31, 2010). |
| 2011 | 11C-6 that the Kelsey Trail Regional Health Authority maintain a complete and current list of all medical equipment, its location, and its maintenance record. | **Not implemented** (as at March 31, 2010). |
| 2011 | 11C-7 that the Kelsey Trail Regional Health Authority provide reports to the Board of Directors and senior management on the state of medical equipment at all of its healthcare facilities. | **Not implemented** (as at March 31, 2010). |

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[12] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to the Legislative Assembly.

| PAC REPORT YEAR[12] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Sun Country Regional Health Authority – Hiring Practices** (2010 Report – Volume 2) | | |
| 2011 | 11B-2 that the Sun Country Regional Health Authority follow its policies and procedures when hiring management personnel. | **Not implemented** (as at March 31, 2010). |
| 2011 | 11B-3 that the Sun Country Regional Health Authority establish policies and procedures for relocation incentives for new hires. | **Not implemented** (as at March 31, 2010). |
| **Sunrise Regional Health Authority – Scheduling Nurses** (2010 Report – Volume 1) | | |
| 2011 | 12-1 that the Sunrise Regional Health Authority ensure its nursing managers or other authorized staff follow established policies to review and approve nursing staff timesheets. | **Not implemented** (as at March 15, 2010). |
| 2011 | 12-2 that the Sunrise Regional Health Authority identify and regularly report to the Board the causes of nursing staff overtime costs. | **Not implemented** (as at March 15, 2010). |
| 2011 | 12-3 that the Sunrise Regional Health Authority implement established strategies for addressing causes of nursing staff overtime costs and provide regular progress reports to the Board. | **Not implemented** (as at March 15, 2010). |
| **Cypress Regional Health Authority - IT Security Audit** (2008 Report – Volume 3) | | |
| 2009 | 10D-2 that the Cypress Regional Health Authority monitor the security of its information technology systems and data. | **Partially implemented** (as at July 31, 2010). |
| 2009 | 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. | **Partially implemented** (as at July 31, 2010). |
| 2009 | 10D-4 that the Cypress Regional Health Authority configure its computer systems and data to protect them from external threats including theft or loss. | **Partially implemented** (as at July 31, 2010). |

| PAC REPORT YEAR[12] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| 2009 | 10D-6 that the Cypress Regional Health Authority complete, approve, and test its disaster recovery plan. | **Partially implemented** (as at July 31, 2010). |
| 2009 | 10D-7 that the Cypress Regional Health Authority implement adequate policies and procedures for managing changes to computer systems and data. | **Partially implemented** (as at July 31, 2010). |
| **Heartland Regional Health Authority – IT Equipment Disposal** (2009 Report – Volume 3) | | |
| 2011 | 10D-1 that Heartland Regional Health Authority document its procedures to remove confidential information during disposal of information technology and communications equipment. | **Not implemented** (as at August 31, 2009). |
| 2011 | 10D-2 that Heartland Regional Health Authority document that it follows its approved policy and procedures when disposing of information technology and communications equipment. | **Not implemented** (as at August 31, 2009). |
| 2011 | 10D-3 that Heartland Regional Health Authority regularly verify that its procedures to remove sensitive information from information technology and communications equipment are effective. | **Not implemented** (as at August 31, 2009). |

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# Regina Qu'Appelle Regional Health Authority

# 14C

# Main points

This chapter sets out the results of our 2011 audit of Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) and our follow ups on patient safety and reducing workplace injuries.

Regina Qu'Appelle complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing and its financial statements for the year ended March 31, 2011 are reliable.

Regina Qu'Appelle had adequate rules and procedures to safeguard public resources except that it needs to establish an internal audit function, strengthen its information technology security, establish and test a disaster recovery plan, develop a capital equipment plan, and improve its human resource planning.

**Patient safety—a follow up**

In 2009, we audited whether Regina Qu'Appelle had adequate processes for patient safety in its health care facilities and made three recommendations. Our follow up confirmed that Regina Qu'Appelle has implemented all of our recommendations.

**Reducing workplace injuries—a follow up**

In 2002, we audited Regina Qu'Appelle's processes to reduce injuries to care staff and made three recommendations. Our follow up confirmed that Regina Qu'Appelle has implemented all of our recommendations.

# Introduction

*The Regional Health Services Act* (Act) established Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle). Regina Qu'Appelle is responsible for the planning, organization, delivery, and evaluation of health services within the geographic area known as Regina Qu'Appelle Health Region under the Act. Regina Qu'Appelle employs approximately 9,500 staff and uses 580 physicians to provide health services to over 500,000 residents. It operates six hospitals, one rehabilitation centre, 21 long-term care facilities, and 10 community healthcare sites.

Regina Qu'Appelle's financial statements for the year ended March 31, 2011 show operating fund revenues totalling $860 million and expenses totalling $852 million. They also show capital fund revenues totalling $32 million and expenses totalling $36 million. Regina Qu'Appelle held assets totalling $460 million at year-end. Regina Qu'Appelle's financial statements are included in its 2011 Annual Report.

# Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦   **Regina Qu'Appelle had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦   **Regina Qu'Appelle complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

   *The Trustee Act*
   *The Health Information Protection Act*
   *The Housing and Special-care Homes Act*
   *The Regional Health Services Act*
   **Regulations and Orders in Council issued pursuant to the above legislation**

♦   **Regina Qu'Appelle's financial statements are reliable**

The chapter also includes results of our follow up work relating to patient safety, and reducing workplace injuries.

# Internal audit function needed

*We recommended that Regina Qu'Appelle Regional Health Authority Board implement an internal audit function. (2008 Report – Volume 3)*

In December 2008, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

Regina Qu'Appelle has not yet established an internal audit function. An internal auditor could provide assurance to the Board and senior management on the effectiveness of management processes and staff compliance.

The internal audit function could also provide assurance on the effectiveness of information technology security controls to protect patient data.

**Status** – We continue to make this recommendation.

# Information technology security needs strengthening

*We recommended that Regina Qu'Appelle Regional Health Authority adequately protect its information technology system and data. (2009 Report – Volume 3)*

In June 2010, PAC agreed with our recommendation.

Regina Qu'Appelle has documented some information technology (IT) security policies and procedures including controls for granting access and defining password requirements. However, it needs to follow its established procedures for removing user accounts on a timely basis. It also needs to update its computer equipment on a timely basis for known security risks. Without strong security processes, Regina Qu'Appelle cannot ensure the confidentiality, integrity, and availability of its IT systems and data.

**Status** – We continue to make this recommendation.

## Disaster recovery plan needed

*We recommended that all regional health authorities establish adequate disaster recovery plans and test those plans to ensure their effectiveness.* (2009 Report – Volume 3)

In June 2010, PAC agreed with our recommendation.

Regina Qu'Appelle, like other regional health authorities (see Chapter 14B), relies on IT systems and data to support the delivery of patient care. The primary function of a disaster recovery plan is to rebuild the IT resources after a major disaster or other interruption.

Regina Qu'Appelle has identified some staff roles and responsibilities related to disaster recovery. It has also documented recovery time objectives for its key systems and identified the need for an alternative computer facility. However, it does not have a complete plan that identifies how to restore its IT systems and data. Once Regina Qu'Appelle has developed a complete plan, it needs to test that plan to assess its effectiveness.

Regina Qu'Appelle has a close working relationship with eHealth[1] of the Ministry of Health. To have a robust disaster recovery plan, Regina Qu'Appelle must ensure that its service provider, eHealth, also has a robust recovery plan. Accordingly, the adequacy of Regina Qu'Appelle's recovery plan very much depends on the adequacy of the recovery plan of eHealth.

**Status** – We continue to make this recommendation.

## Human resource planning

*We recommended that Regina Qu'Appelle Regional Health Authority improve its human resource planning processes by:*
- ♦ *analyzing the extent of its workforce gaps and estimating their future impact on service delivery*
- ♦ *monitoring human resource risks at least quarterly using key performance measures* (2009 Report – Volume 3)

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[1]A Treasury Board Crown corporation previously known as the Saskatchewan Health Information Network.

In June 2010, PAC agreed with our recommendation.

Regina Qu'Appelle's Workforce Planning Steering Committee (Committee) consists of management from all areas. It sets direction related to human resource planning priorities, needs, and reporting requirements.

Regina Qu'Appelle continues to make progress in this area. The Committee has begun identifying human resource performance indicators. These performance indicators will help management in identifying organizational challenges such as high overtime costs and labour shortages. Regina Qu'Appelle will need to monitor and report on these performance indicators.

The above work in identifying human resource performance indicators will help position Regina Qu'Appelle to estimate the extent of its workforce gaps and determine the impact of those gaps on its future healthcare service delivery.

Regina Qu'Appelle needs a complete human resource plan to ensure it has resources required to deliver healthcare services in future years. Management told us that it plans to develop a human resource plan in 2011-12.

**Status** – We continue to make this recommendation.

## Capital equipment plan needed

*We recommended that Regina Qu'Appelle Regional Health Authority should prepare a capital equipment plan that contains the key elements for capital equipment plans in the public sector.* (2001 Fall Report – Volume 2)

In February 2002, PAC agreed with our recommendation.

Regina Qu'Appelle's capital equipment plan is improving but still does not contain all key elements of a good plan.

**Status** – We continue to make this recommendation.

## Processes for patient safety—a follow up

Processes to improve patient safety could prevent harm and loss of life. Better patient safety reduces complications, shortens the length of hospital stay, and supports clinical efficiencies including better use of skilled health care workers. Patient safety processes can also reduce overall spending on health services.

In 2009, we audited Regina Qu'Appelle's processes for patient safety and reported our findings and recommendations in our 2009 Report – Volume 3. Our 2009 Report – Volume 3, Chapter 10E concluded that Regina Qu'Appelle had adequate processes for patient safety in its health care facilities except for regularly analyzing patient safety reports in order to learn from experiences. We made three recommendations.

On June 18, 2010, PAC agreed with our recommendations.

We describe the three recommendations below (in bold) and Regina Qu'Appelle's actions to address our recommendations on its patient safety processes up to September 30, 2011. Regina Qu'Appelle has implemented all of our recommendations.

## Communication risks to staff and physicians

***We recommended 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.***
*(2009 Report – Volume 3)*

Since our 2009 audit, Regina Qu'Appelle has implemented several new systems to communicate to its staff and physicians about the highest risks to patient safety.

In January 2010, Regina Qu'Appelle implemented an internal safety alert system. Regina Qu'Appelle posted the safety alerts on its intranet site. It also sent safety alerts electronically to staff and physicians. These safety alerts outlined the factors that contributed to unsafe situations for patients and recommended action. For example, a safety alert recommended that staff ensure the velcro strips on every mattress were attached firmly to the stretcher to prevent the patient falling off the stretcher due to a sliding

mattress. Regina Qu'Appelle also used another type of safety alert that informed management immediately if there were too many patients in emergency rooms at its two main hospitals. The alert system helped management make timely decisions to transfer some patients to other hospital units.

Regina Qu'Appelle appointed certain physicians as quality coordinators for its medical departments. These physicians reviewed patient safety concerns, investigated what happened from a physician perspective, made recommendations, and informed physicians how to improve patient safety in similar situations. The physician quality coordinators also met regularly to discuss common patient safety issues and recommend how to resolve them across the region.

To inform staff about the highest risks to patient safety, Regina Qu'Appelle formed committees. These committees helped work units to reduce risks such as medication incidents and patient falls. For example, one committee arranged for medication to be stored in colour-coded boxes in smaller doses to reduce risks to patients. Another committee worked to increase understanding of the common reasons why patients fall.

**Status** – Regina Qu'Appelle has implemented this recommendation.

## Analyzing the factors contributing to reported events

*We recommended the Regina Qu'Appelle Regional Health Authority analyze the factors contributing to reported events causing harm to patents and use that analysis to guide region wide action. (2009 Report – Volume 3)*

Regina Qu'Appelle analyzed factors contributing to the most serious events reported as causing harm to patients and used that analysis to guide future actions.

If a patient died unexpectedly, Regina Qu'Appelle analyzed the critical incident,[2] identified contributing factors, and made recommendations for

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[2] A critical incident is an unexpected and possibly preventable loss of life or permanent disability caused by the healthcare system. *The Regional Health Services Act* requires that such incidents be reported to the Ministry of Health.

follow up action. Regina Qu'Appelle systematically tracked these critical incident recommendations and documented follow up action. This analysis process did not extend to all adverse health events[3] reported during 2011. During 2011, Regina Qu'Appelle evaluated options to enable further regional analysis using an electronic adverse health event reporting system. Such a system would help Regina Qu'Appelle to inform staff and physicians on a timely, ongoing basis of the highest risks to patient safety and the factors contributing to them.

As noted above, Regina Qu'Appelle also used committees and quality coordinators to guide region-wide strategies for common adverse events causing harm to patients. Regina Qu'Appelle improved how it collected data and analyzed trends to patient safety risk. It used computer software to help it monitor trends in adverse events within facilities. It compared, for its two major hospitals, the percentage of adverse events related to medications, surgery, and hospital-acquired infections. Regina Qu'Appelle used this information to help it determine if its strategies were reducing risks to patient safety.

**Status** – Regina Qu'Appelle has implemented this recommendation.

## Reporting patient safety results

*We recommended 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.* (2009 Report – Volume 3)

Senior management and the Board received adequate reports on patient safety concerns and action taken to address them.

During 2010-11, Regina Qu'Appelle reported quarterly on various patient safety measures to senior management and the Board. The report included patient safety outcome indicators, targets, and actions taken to achieve the outcome. For example, the report included the number of patients with hospital-acquired infections to permit analysis of progress in achieving patient safety.

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[3] Adverse health event means a complication, unintended injury, or death cause by health care management rather than the patient's underlying disease process.

Regina Qu'Appelle also produced semi-annual patient safety reports for the Board, senior management, and department heads. The reports showed the total number of adverse events that occurred over the last five years, and the number and type of adverse events in each facility. The reports highlighted the strategies taken to address the most common type of adverse events (e.g., falls and medications). They also stated the total number of critical incidents in the region and noted whether any follow up action was still outstanding.

In 2011, the Board established a Quality and Safety Committee. The Committee received bi-monthly reports including quality and safety scorecard reports. These reports used quality indicators to summarize patient safety measures for the Board, and compared the indicators to targets. These reports enabled the Board and senior management to take prompt action in response to emerging trends or serious incidents.

**Status** – Regina Qu'Appelle has implemented this recommendation.

## Reducing workplace injuries—a follow up

Employers and individual managers are legally responsible for workplace safety. Individual workers also must do their part to keep themselves, their co-workers, and their patients safe.

In Saskatchewan, injuries continue to remain common in health sector workplaces. In 2010-11, health regions continue to have bout 7 time-loss injuries for every 100 workers. In 2010-11, the number of lost time days per 100 workers in the health regions dropped to about 350 days – a two to three per cent reduction over the prior year.[4]

In 2002, we assessed Regina Qu'Appelle's processes to reduce injuries to care staff. Our 2003 Report – Volume 1, Chapter 2 concluded that Regina Qu'Appelle Regional Health Authority did not adequately use best practices to reduce injuries to care staff. We made three recommendations. In June 2004, PAC agreed with our recommendations.

Prior to this year, we completed three follow ups to assess Regina Qu'Appelle's progress towards addressing our recommendations. At each

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[4] Ministry of Health *2010-2011 Annual Report*, p. 28.

follow up, we reported that Regina Qu'Appelle needed to do more to address our recommendations.

In 2011, we did our fourth follow up. We describe below our recommendations (in italics) and Regina Qu'Appelle's actions up to September 30, 2011. Regina Qu'Appelle has implemented our recommendations.

## Board commitment to reduce injuries

*We recommended that the board of Regina Qu'Appelle Regional Health Authority commit to workplace safety as a priority, and that the board:*

- ♦ *set specific targets to reduce work-related injuries to care staff in the short term*
- ♦ *allocate resources to achieve the targets*
- ♦ *receive frequent reports about injury rates and actions to reduce injuries*
- ♦ *hold senior managers accountable to reduce injury rates* (2003 Report – Volume 1)

Regina Qu'Appelle has set injury reduction measures and targets. By April 2012, it aims to reduce injuries by 15.1% below the past year's results. In August 2011, the Board approved this target. Regina Qu'Appelle's targets are consistent with the Ministry of Health's Strategic Operating Objectives related to workplace safety.

Regina Qu'Appelle allocated a portion of its resources to purchase equipment to help reduce injuries. For example, in 2010-11, Regina Qu'Appelle purchased items such as ceiling track patient lifts, floor-based patient lifts, and specialized equipment to manage bariatric patients.[5]

Since 2008, Regina Qu'Appelle has also allocated resources to educate staff about safety in the workplace. One such initiative was the Safe Moves and Repositioning Techniques training program. This training program illustrated how to move objects safely to prevent injuries, specifically in transfer lift, repetitive motion, and collision contact areas. Management told us that starting in November 2011, the training program

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[5] Bariatric patients are those patients weighing greater than 300 lbs.

will be mandatory training for all new employees who lift and transfer objects.

The Board received quarterly reports that set out progress on injury rates compared to targets and the three previous quarters. The report also explained what was being measured, why, and the actions Regina Qu'Appelle was taking to meet the target.

In 2011, Regina Qu'Appelle revised job descriptions for its senior managers to hold them responsible and accountable to reduce injury rates. Senior managers' commitment to workplace injury reduction is also included in their pay for performance accountability document.

**Status** – Regina Qu'Appelle has implemented this recommendation.

## Staffing to reduce injuries

*We recommended that Regina Qu'Appelle Regional Health Authority analyze the unit staffing patterns that are associated with high and low injury rates, and implement the lessons learned.* (2003 Report – Volume 1)

Since 2009, Regina Qu'Appelle has employed a Safety Consultant Associate (Associate) to help make work practices safer. Regina Qu'Appelle also employs five site safety consultants. Each safety consultant is assigned a portfolio within the region to promote safety.

The Associate reviewed all incident reports submitted by staff. The review allowed the Associate to analyze patterns and trends relating to injury rates. If an issue was identified, the Associate worked with the site safety consultant and managers responsible for that unit/department to identify the causal factors and action plans required to address the issue.

Regina Qu'Appelle has also implemented the lessons learned. For example, a review indicated a significant increase in the number of time loss injuries in a particular unit within a hospital in the region. The unit revised its processes for how staff handled patient transfer, lifting and repositioning. As a result, the unit achieved a significant reduction in time loss injuries.

**Status** – Regina Qu'Appelle has implemented this recommendation.

## Active occupational health committees

*We recommended the occupational health committees of Regina Qu'Appelle Regional Health Authority:*

♦ *analyze the causes of injuries in areas with high injury rates at every meeting*

♦ *make written recommendations to senior management and the board to fix unresolved causes of injuries* (2003 Report – Volume 1)

Regina Qu'Appelle's occupational health committees received a summary analysis of injuries every three months to help monitor trends and the causes of injuries. The reports showed the number and types of injuries, their causes, and actions taken. At each meeting, these committees also reviewed and discussed the incident reports, including statistics related to the incidents and actions taken or proposed. In addition, these committees received inspection reports highlighting common causes of injuries.

Working with the safety consultants, the occupational health committee members help managers resolve concerns. If employee health and safety concerns are noted during inspections or reviews of incident reports, the occupational health committees wrote formal letters to senior management outlining the findings and concerns noted. The letters also requested senior management to describe what actions would be implemented to mitigate or eliminate the identified safety concerns.

The occupational health committees worked closely with the safety consultants and managers, and involved senior management for employee health and safety concerns. This allowed Regina Qu'Appelle to resolve issues relating to the identified safety concerns and causes of injuries. The Board would only receive occupational health committees' written reports and recommendations when senior management and the committee failed to resolve the safety concerns identified.

**Status** – Regina Qu'Appelle has implemented this recommendation.

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# Saskatoon Regional Health Authority

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# Main points

We report that Saskatoon Regional Health Authority's (Saskatoon) financial statements are reliable and it had adequate controls to safeguard public resources except for the following.

**Capital spending—Oliver Lodge Special Care Home**

During the year, Saskatoon decided that approximately $5 million that it loaned to one of its affiliates to help expand its long-term care facility was likely not collectible and expensed this amount. By doing so, Saskatoon changed the affiliate's portion of funding for this project. *The Regional Health Services Act* (Act) does not allow regional health authorities to change funding formulas without Ministerial approval. Saskatoon did not obtain such approval. In addition, the Act does not allow affiliates to borrow money for capital projects without Ministerial approval. The affiliate did not obtain the Minister's approval for borrowing from Saskatoon.

**Service Agreement with Amicus**

With the direction of the Ministry of Health, Saskatoon entered into a Continuing Care and Service Agreement to construct and operate a long-term care facility, on a sole source basis, with Amicus Health Care Inc. (Amicus), a newly incorporated company. In return, Saskatoon agreed to pay Amicus about $185 daily per bed. Neither the Ministry of Health nor Saskatoon were able to tell us what process they used to seek interest from healthcare providers or what criteria they used to select Amicus for the project. The Ministry of Health and Saskatoon did not use their normal processes for entering into this Agreement. We did not see any evidence why the Ministry of Health and Saskatoon did not do so.

The estimated project cost is approximately $27 million. Multi-million dollar projects require transparency and open and competitive processes. Lack of clear and transparent processes increases the risk that decision makers may not become aware of other alternatives and potentially more cost-effective options for such projects. Clear and transparent processes to seek interest from private sector healthcare providers and well communicated selection criteria would help avoid real or perceived conflicts of interest, bias, and controversy in any such future projects.

**Reducing injuries to care staff—a follow up**

We followed up on the status of our recommendations on a 2003 audit. Saskatoon has now implemented all of the past recommendations.

# Introduction

The Saskatoon Regional Health Authority (Saskatoon) operates under *The Regional Health Services Act* (Act) and is responsible for the planning, organization, delivery and evaluation of health services within the geographic area known as Saskatoon Health Region. Saskatoon employs approximately 13,000 staff and has 847 physicians providing health services to over 300,000 residents. It operates 10 hospitals, 29 long-term care facilities, 12 primary health cares sites and 14 public health sites.

Saskatoon's financial statements for the year ended March 31, 2011 show operating fund revenues totalling $954 million and expenses totalling $950 million. It also shows capital fund revenues totalling $274 million and expenses totalling $50 million. Saskatoon held assets totalling $641 million at year-end. Saskatoon's financial statements are included in its 2011 Annual Report.

# Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦ **Saskatoon Regional Health Authority had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦ **Saskatoon Regional Health Authority 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**

♦ **Saskatoon Regional Health Authority's financial statements are reliable**

We worked with KPMG LLP, Saskatoon's appointed auditor, 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).

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In this chapter, we also report on the Continuing Care and Service Agreement with Amicus Health Care Inc. and the results of our follow up work relating to Saskatoon's practices to reduce injuries to care staff.

## Capital spending needs approval

Saskatoon needs to obtain appropriate and timely approval for transactions with its affiliates[1] as required under *The Regional Health Services Act* (Act).

Saskatoon and Oliver Lodge Special Care Home (an affiliate) commenced a capital project for the expansion of the special care home called Oliver Lodge for a total cost of $22.3 million. On October 18, 2007, the Ministry of Health (Health) approved the project and agreed to fund 65% of the project costs ($14.5 million). Saskatoon was to receive the necessary capital grant from Health to pay the 65% share of the project costs. The affiliate was responsible to raise and pay the remaining 35% of the project cost ($7.8 million). Saskatoon received the capital grant to fund its portion of the project cost.

This project was originally planned in 2004 for 44 beds with the affiliate's expected share of cost to be $3.1 million. By 2007, the project expanded to 89 beds and the affiliate's share of cost increased to $7.8 million. At that time, documents show that the affiliate expressed its concerns about raising funds to meet its share of the cost.

During the course of the project, the affiliate paid Saskatoon the amount it raised for the project totalling approximately $3 million. In October 2007, it signed a Memorandum of Understanding (MOU) with Saskatoon for Saskatoon to pay all construction costs as incurred. The construction of the project began in April 2009.

As the project progressed, the affiliate had difficulty raising the balance of its portion of the cost. The project continued and Saskatoon continued to pay all project costs. In essence, Saskatoon agreed to finance, interest free, the balance of the affiliate's portion of the required funding.

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[1] Under *The Regional Health Services Act*, affiliate means a health care organization that operated an approved healthcare facility before the Act came into force. This includes any successor.

The MOU that the affiliate and Saskatoon signed is akin to a borrowing agreement. The Act prohibits affiliates from borrowing any money without the Minister's approval. The affiliate did not seek such approval from the Minister. In addition, while the Act has provisions allowing regional health authorities to provide funding to affiliates, it does not include any specific provision allowing regional health authorities to lend money to affiliates.

1.    **We recommend that affiliates of Saskatoon Regional Health Authority comply with *The Regional Health Services Act* when borrowing money for capital projects.**

The project is now complete and Saskatoon has paid for the affiliate's remaining portion (approximately $5 million) of the project costs.

At March 31, 2011, Saskatoon had an account receivable from the affiliate for $5 million. Saskatoon considered this receivable uncollectable and expensed this amount in its financial statements because of the uncertainty about the affiliate's ability to raise additional funds. As a result, Saskatoon used public money for an unauthorized purpose.

The Act does not allow regional health authorities to make agreements with health care organizations that are not consistent with guidelines or directions provided by the Minister. Saskatoon did not comply with the Act as its agreement (MOU) with the affiliate effectively changed the funding arrangement for this project from that approved by the Minister in 2007.

As we stated earlier, the Act does not specifically allow regional health authorities to lend money to affiliates. Health needs to clarify whether the regional health authorities have powers to lend money to their affiliates and what approval processes are required to do so.

2.    **We recommend that Saskatoon Regional Health Authority comply with *The Regional Health Services Act* when making changes to funding arrangements for capital projects.**

3.    **We recommend that Ministry of Health clarify whether the regional health authorities have powers to lend money to health care organizations.**

Management told us that Saskatoon Regional Health Authority will seek retroactive ministerial approval for this transaction because the amount due from the affiliate is not considered collectible.

## Policies and procedures needed for security of information technology (IT) systems and data

***We recommended that Saskatoon Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis.*** *(2004 Report – Volume3)*

In October 2005, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

Management told us Saskatoon is currently developing comprehensive IT policies and procedures based on a prioritized list of risk exposure. Management also told us that the IT security policy framework for Saskatoon is in the final stage of approval and that the framework will provide guidance for the development of other supporting IT policies and procedures.

**Status** – We continue to make this recommendation.

***We recommended that all regional health authorities establish adequate disaster recovery plans and regularly test those plans to ensure their effectiveness.*** *(2009 Report – Volume 2)*

In June 2010, PAC agreed with our recommendation.

Like other regional health authorities, Saskatoon relies on IT systems and data to provide patient care. The primary function of a Disaster Recovery Plan (DRP) is to rebuild or restore IT resources to provide access to necessary information immediately after a major disaster or interruption.

Saskatoon does not have a complete DRP. Management told us that Saskatoon is in the first stage of developing its DRP. Saskatoon has developed a checklist of procedures and documentation required to proceed to completion of its DRP. During the past year, Saskatoon tested its ability to restore data.

**Status** – We continue to make this recommendation.

## Capital equipment plan needed

*We recommended that Saskatoon Regional Health Authority should prepare a capital plan that contains the key elements for capital equipment plans in the public sector.* (2001 Fall Report – Volume 2)

In February 2002, PAC agreed with our recommendation.

Saskatoon's capital equipment plan is improving but it still does not contain all key elements of good plans.

**Status** – We continue to make this recommendation.

## Service Agreement with Amicus Health Care Inc.

### Background

On April 19, 2010, Saskatoon signed a Continuing Care and Service Agreement (Service Agreement) with Amicus Health Care Inc. (Amicus) to build and operate a 100 bed long-term care facility in Saskatoon. Amicus is a non-profit corporation incorporated under *The Non–Profit Corporation Act 1995.* The documents filed with the corporate registry branch of the Information Services Corporation show that Amicus was registered on January 20, 2010 for the sole purpose of providing quality, holistic health care to long-term care residents.

Amicus' long-term facility would use a new service delivery model that, among other things, will allow some couples to remain together even if their care level is different. The construction of this facility began on April 1, 2010 and is expected to be ready for occupancy in January 2012.

Under the Service Agreement, the estimated cost of construction was $27 million. Amicus was responsible to obtain a $27 million (maximum) first priority mortgage on the facility. The term of the Service Agreement is seven years (two years for constructing the facility and five years for operating the facility). The Service Agreement is renewable for an additional five years. Saskatoon agreed that the 'per day' rate would

cover the full cost of debt servicing for the facility together with reasonable operating costs.

This is a significant long-term care project for Saskatoon. We wanted to:

♦ ensure that Saskatoon properly recorded and disclosed its obligation under the Agreement in its financial statements
♦ assess the process followed to contract with Amicus for consistency with the established process
♦ assess whether the terms of the Agreement with Amicus are consistent with previous similar agreements

Our work consisted of interviewing Saskatoon and Health officials and examining the Service Agreement and related reports and documents.

## Impact on Saskatoon's financial statements

The Service Agreement does not require Saskatoon to make any payments to Amicus while the facility is under construction. Under the Service Agreement, Amicus is responsible, at its sole cost, for obtaining and repaying any financing required in connection with the construction and furnishing of the long-term care facility.

Saskatoon followed Canadian generally accepted accounting principles (GAAP) and disclosed the existence of the Service Agreement with Amicus in its 2011 financial statements.

No financial institution is a party to the Service Agreement. While the facility is under construction, the contractual obligation under the agreement does not meet the definition of a financial guarantee under GAAP because Amicus is responsible for the construction of the facility.

Saskatoon expects the facility will be completed and start operating in early 2012 at which time Saskatoon will need to have more disclosure in its annual financial statements. Such disclosure should reflect the long-term nature of the arrangement with Amicus and a contingent liability relating to the terms in the Service Agreement. Once construction is completed, Saskatoon assumes the risk over debt repayment and the operation of the new facility.

Both Saskatoon and Amicus have the right to terminate the Service Agreement by giving the stipulated notice to the other party. Upon termination or non-renewal by either party, Amicus may require Saskatoon to buy its assets and pay the outstanding balances owing to the Mortgagee including outstanding interest charges on the mortgage.

## Saskatoon assessment for long-term care beds

We understand from Saskatoon officials that for many years Saskatoon has not had a new long-term care facility built or a major expansion of an existing facility other than the Oliver Lodge project described earlier in this chapter. Officials told us that as part of Saskatoon's annual strategic planning, they conduct a needs assessment for long-term care beds in the region. In May 2010, Saskatoon's assessment indicated the need for about 200 beds in the next two to three years. We did not audit Saskatoon's need assessment.

Individuals residing at long term facilities are called clients. Management routinely provides the Board information about the number of clients on the waiting list and management's efforts to accommodate them.

To accommodate its clients, Saskatoon's process has been to discuss partnering opportunities with existing affiliate health organizations to establish more accommodation for clients. At the time of entering into the Service Agreement with Amicus, Saskatoon had not sought any formal expression of interest from its affiliates to build or expand existing residences for clients.

### *Sole sourcing with Amicus*

In March 2010, the Saskatoon Board of Directors (Board) received information about a draft Memorandum of Understanding (MOU) that Health was contemplating signing with Amicus. Saskatoon did not know how Health had selected Amicus for this MOU. Neither Saskatoon nor Health were able to tell us what process they used to seek interest from private sector healthcare providers in building a new long-term healthcare facility for Saskatoon.

On March 10, 2010, management informed the Board that because Amicus will not agree to be designated as an affiliate, signing an

agreement with Amicus will pose challenges. In general, the Board heard that the agreement with Amicus might jeopardize the relationships with other affiliates who are held to different standards and expectations. In addition, the Board was informed that the agreement with Amicus may be seen as inequitable, lacking transparency and that the opportunity of this kind of agreement has never been discussed with other affiliates. Management also informed the Board that discussions were on going and alternatives to the MOU and service agreement could be considered.

Health and Amicus signed the MOU on March 22, 2010. We note Health did not use a tendering process leading up to the selection of Amicus. Health could not tell us what criteria it used to select Amicus for this project. Nor could Health provide us with a cost benefit analysis of the proposal.

On May 12, 2010, on the advice of management, the Board approved the Service Agreement with Amicus. The Board heard that Saskatoon had been assured that Amicus will provide care in a way that meets all of the standards and accountabilities that Saskatoon requires.

On May 18, 2011, Health designated Amicus as a health care organization (HCO). Under *The Regional Health Services Act,* an HCO is an affiliate or a prescribed person that receives funding from a regional health authority to provide healthcare services. Under the Act, HCOs that were operating healthcare facilities in the region prior to *The Regional Health Services Act* are called affiliates. The Act requires HCOs to co-operate with the Minister and the regional health authority and comply with the Act and regulations.

Health's normal process for seeking additional long-term care beds is through the participation of affiliates and HCOs. Under this process, regional health authorities, after consulting with their HCOs, bring forward proposals to enhance current facilities or build new facilities to create long-term care beds in their regions. Health reviews proposals, sets the portion of project costs that the related HCOs and community organizations must contribute, and decides how many and what proposals it will recommend for Treasury Board approval.

Effective February 15, 2011, Health's revised funding formula requires HCOs and community organizations to raise 20 per cent of the capital

costs of the proposed project before Health approves the project and provides the remaining 80 per cent. Prior to this revision, the funding formula was for HCOs and community organizations to raise 35 per cent and Health provided the remaining 65 per cent.

In the case of Amicus, Amicus agreed to cover 100% of the construction costs. However, once constructed, Saskatoon is to cover on-going operating and capital costs through the daily per bed rates.

Although Amicus is considered a pilot project for a new service delivery model and capital funding formula, we did not see any evidence why Health did not follow its normal process for entering into an agreement with a healthcare provider or seek broader consultation on partnering with other organizations.

A clear and transparent process to seek interest from private sector healthcare providers for such projects would help ensure that the decision makers receive varied, innovative, and financially competitive proposals. In addition, well-communicated selection criteria would help to avoid real or perceived conflicts of interest, bias and controversy in such selection processes.

4. **We recommend that the Ministry of Health and Saskatoon Regional Health Authority establish policies for use when seeking interest from private sector healthcare providers to build healthcare facilities.**

5. **We recommend that the Ministry of Health and Saskatoon Regional Health Authority establish criteria to use when selecting private sector healthcare providers to build healthcare facilities and provide the established criteria to all interested private sector healthcare providers.**

We note that *The Regional Health Services Amendment Act* will come into force on January 1, 2012. When in force, RHAs will pay HCOs for their assets at a fair market value only when the agreement is terminated by RHAs.

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## *A unique Service Agreement with Amicus*

The Service Agreement that Saskatoon signed with Amicus is different from its agreements with its affiliates for providing long-term care.

Saskatoon normally pays its affiliate for occupied beds only. Management told us that although the Service Agreement does not require so, Health has directed Saskatoon to begin paying Amicus for 100 beds from the day the facility opens notwithstanding how many beds are occupied in the facility. This is a significant departure from Saskatoon's current practice of paying only for beds occupied.

Affiliate service agreements allow affiliates to retain client revenue (money received from residents), but also allow Saskatoon to claw back amounts above the approved surplus or to fund deficits at year-end. The Amicus agreement also allows Amicus to retain client revenues but does not allow Saskatoon to claw back any surplus or fund deficits.

Saskatoon pays its affiliates total daily per bed rates that include both operating and capital funding ranging from $124.49 to $157.97 and $1.39 to $7.16 respectively. Daily per bed rates for capital funding only subsidize costs of any borrowing that affiliates might have obtained for facility maintenance or renovations.

The Service Agreement with Amicus stipulates a combined daily per bed rate not to exceeding $185 based on 2009/10 dollars to cover debt servicing (capital) and operating costs. The proposed total daily per bed rate for Amicus is $184.88 consisting of $137.14 for operating and $47.74 for capital. The proposed daily operating rate of $137.14 per bed for Amicus falls within the range of operating rates in the region. The proposed daily capital rate is higher than other affiliates because of Amicus borrowing 100% of the capital required for construction. We were unable to obtain the basis for calculating this rate for Amicus. As well, neither Health nor Saskatoon could provide us any written analysis to support that funding long-term beds in this new way is cost effective for the Province.

## Reducing injuries to care staff—a follow up

Employers and individual managers are legally responsible for workplace safety. Individual workers also must do their part to keep themselves, their co-workers, and their patients safe.

In Saskatchewan, injuries continue to remain common in health sector workplaces. In 2010-11, Health regions continue to have about 7 time-loss injuries for every 100 workers. In 2010-11, the number of time-loss days per 100 workers in the health regions dropped to about 350 days – a two to three per cent reduction over the prior year.[2]

Our 2003 Report – Volume 1, Chapter 2 concluded that Saskatoon did not adequately use best practices to reduce injuries to care staff. We made three recommendations. In June 2004, PAC agreed with our recommendations.

Since our 2003 Report, we have assessed Saskatoon's progress towards addressing our recommendations three times. Each time, we reported that Saskatoon needed to do more to address our recommendations.

In 2011, we did our fourth follow up. The following section sets out the recommendations (in italics) and Saskatoon's progress up to September 30, 2011 towards meeting our recommendations. Saskatoon has now implemented our past recommendations.

### Board commitment to reduce injuries

*We recommended that the Board of Saskatoon Health Region commit to workplace safety as a priority, and that the Board receive frequent reports about injury rates and actions to reduce injuries.*
*(2003 Report – Volume 1)*

Saskatoon continued its commitment to workplace safety by setting targets to reduce work-related injuries to care staff, allocating resources to achieve targets, and holding senior managers accountable to reduce the injury rates. For example, Saskatoon created Workplace Excellence,

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[2] Ministry of Health *2010-2011 Annual Report*, p. 28.

a workplace safety initiative intended to help achieve personal health, workplace health, and financial health for everyone in the region.

Saskatoon provided quarterly reports to the Board showing progress on injury rates compared to targets and provincial injury rates. The reports also explained what is being measured, why, and the actions Saskatoon is taking to meet the targets.

**Status** – Saskatoon has implemented this recommendation.

## Active occupational health committees

*We recommended that the occupational health committees of the Saskatoon Health Region:*

♦   *analyze the causes of injuries in areas with high injury rates at every meeting*

♦   *make written recommendations to senior management and their Board to fix unresolved causes of injuries (2003 Report – Volume 1)*

Saskatoon's occupational health committees received a summary analysis of injuries every three months to help monitor trends and the causes of injuries. Minutes showed that the committees reviewed and discussed these reports, including statistics related to the incidents and actions taken or proposed. In addition, these committees received inspection reports highlighting common causes of injuries.

The occupational health committees work closely with the safety consultants and managers, and involve senior management to resolve employees' health and safety concerns. This allows Saskatoon to resolve issues relating to the identified safety concerns and causes of injuries. Saskatoon's Board receives the occupational health committee's written reports and recommendations only when senior management and the committee fail to resolve the safety concerns identified.

**Status** – Saskatoon has implemented this recommendation.

# Status of previous recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[3] Our intent is to follow up on outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[4] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| IT Security (2010 Report – Volume 2) | | |
| 2011 | 11D-1 that the Saskatoon Regional Health Authority implement adequate information technology policies. | **Not implemented** as at July 30, 2010. |
| 2011 | 11D-2 that the Saskatoon Regional Health Authority adequately restrict access to information technology equipment, systems, and data. | **Not implemented** as at July 30, 2010. |
| 2011 | 11D-3 that the Saskatoon Regional Health Authority configure and update its computers and network equipment to protect them from security threats. | **Not implemented** as at July 30, 2010. |
| 2011 | 11D-5 that the Saskatoon Regional Health Authority monitor the security of its information technology infrastructure. | **Not implemented** as at July 30, 2010. |
| 2011 | 11D-6 that the Saskatoon Regional Health Authority provide timely reports to the Board of Directors and senior management on the state of its information technology infrastructure. | **Not implemented** as at July 30, 2010. |

[3] For definitions of the Key Terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.
[4] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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# Saskatchewan Cancer Agency

# 14E

## Main points

The Saskatchewan Cancer Agency (Agency) had adequate processes to safeguard its public resources except that it needs to strengthen the preparation, approval, and implementation of its information technology processes. Although the Agency has developed some policies and procedures and provided staff information on potential IT security risks, this work is not complete. Management told us that the Agency plans to complete this work by March 31, 2012.

We also report that the Agency's financial statements for the year ended March 31, 2011 are reliable and the Agency complied with authorities governing its activities.

# Introduction

The Saskatchewan Cancer Agency (Agency) provides treatment, supportive care, education, prevention, early detection programs, and conducts research for the control of cancer in Saskatchewan. The Agency operates cancer treatment centres in Regina and Saskatoon.

In 2011, the Agency had operating revenues of $115.4 million and operating expenses of $115.4 million. At March 31, 2011, it held assets of $54 million. The Agency's financial statements are included in its *2011 Annual Report* (see http://www.saskcancer.ca).

# Audit conclusion and finding

**In our opinion, for the year ended March 31, 2011:**

- ♦ **the Agency had adequate rules and procedures to safeguard public resources except as described in this chapter**

- ♦ **the Agency complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  *The Cancer Agency Act*
  *The Regional Health Services Act*
  *The Health Information Protection Act*
  **Regulations and Orders in Council issued pursuant to the above legislation**

- ♦ **the Agency had reliable financial statements**

## Complete information technology processes needed

**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**. *(2005 Report – Volume 3)*

In March 2006, the Standing Committee on Public Accounts agreed with our recommendation.

The Agency has identified the policies and procedures it needs to protect its systems and data. It has developed some policies and procedures and is providing staff with information on potential security risks. However, the work is not complete. For example, the Agency does not have complete policies for protecting mobile devices, backing up data, monitoring firewalls, and managing incidents. Without complete IT policies, the Agency's data is at risk of unauthorized disclosure, alteration, or loss.

Implementation of IT policies also requires security awareness training so that employees know the reasons for IT policies and the security standards they must follow.

**Status** – We continue to make this recommendation.

Management told us that the Agency plans to complete and implement its IT policies and procedures by March 31, 2012.

# Prairie North Regional Health Authority: Hospital-acquired infections

# 14F

## Main points

Infections acquired in hospitals cause complications and significantly increase the cost of care due to longer hospital stays, greater use of drugs, etc. Regional health authorities are responsible to keep patients safe.

We found Prairie North Regional Health Authority (Prairie North) had effective processes to protect patients from infections except in a few areas. Prairie North needs to improve its accountability process, training plan, monitoring practices, and reporting information about sufficient hospital-acquired infections to help analyze and report emerging risks. We made six recommendations to strengthen these processes.

## Introduction

Some people get infections while in hospital. These hospital-acquired infections are a risk that hospitals must control to manage health care economically and safely for patients. This chapter sets out the findings of our audit about processes used by Prairie North Regional Health Authority (Prairie North) to protect patients from hospital-acquired infections.

Prairie North serves a population of nearly 100,000.[1] It has six hospitals: two regional hospitals (North Battleford, Lloydminster), one district hospital (Meadow Lake), two small community hospitals (Maidstone, Turtleford), and the provincial psychiatric rehabilitation hospital. During 2010-11, these hospitals admitted about 11,000 patients.[2] Prairie North employed over 3,100 staff and spent about $229.5 million in 2010-11 to provide health services across its wide geographic region.[3]

The Ministry of Health holds regional health authorities accountable to "continuously improve health care safety." This includes using an infection control plan and best practices recommended by Accreditation Canada. The Ministry of Health expects regional health authorities to "implement remediation strategies in areas deemed necessary … for ensuring … compliance with relevant … Accreditation Canada standards for infection prevention and control … including required organizational practices." [4]

Like other public service agencies, Prairie North must balance financial limitations and high public expectations. Its board is accountable for the quality of care and patient safety including infection control. [5]

## Background—the risk of hospital-acquired infections

A hospital-acquired infection is one that is neither present nor incubating when a patient is admitted to hospital.[6] Infections acquired in a hospital

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[1] Prairie North Health Region *2010-11 Annual Report*, p.5. This population includes nearly 20,000 people living in Alberta who use Saskatchewan health services.
[2] Prairie North Health Region *2010-11 Annual Report*, p. 7.
[3] Ibid., p. 48.
[4] 2011-12 Strategic and Operational Directions for the Health Sector in Saskatchewan, p. 8.
[5] *The Regional Health Services Act, 2002.*
[6] World Health Organization. Prevention of hospital-acquired infections: A practical guide. (2002), p. 1.

occur most commonly due to the growth of bacteria in the patient's skin, respiratory tract, urinary tract, or blood stream. For example, bacteria commonly found on the skin can cause infection after surgery.

Infections cause complications and significantly increase the cost of care due to longer hospital stays, greater use of drugs, more laboratory tests and other procedures, etc.[7,8] Some patients die as a result of infections they acquire while in hospital. For example, in 2004, Clostridium difficile infections in Montreal and Calgary hospitals resulted in over 80 deaths.[9]

Table 1 below shows Prairie North reported a fluctuating number of hospital-acquired infections in its three main hospitals (North Battleford, Lloydminster, and Meadow Lake) during 2008 to 2010.

**Table 1—Hospital-acquired infections reported by Prairie North**
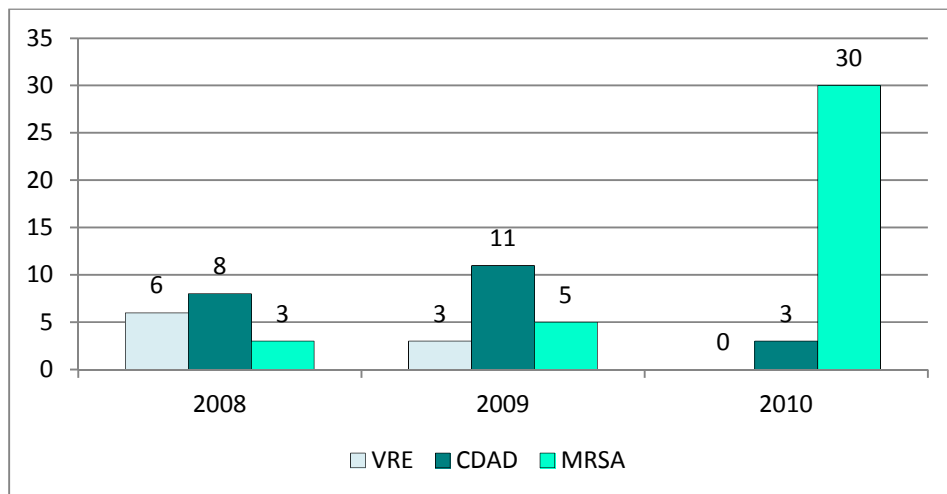


Source: *Prairie North Health Region 2010-11 Annual Report*, p. 21
Note 1: These are the number of cases reported in the three main hospitals. The 2008 cases do not include Meadow Lake; 2010 cases reflect changed definitions for hospital-acquired infections, accounting for some of the increase in MRSA.
Note 2: For explanations of VRE, CDAD, MRSA see footnote 15.

Good infection control practices prevent most hospital-acquired infections, thus avoiding patients' pain and extra health system costs.[10]

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[7] United Kingdom National Audit Office. (2000). *The management and control of hospital acquired infection in acute NHS trusts in England*. London: Author. p.19.
[8] Montreal Jewish General Hospital 2004 study of ventilator-associated infections. Canadian Institute of Health Information. Also Canadian Institute for Health Information 2008 brief on Ontario patient safety.
[9] Eggertson, L. & Siddald, B. (2004). Need for national surveillance for hospital infections. *CMAJ* 171(1).
[10] Canadian Institute of Health Information. (2004). *Health Care in Canada*. Toronto: Author. p. 61.

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Consistent hand washing and general cleaning practices can reduce the rate of hospital-acquired infections. Other infections can be prevented with the use of specific prevention protocols (e.g., limited use of urinary catheters, preparation of patients for surgery). Good governance and clear accountability are also important. Chart 1 sets out the governance and accountability arrangements used in Prairie North in 2011 (accountability is further explained later in this report).

**Chart 1—Organizational lines of accountability for infection control**
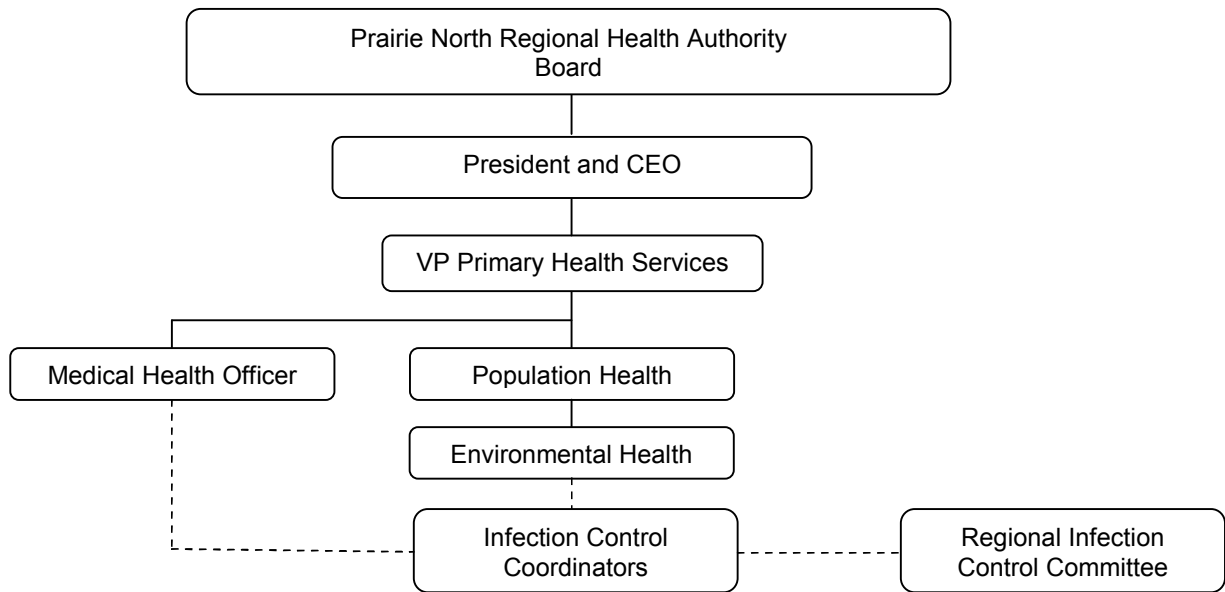
```
┌─────────────────────────────────────────────┐
│     Prairie North Regional Health Authority  │
│                    Board                      │
└─────────────────────────────────────────────┘
                      │
          ┌───────────────────────┐
          │    President and CEO   │
          └───────────────────────┘
                      │
        ┌───────────────────────────┐
        │  VP Primary Health Services │
        └───────────────────────────┘
           │
┌──────────────────────┐     ┌──────────────────────┐
│ Medical Health Officer│    │   Population Health   │
└──────────────────────┘     └──────────────────────┘
                                        │
                             ┌──────────────────────┐
                             │  Environmental Health │
                             └──────────────────────┘
                                        │
        ┌──────────────────────┐    ┌──────────────────────┐
        │  Infection Control   │    │  Regional Infection   │
        │    Coordinators      │    │  Control Committee    │
        └──────────────────────┘    └──────────────────────┘
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# Audit objective, scope, criteria, and conclusion

The objective of this audit was to assess if Prairie North Regional Health Authority had effective processes from August 1, 2010 to July 31, 2011, to protect patients from hospital-acquired infections. We focused on processes in the three largest acute care hospitals (North Battleford, Lloydminster, and Meadow Lake). We did not audit Prairie North's processes in long-term care facilities or how they handled medical devices.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. We examined policies, procedure manuals, minutes, infection control reports, and other relevant documents. We interviewed key managers and staff. We also observed practices in several work units (e.g., operating rooms, intensive care units, medical units, surgical units, sterilization areas).

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To evaluate Prairie North's processes, we used criteria (see Exhibit 1) based on the selected references at the end of the chapter. The criteria are also consistent with Accreditation Canada standards. Prairie North's management agreed with the criteria.

**Exhibit 1—Audit criteria for managing hospital-acquired infections**

1. Plan to manage hospital-acquired infections
    1.1. Plan to meet national standards and official requirements
    1.2. Set out clear expectations
    1.3. Update the infection control plan regularly
    1.4. Plan a communication strategy
2. Use good practices to prevent, control, and monitor infections
    2.1. Adopt methods to prevent and control infections
    2.2. Train staff to maintain competence for safe practice
    2.3. Provide resources to prevent and control
    2.4. Monitor infection control practices regularly
3. Use information system effectively
    3.1. Use a central reporting system to monitor infections
    3.2. Control quality of data about infections
    3.3. Analyze data to identify emerging risks, trends, and areas for action
4. Report results for continuous improvement
    4.1. Report infections promptly to health care practitioners
    4.2. Report infection rates to management and infection control committee
    4.3. Review infection control reports regularly
    4.4. Inform relevant partners about infection risks and trends

Hospital-acquired infection rates vary widely by facility, type of patient, care procedures, and the standards used to guide data collection. Obtaining complete and comparable information about infections acquired in hospitals is difficult. Some infections are not reported and others are reported in a way that is not comparable. Prairie North primarily monitors and reports serious and/or antibiotic-resistant infections acquired in its hospitals. It does not report other hospital-acquired infections. Limited reports about hospital-acquired infections put some limitations on the scope of our audit.

**We concluded that from August 1, 2010 to July 31, 2011, the Prairie North Regional Health Authority had effective processes to protect patients from hospital-acquired infections except for its**

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accountability process, training plan, monitoring practices, and
reporting information about sufficient hospital-acquired infections to
help analyze and report emerging risks.

# Key findings and recommendations

In this section, we set out our criteria (in italics), related key findings, and
recommendations.

## Planning to manage hospital-acquired infections

*We expected the regional health authority to plan to meet national
standards and official requirements related to infection control. We
expected it to set out clear expectations, regularly update its infection
control plan, and have a related communications strategy.*

### Requirements and expectations

Prairie North had a Regional Infection Prevention and Control Committee
(Regional Committee). Members of this important Regional Committee
included nursing supervisors, the Medical Health Officer, and other senior
managers from across the region. Terms of reference established that the
Regional Committee was responsible to develop policies, oversee
infection-related education, and ensure that an effective reporting system
was in place, etc.

Prairie North also assigned its Regional Committee to ensure it met
formal standards and requirements. These standards include
Accreditation Canada's recommended practices for infection control[11] and
the Ministry of Health's requirements as set out in the Introduction of this
chapter. For example, these requirements included having an infection
control plan, clear procedures, staff training, and regular reports.

Prairie North employed two part-time and one full-time Infection Control
Coordinators (Coordinators) in its three largest acute care hospitals.[12] The
Coordinators were responsible to maintain an infection prevention and

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[11] For a description of the accreditation process and the current status of Prairie North, see Accreditation
Canada status report.
[12] Together these three infection control coordinators represented 1.8 full-time equivalent positions.

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control program, provide training, and prepare reports about hospital-acquired infections. The Coordinators provided reports to the Regional Committee and carried out the decisions of the Regional Committee. Two of the three Coordinators shared responsibility for chairing the Regional Committee. Because the Coordinators are responsible to carry out work on behalf of the Regional Committee, they should not also be responsible to chair it.

1. **We recommend that Prairie North Regional Health Authority assign an appropriate chairperson for its Regional Infection Prevention and Control Committee (other than its Infection Control Coordinators).**

As shown in Chart 1, the accountability of the Infection Control Coordinators was not clear or direct in Prairie North. The Coordinators' job description stated that they could receive administrative guidance from a manager and could seek clinical advice from the Medical Health Officer. The Coordinators were not directly responsible to any manager for their performance related to controlling hospital-acquired infections.

2. **We recommend that Prairie North Regional Health Authority clarify the accountability and responsibility of its Infection Control Coordinators.**

### *Infection control plan and communication*

In 2010, Prairie North developed an Infection Prevention and Control Plan to ensure it met national standards and other requirements.[13] The Board approved this plan in March 2011. The plan aimed to improve patient outcomes by preventing and controlling the spread of infections acquired in Prairie North's hospitals and other facilities. The plan set out goals, progress measures, and the actions needed. The plan also identified the staff assigned to lead each infection control initiative.

Prairie North planned for communication about infections. Coordinators informed staff immediately of any confirmed infections. The Coordinators communicated with staff through timely emails and managers' meetings.

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[13] Required Organizational Practices and Standards of Accreditation Canada and the Canadian Standards Association Standards for healthcare.

Prairie North's Regional Communication Plan guided how it reported infection risks to the Board and the public. Policies required that the Medical Health Officer would decide if an infectious outbreak existed. The Regional Communication Plan gave responsibility to the Vice-President of Primary Health Services for communicating to the Board and the public about infectious outbreaks. As no infectious outbreaks were declared in the region's hospitals during our audit period, we could not assess whether staff followed these policies.

# Using good practices to prevent and control infections

*We expected the regional health authority to adopt methods to prevent and control infections and train its staff to use them competently. We expected it to provide resources to make infection control practices feasible and to monitor regularly that staff used appropriate practices.*

## *Adopting infection control practices and training staff*

Prairie North's regional manual described the methods it had adopted to guide staff about infection prevention and control. The manual provided clear and detailed guidance for a wide range of situations. It was accessible to all staff on work units and on Prairie North's intranet. The Coordinators and the Regional Committee routinely updated the policies and procedures in the manual. In addition, during 2010-11, the Coordinators emphasized planning for renovations and new facilities to ensure the design helped to protect patients from hospital-acquired infections.

Coordinators learned about effective infection control practices in their professional training and in meetings with the coordinators of other regional health authorities. They also learned best practices to investigate and analyze hospital-acquired infections through ongoing education.

Prairie North provided formal orientation on infection control to all new staff as soon as possible after they started work. The orientation included an overview of infection prevention and control, and reviewed practices set out in the manual (e.g., hand hygiene, single use of gloves).

In addition, Coordinators provided ad hoc training to staff. Prairie North had not identified what education its staff should receive routinely about

preventing and controlling infections. It did schedule routine updates for key infection control practices. Prairie North's Infection Prevention and Control Plan expected that by December 2011, Coordinators would assess what education staff needed. In the future, it hoped to prepare a training plan about hospital-acquired infections. Such a training plan would set out mandatory education and routine updates about infection control for specific groups of staff including cleaning staff, nursing staff, and physicians. Such a training plan would help Prairie North ensure all of its staff know best practices for preventing hospital-acquired infections.

3. **We recommend that Prairie North Regional Health Authority complete the development of a formal training plan for infection prevention and control that is suitable for its organization, services, and client population.**

## *Providing resources to prevent and control infections*

Prairie North allocated resources to prevent and control infections. It provided gloves, masks, and gowns in good supply where needed. The Regional Committee routinely evaluated products to ensure that each product achieved its intended purpose and was safe for patients and staff. For example, Prairie North tested cleaning products to determine whether the chemicals in new products were effective and suitable for use in its facilities. In addition, we observed that Prairie North hospitals had special rooms where it could take precautions to prevent the spread of airborne infections.

Because of its wide geographic area, Prairie North allocated resources for Coordinators in three locations to improve the effectiveness of its infection prevention and control. These coordinators promoted practices preventing infections and handled issues related to hospital-acquired infections.

## *Monitoring practices that prevent or control infections*

We observed that Prairie North's three major hospitals used good practices and monitored how staff used some good practices for infection control. For example, Prairie North ensured its sterilization process worked by checking its effectiveness routinely.

Hand washing is an essential best practice. Prairie North made hand-sanitizer available at hospital doors, nurses' desks, meeting rooms, offices, and outside all patient rooms. The hospitals also displayed posters reminding staff, patients, and visitors about good hand washing methods. In late 2010 and early 2011, Prairie North monitored whether its staff used correct hand washing methods (i.e., hand-hygiene observation audits). These hand-hygiene audits provided a baseline for future monitoring and showed that by April 2011, Prairie North's staff had significantly improved the effectiveness of their hand hygiene practices. It planned to continue these hand-hygiene audits in all its hospitals.

Prairie North monitored some infection control practices routinely. Supervisors' job descriptions (e.g., for housekeeping, laundry, cleaning) required them to be aware of patient safety and/or specifically mentioned infection control. Prairie North expected that during their daily work, supervisors and the Coordinators would observe infection control practices and discuss any issues with staff. In addition, Prairie North conducted audits of some practices (e.g., sterilization, handling of linens and other supplies to prevent contamination) and planned to audit other practices in future. Prairie North did not maintain an ongoing system to track the results of its monitoring or to report these results to senior management.

4.      **We recommend that Prairie North Regional Health Authority formalize its processes to monitor and report consistently its key practices to control hospital-acquired infections.**

## Using information systems to monitor infections

*We expected the regional health authority to use a central reporting system to monitor infections, and to have processes to control the quality of its data about infections. We expected it to analyze data to identify emerging risks, trends, and areas for action.*

Using information systems to collect information contributes to patient safety. Hospitals collect information through routine surveillance, periodic studies, and reporting adverse events. Routine surveillance often focuses on specific work units, certain bacteria, and vulnerable patient groups

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(e.g., cancer patients or others with less ability to fight infections including the very young and the very old).[14]

## *Using a central reporting system*

In 2010-11, Prairie North had centralized information about three specific hospital-acquired bacterial infections. Prairie North's policies required laboratories to report promptly any positive results for clostridium difficile, and two antibiotic-resistant bacteria (i.e., methicillin resistant staphylococcus aureus (MRSA), and vancomycin resistant enterococcus (VRE)).[15]

The Coordinators monitored laboratory results about these three infections in Prairie North's three main hospitals on a daily and weekly basis. The Coordinators used an electronic spreadsheet to aggregate this data and calculate monthly infection rates.

In addition, Prairie North studied one additional hospital-acquired infection each year. The infections selected for study focused on a specific care unit (e.g., intensive care), patient population (e.g., surgical patients), and/or infection type. Most often the infections chosen for study were related to infections following surgery (e.g., after caesarean sections or hysterectomies). Post-surgical infections may not become evident during hospitalization so special studies are useful. Periodic studies also provide an opportunity to raise awareness about preventing hospital-acquired infections.

Prairie North did not report information about other hospital-acquired infections such as those associated with tubing inserted into the body (e.g., urinary catheters, intravenous, ventilator-associated pneumonia). Without this information, Prairie North might underestimate the risks faced by patients in the region's hospitals and might miss opportunities to provide safer, better quality care.

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[14] Canadian Institute for Health Information, 2008 (see selected references).

[15] CD (Clostridium difficile) is a bacterial spore that causes irritation in the bowel leading to severe cramps and diarrhea; MRSA (methicillin resistant staphylococcus aureus) is a bacteria resistant to common antibiotics and that affects heart, lungs, bones, joints, and/or bloodstream; VRE (vancomycin resistant enterococcus) is a bacteria resistant to common antibiotics and causing severe urinary tract infections. Prairie North was exploring the collection of information on a fourth type of infection.

Collecting data and reporting routinely about selected other infections would improve Prairie North's ability to identify emerging risks and protect patients from hospital-acquired infections. Selecting which infections to monitor can be complex. It requires analysis of the risk of harm to patients and the cost of longer hospital stays compared to the cost of monitoring infections that patients acquire in the hospital.

5.      **We recommend that Prairie North Regional Health Authority monitor and report additional hospital-acquired infections after analyzing risks to patients and costs to the healthcare system.**

## *Data quality and analyzing infection risks and trends*

Prairie North had processes to control the quality of its data about infections. It had procedures to guide how it collected information about hospital-acquired infections (e.g., defined infections to be monitored, documented calculation methods). On a quarterly and annual basis, the Coordinators aggregated the collected data to report the rate of new cases of hospital-acquired infections. The Medical Health Officer reviewed these reports to verify accuracy prior to their distribution.

The quarterly and annual reports listed the rate of infection for each of the three bacteria that Prairie North monitored. These reports went to the Regional Committee and senior managers who used the information to decide if Prairie North needed to take further action to prevent infections. The Coordinators also informed staff and visitors about infections (e.g., posters, reports on hospital walls) to encourage preventive measures such as careful hand washing.

The quarterly and annual reports contained three-year trends but did not analyze the results. The reports did not describe common causes of the infections, risks, areas for action, or any explanation for the results. For example, the 2010 annual report to staff noted a continuing rise in the rate of MRSA infections in all facilities, with the largest increase in one hospital. The report did not identify the type of patients affected or potential causes of the trend. The report did not explain how Prairie North planned to address the issue or what actions staff could take to reduce the infection rate. Investigation and analysis of the causes of infections

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would make the reports more useful and would help to identify emerging risks and required actions to reduce hospital-acquired infections.

6. **We recommend that Prairie North Regional Health Authority regularly provide to senior management a written analysis of emerging risks based on trends and causes of hospital-acquired infections.**

Prairie North's infection control plan set two measures related to hospital-acquired infections. Prairie North expected its staff to achieve a 95% target rate for use of good hand hygiene (66% in April 2011). It also expected increasing compliance with staff immunization against influenza (51% of staff complied as of March 2011). Both these measures have potential to reduce hospital-acquired infections significantly.

# Reporting results for continuous improvement

*We expected the regional health authority to report infections promptly to health care practitioners to avoid further spread. We expected its management and infection control committees to review infection control reports regularly. We also expected the regional health authority to inform relevant partners (such as other hospitals or long-term care referral agencies) about infection risks and trends.*

## *Reporting infections and reviewing trends*

Prairie North reported infections promptly to health care practitioners. The coordinators received laboratory results daily and weekly about infections and reviewed the reports promptly. The coordinators verified that nursing staff had marked patients' charts to communicate these results to other care providers. In addition, Prairie North labelled patients' rooms with the required precautions, if necessary (e.g., use gloves, keep door closed). Prairie North also made quarterly reports (for the hospital) available to all staff on its intranet and bulletin boards in the hospitals. Keeping staff informed contributes to effective use of infection control practices.

Coordinators made regular reports to the Regional Committee and management. The Regional Committee received quarterly and annual reports on hospital-acquired infections in the three main hospitals. However, as previously noted, the reports did not describe the causes of

hospital-acquired infections or recommend action to protect patients and staff. Written analysis would help the Regional Committee to follow up on trends and recommend actions to reduce the number of infections acquired in its hospitals.

### *Informing relevant partners about infection risks*

Prairie North made timely reports of infection risks to other health care agencies. When Prairie North transferred patients to other hospitals or long-term care facilities, staff completed a standard inter-agency referral form. This form accompanied the patient and identified the precautions required for infection control. Consistently using such a form ensures that ambulance drivers and staff receiving the patient into another facility know what care and precautions are required.

Prairie North also reported to health care providers the results of special surveys about hospital-acquired infections. For example, in 2010, Prairie North surveyed patients who had babies delivered by caesarean section. The coordinators presented the results to obstetricians practicing in the region as well as to its surgical staff.

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# Accreditation Canada status report

Excerpt from Prairie North Regional Health Authority 2010-11 Annual Report, pp. 18-19

**Strategy – Continuously improve health care safety in partnership with patients and families.**
**Results – Accreditation**

Prairie North Health Region achieved Accreditation with Condition, following its third Regional Accreditation Survey May 31 - June 4, 2010 (PNHR Strategic Plan and SOD Document). A team of peer reviewers with Accreditation Canada visited the Region reviewing documentation and speaking with patients, residents and clients, staff and physicians, community partners and affiliate organizations of PNHR. The reviewers, who are health care professionals, assessed PNHR's compliance with Accreditation Standards and Required Organizational Practices (ROPs) for health care organizations. The process helps the Region better understand its status in terms of continuous safety and quality improvement (CSQI) in the provision of quality health care. The review assesses the Region in terms of its understanding of the requirements, what is being done well, what needs to be improved, and what next steps are required to make the necessary improvements. The Accreditation Conditions required that PNHR submit evidence by November 3, 2010 and May 3, 2011 of additional work necessary to meet some of the unmet Accreditation standards/ROPs. PNHR submitted its first report for the November 3rd deadline and was given an extension to complete work relating to infection prevention and control – specifically hand hygiene practices, monitoring, and reporting - as well as falls prevention in Long- Term Care and Mental Health Services. Work was underway to complete requirements for the May 3, 2011 report.

*Note: Accreditation Canada notified Prairie North June 6, 2011 that it had complied with accreditation requirements related to infection control.*

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# Highways and Infrastructure

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## Main points

The Ministry of Highways and Infrastructure (Highways) and the Transportation Partnerships Fund (Fund) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The financial statements of the Fund are reliable.

Highways had adequate rules and procedures to safeguard public resources except, consistent with prior years, Highways continues to need better service level agreements with its providers of information technology services. Without better agreements, Highway does not know if its data is secure or whether its service providers could restore its key systems and data in event of a disaster.

Also, Highways needs to follow its established procedures to promptly remove access of former employees to its computer network. Unless it follows 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' data and systems are vulnerable to unauthorized users, including inappropriate access to confidential information.

This chapter also contains a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

# Introduction

The Ministry of Highways and Infrastructure (Highways) manages and provides for the future development of an integrated provincial transportation system. Its strategic transportation policy seeks to promote the safe and efficient movement of people and goods.[1]

The provincial transportation system includes more than 26,000 km of highways, about 785 bridges, 17 airports in northern Saskatchewan, and 12 ferries.[2] At March 31, 2011, this infrastructure had a net book value of about $2.0 billion.[3]

Highways is also responsible for the Transportation Partnership Fund (Fund). The Fund's financial statements are tabled separately in the Legislative Assembly.

## Financial overview

The following is a list of major programs and spending for the year ended March 31, 2011:

| | Original Estimates[4] | Actual |
|---|---|---|
| | (in millions of dollars) | |
| Central Management and Services[5] | $ 17.3 | $ 16.8 |
| Preservation of Transportation System | 138.6 | 128.4 |
| Strategic Municipal Infrastructure | 46.1 | 69.5 |
| Operation of Transportation System[4] | 85.9 | 99.4 |
| Transportation Policy | 3.8 | 3.7 |
| Custom Work Activity[6] | -- | 5.9 |
| Capital Asset Amortization | 111.2 | 109.7 |
| Total Expense | 402.9 | 433.4 |
| Capital Asset Acquisitions[7] | 259.7 | 310.7[8] |
| | $ 662.6 | $ 744.1 |

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[1] Government of Saskatchewan, 2010-11 Annual Report, Ministry of Highways and Infrastructure.
[2] Ibid.
[3] Ministry of Highways and Infrastructure tangible capital asset continuity schedule March 31, 2011.
[4] *Saskatchewan Provincial Budget 2010-11 Estimates* – Highways and Infrastructure Vote 16; Highways and Infrastructure Capital Vote 17, Government of Saskatchewan.
[5] Original estimates amount shown is net of estimate for capital acquisitions.
[6] Custom work activity is done on cost-recovery basis; custom work activity revenue was $6.1 million for 2010-11.
[7] Amounts reflect estimated and actual spending for votes 16 and 17.
[8] Includes 2009-10 work in progress funding.

Highways had revenue of $136.0 million including transfers from the Federal Government of $132.8 million. Highways' annual report sets out differences between actual and estimated revenues and expenses and explains significant differences (see http://www.highways.gov.sk.ca).

## Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦ **Highways had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**

♦ **Highways and its fund complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Highways and Transportation Act, 1997*
> *The Financial Administration Act, 1993*
> *The Railway Line (Short Line) Financial Assistance Regulations*
> *The Purchasing Act* **and Regulations**
> **Orders in Council issued pursuant to the above legislation**

♦ **The financial statements of the Fund are reliable**

## Adequate service level agreement for Highway Hotline needed

*We recommended that the Ministry of Highways and Infrastructure sign an adequate agreement with the Highway Hotline service provider that addresses the Ministry's disaster recovery and security needs*. *(2010 Report – Volume 2)*

The Highway Hotline provides reports on current driving conditions on all Saskatchewan highways including construction, maintenance activities, and other known circumstances that affect driving conditions.

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Highways has an agreement with the service provider for the Highway Hotline. These services include production, storage, maintenance and operation of necessary systems and client support.

Highways has identified the Highway Hotline as a critical function to ensure public safety on the transportation system. Consequently, it has set a target of providing reliable Highway Hotline services with less than 10 hours of total downtime during the winter months.[9] To deliver on this key target, Highways needs to ensure the Hotline's uninterrupted and efficient operation.

However, the service level agreement does not adequately address disaster recovery or the security of the Highway Hotline system. As a result, Highways does not know whether its data is secure or whether the service provider will be able to restore the systems and data when needed in the event of a disaster. During 2010-11, Highways obtained information regarding the service provider's continuity plan and discussed potential modifications to the service level agreement.

In June 6, 2011, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

**Status** – We continue to make this recommendation.

## Adequate service level agreement with ITO needed

*We recommended that 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.* (2009 Report – Volume 3)

Highways has received certain information systems services from the Information Technology Office (ITO) since April 2005. ITO billed Highways $4.5 million for the services it provided for the year ended March 31, 2011. These services included:

♦ acquiring and maintaining infrastructure
♦ client support

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[9] Province of Saskatchewan, *Plan for 2010-11, Ministry of Highways and Infrastructure*, p. 5.

♦ applications development and project management services

The agreement between ITO and Highways in effect during 2010-11 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 if its data is secure and whether ITO can restore the systems and data when needed in the event of a disaster. During 2010-11, Highways continued to discuss potential modifications to the service level agreement.

In April 21, 2010, PAC agreed with our recommendation.

**Status** – We continue to make this recommendation.

## Prompt removal of user access needed

*We recommended that the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data.* (2009 Report – Volume 3)

Highways has adequate procedures to permit only authorized staff access to its computer systems and data, but it does not always follow them. In our sample of former employees with access to Highways' computer systems, 47% were not removed in a timely manner.

Unless it follows 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' data and systems are vulnerable to unauthorized users, including inappropriate access to confidential information.

In April 21, 2010, PAC agreed with our recommendation.

**Status** – We continue to make this recommendation.

# Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[10] Our intent is to follow up on outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[11] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of Highways and Infrastructure – Cross-Government Infrastructure** (2002 Fall Report – Volume 2) | | |
| 2005 | 2-2 that the Department of Highways and Transportation should give the public additional information on its key plans related to highway condition, safety, and reliability, as well as comparisons of plans to actual results with any differences explained. | **Partially implemented** (as at March 31, 2011).<br><br>Highways uses the government's Accountability Framework to guide its public reports. At March 31, 2011, Highways, does not provide comparisons and explanations of differences between plans and actual results for all planned targets. |
| **Ministry of Highways and Infrastructure – Highways Maintenance** (2010 Report – Volume 1) | | |
| 2011 | 7-1 that the Ministry of Highways and Infrastructure set long-term service-level objectives (such as long-term surface-condition factors). | **Not implemented** (as at March 31, 2009).<br><br>We plan to report the results of our follow up in 2012. |
| 2011 | 7-2 that the Ministry of Highways and Infrastructure use service-level objectives to determine its annual and longer-term maintenance priorities. | **Not implemented** (as at March 31, 2009).<br><br>We plan to report the results of our follow up in 2012. |
| 2011 | 7-3 that the Ministry of Highways and Infrastructure assess the reasonableness of maintenance costs used to develop its maintenance plan. | **Not implemented** (as at March 31, 2009).<br><br>We plan to report the results of our follow up in 2012. |
| 2011 | 7-4 that the Ministry of Highways and Infrastructure receive a report on the results of the maintenance activities at the end of the maintenance season, as required. | **Not implemented** (as at March 31, 2009).<br><br>We plan to report the results of our follow up in 2012. |

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[10] For definitions of the Key Terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.

[11] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to the Legislative Assembly.

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# Information Technology Office

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## Main points

The Information Technology Office (ITO) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

As a custodian of ministries' information systems and data, the ITO must protect the confidentiality, integrity, and availability of ministry information technology (IT) systems and data. ITO had adequate procedures to safeguard public resources with the exception of the following.

To protect ministry IT systems and data, ITO needs to:

♦      define security requirements its service provider needs to follow
♦      monitor whether its service provider meets its security requirements
♦      provide relevant and timely security reports to its clients
♦      complete policies that set IT security standards for clients
♦      protect systems and data from security threats
♦      have a complete and tested disaster recovery plan for the data centre and client systems

ITO needs to follow its processes to ensure that ITO user access is removed in a timely way. ITO should sign adequate agreements with ministries before delivering services to them, ensure agreements address security and disaster recovery requirements, and improve its human resource plan.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

# Introduction

The mandate of Information Technology Office (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 on its website at www.ito.gov.sk.ca.

## Financial overview

The following is a list of major programs and spending:

|  | Original Estimates[2] | Actual[3] |
|---|---|---|
|  | (in millions of dollars) | |
| Central Management and Services | $      2.1 | $      2.9 |
| IT Coordination and Transformation Initiatives | 5.3 | 4.7 |
| Application Administration and Support | 8.7 | 9.1 |
| Interministerial Services | -- | 0.3 |
|  | 16.1 | 17.0 |
| Major Capital Asset Acquisitions | 2.3 | 1.6 |
|  | $      18.4 | $      18.6 |

ITO provides information technology (IT) services to client ministries on a cost recovery basis. The total amount recovered from client ministries for 2010-11 was $75.3 million.

# Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦ **ITO had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

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[1] *The Information Technology Office Regulations, 2007*, s. 3(b).
[2] Information Technology Office, *2010-11 Annual Report*, p. 21. www.ito.gov.sk.ca
[3] Ibid., p. 21.

♦ **ITO complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Economic and Co-operative Development Act* **(sections 8(c), 9(1)(h), and 9(3))**
*The Government Organization Act*
*The Information Technology Office Regulations*
*The Information Technology Office Service Regulations*
*The Public Works and Services Act* **(sections 4(2)(j) and (n))**
*The Public Service Act, 1998*
*The Financial Administration Act*, **1993**
**Regulations and Orders in Council issued pursuant to the above legislation**

In this chapter, we also report the results of our ITO security audit and provide an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## User access

ITO has adequate procedures for removing user access to its computer systems and data. However, ITO did not follow its established procedures. During the audit, we found 3 out of 17 individuals tested did not have their access removed on a timely basis. If former employees do not have access removed on a timely basis, it increases the risk of inappropriate access to ITO's systems and data.

As a result of this weakness, ITO's systems and data are at risk of inappropriate access.

1. **We recommend that the Information Technology Office follow its established procedures for removing user access to its computer systems and data.**

**Exhibit 1—Status of past recommendations**

| Past recommendation (initial report) | Public Accounts Committee (PAC) | Update for 2010-11 | Status of recommendation at March 31, 2011 |
|---|---|---|---|
| *We recommended that the Information Technology Office sign service level agreements with its clients prior to delivering information technology services.* (2005 Report – Volume 3) | PAC agreed with this recommendation on May 16, 2006. | ITO is in the process of signing new agreements. | **Partially implemented** – we continue to make this recommendation. |
| *We recommended that the Information Technology Office sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements.* (2005 Report – Volume 3) | PAC agreed with this recommendation on May 16, 2006. | ITO is in the process of signing new agreements. The agreements will require the ministries to purchase adequate disaster recovery from ITO. | **Partially implemented** – we continue to make this recommendation. |
| *We recommended that the Information Technology Office's human resource plan:*<br><br>*- quantify its future human resource needs*<br>*- provide details on the human resource gap between actual and required resources*<br>*- provide measurable indicators and targets for its key strategies*<br>*- provide details on plans to implement the major strategies*<br>(2008 Report – Volume 3) | PAC agreed with this recommendation on December 10, 2008. | ITO has a Workforce Plan that quantifies its future human resources needs and provides details on the human resources gap between actual and required resources.<br><br>ITO is in the process of developing a new Human Resources Plan with the help of the Public Service Commission. | **Partially implemented** – we continue to make this recommendation. |
| *We recommended that the Information Technology Office prepare accurate and complete year-end financial reports as required by the Financial Administration Manual.* (2010 Report – Volume 2) | PAC agreed with this recommendation on June 6, 2011. | ITO's March 31, 2011 financial reports contained significant errors. For example, its contractual obligations schedule had several incorrect amounts that resulted in an overall overstatement of contractual obligations by $3.3 million. | **Not implemented** – we continue to make this recommendation. |

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## ITO security audit

ITO delivers information technology (IT) services to government ministries and agencies (clients). ITO buys, 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 provides IT services to 26 clients who have over 12,000 employees.[4]

Effective December 6, 2010, ITO commenced an agreement with a service provider to operate and maintain its data centre until December 5, 2017. Under the agreement, ITO staff at the data centre became employees of the service provider. While ITO continues to carry out some IT services directly, including application development and user access, most data centre services are provided by a service provider.

Within the scope of the service agreement, ITO and the service provider agreed to develop a transition plan. The transition plan includes a set of project deliverables and milestones. Deliverables within the transition plan include transferring knowledge to the service provider and defining security controls for the service provider to implement.

### 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.

To protect the security of systems and data, ITO needs to ensure the service provider follows effective security processes and that clients follow minimum security requirements. This is because a weakness involving the service provider or at a client location poses risks to all users of ITO's services.

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[4] ITO *2009-10 Annual Report*, p.8. Note that these numbers include ITO.

## 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 period from December 6, 2010 to March 6, 2011. We did not include clients' security controls in the scope of this audit.

We perform this audit every year. The results support our other audit work performed at ministries and other government agencies.

We used criteria to assess ITO's processes. The criteria are based on the *Trust Services Criteria, Principles, and Illustrations* authored by The Canadian Institute of Chartered Accountants (CICA) and the American Institute of Certified Public Accountants and international standards and literature. ITO agreed with the criteria.

**Exhibit 2—Audit Criteria**

> 1. Show management commitment to security
>       ITO has an adequate agreement with its service provider
>       Threat and risk assessments are performed
>       Management approves security policies and procedures
>       Management monitors security including its service provider
>
> 2. Protect client systems and data from unauthorized access
>       User access controls protect 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

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*.

## Audit conclusion

**We concluded that for the period from December 6, 2010 to March 6, 2011, the Information Technology Office had adequate controls to**

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**protect the confidentiality, integrity, and availability of client information technology (IT) systems and data except it needs to:**

♦ **define security requirements its service provider needs to follow**

♦ **monitor whether its service provider meets its security requirements**

♦ **provide relevant and timely security reports to its clients**

♦ **complete policies that set IT security standards for its clients**

♦ **protect systems and data from security threats**

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

As described in the sections below, the recommendations identified in the prior years' audits continue to exist. While the service provider is now responsible for managing and maintaining the data centre, most processes in place prior to signing the agreement continued to exist during the current audit period. These processes will remain in place until ITO and its service provider agree upon and implement specific security requirements. In the interim, client systems and data remain at risk for loss or unauthorized disclosure.

In the section below, we describe the criteria in italics and set out our new and continuing findings and recommendations.

## Key findings and recommendations by criterion

### *Show management commitment to security*

*We expected ITO to demonstrate commitment to security of client systems and data. Commitment includes outlining security requirements in an agreement with its service provider(s) and setting up a strong organizational structure that clearly defines who is responsible for monitoring security including the service provider. We expected IT threat and risk assessments would be performed. Commitment also includes implementing and monitoring compliance with security policies and*

*procedures. We expected ITO to report the adequacy of security and availability controls to clients on a timely basis.*

ITO signed an agreement with a service provider effective December 6, 2010, for operating and maintaining its data centre. The agreement with the service provider does not include security requirements the service provider is to implement. ITO and its service provider agreed to document security requirements during a transition period.

As of March 6, 2011, ITO was in the process of agreeing on defining security requirements with its service provider. ITO should base the security requirements on a threat and risk assessment to ensure the security requirements will meet its clients' needs.

2. **We recommend that the Information Technology Office finalize defining the security requirements its service provider needs to follow.**

After defining security requirements, ITO then needs to monitor the service provider's compliance with the security requirements. The reporting to be provided from the service provider was also to be identified and agreed to during a transition period. However, as of March 6, 2011, ITO did not receive any reports on security from its service provider. Therefore, ITO is not able to assess whether the service provider is meeting its clients' security needs and properly securing the data centre.

3. **We recommend that the Information Technology Office monitor whether its service provider meets its security requirements.**

ITO has an appropriate IT organizational structure. Job descriptions set roles and responsibilities. ITO will need to update some job descriptions to reflect service delivery changes.

A member of senior management leads IT operations and members of senior management meet regularly with ITO's service provider. Senior management meets regularly to discuss IT operations and client issues.

*We recommended that the Information Technology Office establish information technology security policies for its clients.* *(2008 Report – Volume 3)*

PAC agreed with our recommendation December 10, 2008.

ITO's strategic plan defines key goals and objectives related to security. ITO adopted an IT security framework based on international standards to define respective roles and obligations of ITO and its clients. ITO and its clients are still developing and completing security policies and procedures within this framework. Until such policies and procedures are completed, ITO is unable to determine whether clients follow effective security controls.

**Status** – We continue to make this recommendation.

*We recommended that the Information Technology Office provide relevant and timely security reports to its clients.* *(2009 Report – Volume 3)*

PAC agreed with our recommendation June 18, 2010.

ITO has begun providing risk assessments to clients on proposed processes or equipment that do not meet ITO security requirements. Clients may choose to accept or mitigate the risks. ITO also meets regularly with its clients. It has set up, with its clients, a committee that meets to discuss security issues. ITO also provides reports to clients that describe potential security incidents that have occurred. However, ITO does not provide reports to clients that outline ITO security controls in place or deficiencies that occurred with those controls. Accordingly, clients do not have adequate information on the potential impact significant security weaknesses could have on their systems and data.

**Status** – We continue to make this 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 the 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 monitor the service provider to ensure it was configuring, updating, and monitoring client systems against security threats. We also expected ITO to ensure secure data communications to and from the data centre.*

The service provider has good physical access controls for protecting ITO's IT infrastructure at the data centre. It has several layers of physical access controls (e.g., locked and monitored doors) designed to prevent unauthorized persons from accessing the data centre.

***We recommended that the Information Technology Office protect its systems and data from security threats.*** *(2006 Report – Volume 3)*

PAC agreed with our recommendation April 3, 2007.

ITO will continue to manage user access controls once the service provider transition is complete. ITO has adequate policies and procedures for granting and removing user access when requested by clients and for periodically reviewing access to systems and data. However, ITO needs to ensure it follows its process for removing user access on a timely basis. 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).

ITO has adequate policies and procedures for enforcing use of passwords to access the network as well as for changing user passwords. However, ITO did not consistently follow its password requirements. For example, some passwords are not set to expire and ITO has no process for following up on such accounts.

In the prior year, ITO did not effectively configure or update its computer equipment. The service provider is now responsible for performing this work. However, the requirements of the service provider are not yet defined. As a result, the weaknesses identified in prior audits continue to exist. We found that servers were not updated during the audit period. Also, firewall and server configuration weaknesses are not resolved. Without appropriate security, unauthorized individuals may obtain access to systems and data without physically accessing restricted areas.

ITO and its clients need to protect the security of data transmitted between client locations and the data centre. The primary method used to transmit information is CommunityNet, a high-speed, province-wide data communication network.[5] 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.

**Status** – We continue to make this 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.*

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[5] SaskTel provides this network.

*The availability of client systems and data requires effective backup and recovery processes. We expected ITO to have effective disaster recovery processes to ensure the data centre can be restored if a major problem occurs. Clients need to identify their disaster recovery requirements to ensure ITO can develop adequate plans to restore their systems.*

The service provider performs daily data backups. The service provider has procedures for identifying backup failures and for transferring backup tapes to off-site storage. Off-site data backups help prevent data loss if the data centre is destroyed. However, backup data was not taken off-site on a daily basis during the audit period.

**We recommended that the Information Technology Office have a disaster recovery plan for the data centre and client systems.** *(2006 Report – Volume 3)*

PAC agreed with our recommendation April 7, 2007.

ITO has developed and approved a business continuity plan for ITO as well as a disaster recovery plan for the data centre. The disaster recovery plan defines who can activate the plan, identifies staff roles and responsibilities, and includes documentation on systems and recovery processes. ITO needs to update its plans to reflect the service provider.

ITO's 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 continues ranking recovery priorities among client systems in consultation with its clients.

ITO performed no testing of its disaster recovery plan in 2010 and up to March 6, 2011. ITO needs to test a disaster recovery plan to ensure it will work in the event of a disaster. ITO told us it plans to work with service providers to address disaster recovery requirements.

**Status** – We continue to make this 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. Policies and procedures 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 changes. However, ITO did not consistently follow its documented requirements. For example, management should document, for all significant changes, what to do if the change has unintended consequences (e.g., system failure). ITO needs to consistently follow its change management policies and procedures to protect its systems and data. We included this weakness as part of the protect systems and data from security risks recommendation described earlier in this chapter.

Computer operating processes help ensure that systems and data are secure and that only authorized users have access. We described our findings for these processes earlier in this chapter.

## Selected references

Canadian Institute of Chartered Accountants (CICA). (2009). *Trust services principles, criteria, and illustrations*. Toronto: Author.

International Organization for Standardization. (2005). ISO/IEC 27002:2005(E). *Information technology – Code of practice for information security management; 2nd Edition*. Geneva: Author.

IT Governance Institute. (2007). *COBIT 4.1*. Rolling Meadows, IL: Author.

## Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC, that are not yet implemented and are not discussed earlier in this chapter.[6] Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[7] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Information Technology Office—Benefit realization** (2009 Report – Volume 1) | | |
| 2011 | 7-2 that the Information Technology Office work with ministries to prepare joint actions plans to address issues identified in satisfaction surveys, as required by its service level agreements. | **Partially implemented** (as at March 31, 2011). |
| 2011 | 7-5 that the Information Technology Office seek mutual agreement with ministries on relevant service delivery measures and targets. | **Partially implemented** (as at March 31, 2011). |

## 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

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[6] For the definitions of key terms used in the exhibit, see Chapter 27 – 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.

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.

**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.

**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.

# Justice and Attorney General

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## Main points

The Ministry of Justice and Attorney General (Justice) and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Its agencies' financial statements are reliable for the year ended March 31, 2011.

Justice and its agencies had adequate rules and procedures to safeguard public resources except for the following:

♦ Justice needs to follow its processes and perform a timely review and approval of bank reconciliations

♦ Justice also needs to implement our past recommendations relating to information technology security, including the completion of a disaster recovery test for its critical information systems

**Saskatchewan Legal Aid Commission–IT Security Audit–a follow up**

In this chapter, we report the results of our follow up on the Saskatchewan Legal Aid Commission's (Commission) processes for securing its information technology. We followed up on three recommendations. The Commission has implemented two recommendations. The Commission has not yet completed testing its disaster recovery plan. This could result in critical systems and data not being available when needed.

In this chapter, we also provide an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

# Introduction

The Ministry of Justice and Attorney General (Justice) provides legal services and policy advice to Government in order to protect the legal rights of citizens and to promote social and economic order for Saskatchewan. Justice provides support for the courts system, prosecutorial services, civil law services, and marketplace regulation.[1]

For the year ended March 31, 2011, Justice spent $145.9 million on its programs and had revenues of $48.4 million primarily from fines collections. Information about Justice's revenues and expenditures appears in its 2010-11 annual report.[2]

The following is a list of Justice's major programs and spending:

|  | Original Estimates[3] | Actual |
|---|---|---|
|  | (in millions of dollars) | |
| Courts and civil justice | $      45.7 | $      48.9 |
| Legal and policy services | 26.0 | 27.7 |
| Boards and commissions | 25.3 | 25.7 |
| Central management and services | 21.3 | 20.7 |
| Community justice | 19.5 | 18.9 |
| Marketplace regulation | 1.8 | 1.9 |
| Capital asset amortization | 0.7[4] | 1.0 |
| Courts capital | -- | 1.1 |
| Total Expenses | 140.3 | 145.9 |
| Capital acquisitions | 4.5 | 6.4 |
|  | $      144.8 | $      152.3 |

Justice is responsible for the following trust and special purpose funds, boards, and commissions (agencies).

|  | Year-end |
|---|---|
| Criminal Property Forfeiture Fund | March 31 |
| Law Reform Commission of Saskatchewan | March 31 |

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[1] Ministry of Justice and Attorney General, *10-11 Annual Report*, p. 7.
[2] See http://www.finance.gov.sk.ca/PlanningAndReporting/2010-11/201011JusticeAnnualReport.pdf.
[3] *Saskatchewan Provincial Budget 10-11 Estimates.*
[4] Amortization is not included in appropriation.

|  | Year-end |
|---|---|
| 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 Financial Services Commission Fund | March 31 |
| Saskatchewan Legal Aid Commission | March 31 |
| Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission | December 31 |
| Victims' Fund | March 31 |

## Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦ **Justice and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦ **Justice and its agencies complied with authorities listed in Exhibit 1 governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**

♦ **the financial statements for the agencies listed above are reliable**

In this chapter, we report the results of our follow up work related to Saskatchewan Legal Aid Commission's processes for securing its information technology (IT). We also provide an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

### Timely completion of bank reconciliations

Justice needs to follow its rules and procedures to control its bank accounts.

Justice's rules and procedures require employees to agree (i.e., reconcile) its recorded bank balances to the banks' records each month. They also require management to review and approve the reconciliations. Regular reconciliations provide a check that all charges to the bank account are proper, all money has been deposited in the right account, and all transactions have been recorded properly. For this process to work effectively, employees must reconcile bank accounts timely and management must review and approve those reconciliations promptly.

During the year, Justice did not prepare or approve all of its bank reconciliations on a timely basis. For example, Justice was nine months behind in preparing and approving its bank reconciliations for its maintenance enforcement account. Over $2 million flows through this account each month. Timely preparation and approval of bank reconciliations would help detect any errors or misuse of money quickly.

1. **We recommend that the Ministry of Justice and Attorney General follow its processes to prepare and approve bank reconciliations.**

## Adequacy of IT processes

*We recommended that the Ministry of Justice and Attorney General sign an adequate agreement on disaster recovery and security with the Information Technology Office (ITO).* (2008 Report – Volume 3)

In December 2008, PAC agreed with our recommendation.

Justice is finalizing a revised memorandum of understanding (MOU) with ITO. It had not signed the MOU by the end of September 2011. Management told us the revised draft MOU will outline Justice's disaster recovery needs.

Justice's current agreement with ITO does not adequately address security or disaster recovery requirements. It does not set out what security information ITO will provide to Justice to help it determine whether its systems and data are at risk. As well, it does not identify disaster recovery times for Justice's significant applications. As a result, Justice does not know if ITO's disaster recovery processes meet Justice's needs.

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**Status** – We continue to make this recommendation.

***We recommended that the Ministry of Justice and Attorney General adequately monitor the security and availability of its information technology systems and data.*** *(2008 Report – Volume 3)*

In December 2008, PAC agreed with our recommendation.

To know that its computer systems and data are secure, Justice needs to monitor whether the security ITO provides is adequate.

During the year, Justice continued to receive from ITO monthly reports similar to those received in the past year. Those reports provided little information on the security or availability of IT systems and no information about the adequacy of ITO's controls. Accordingly, Justice did not know whether any weaknesses at ITO could impact Justice's systems and data.

Justice has processes for removing user access for individuals who no longer work for Justice. However, employees did not always follow the established processes for removing users' access on a timely basis. Lack of timely removal of user access for former employees increases the risk of inappropriate access and unauthorized changes to Justice's systems and data.

**Status** – We continue to make this recommendation.

## Completing business continuity plan

**We recommended that the Ministry of Justice and Attorney General complete and implement its business continuity plan (BCP).[5]** *(2005 Report – Volume 3)*

In February 2006, PAC agreed with our recommendation.

Justice has developed and approved plans for recovery of its critical services. Justice has identified recovery time objectives for each of its

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[5] 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.

critical IT systems. As stated earlier, Justice does not know if ITO's disaster recovery processes meet its needs.

Justice completed some BCP testing during the year. However, key elements of the plan still need to be tested including testing recovery of critical IT systems.

**Status** – We continue to make this recommendation.

## Saskatchewan Legal Aid Commission—IT security audit—a follow up

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 the criteria defined in *The Legal Aid Regulations, 1995*. The Commission receives over 22,000 applications requesting legal services each year.

The Commission's computer system stores privileged client information in each of its 14 area offices. The Commission must have adequate controls for its computer network and data to protect its systems and support their effective use. Unauthorized disclosure, loss, or inappropriate modification of information could harm legal aid clients.

Our 2008 Report – Volume 1 included the results of our 2008 audit of the Commission's processes to secure its information technology environment. We made six recommendations. On June 17, 2008, PAC agreed with these recommendations. Chapter 13 of our 2009 Report – Volume 3 reports that the Commission had adequately addressed three of these six recommendations.

As described in the section below, at August 31, 2011, the Commission has adequately addressed two of the remaining three recommendations and partially implemented the third.

The following section sets out the three recommendations outstanding at August 31, 2009 (in italics) and the Commission's actions up to August 31, 2011.

## Protect systems and data from unauthorized access

*We recommended that the Saskatchewan Legal Aid Commission follow its password standards and monitor user access for its systems.* (2008 Report – Volume 1)

The Commission has adequate policies and procedures for granting and removing user access, and for setting password length, complexity, and change frequency. At August 31, 2011, the Commission consistently follows these policies for both standard and administrator accounts.

**Status** – The Commission has implemented this recommendation.

*We recommended that the Saskatchewan Legal Aid Commission adequately configure, update, and monitor its computers and network equipment.* (2008 Report – Volume 1)

As noted in our 2009 Report – Volume 3, Chapter 13, the Commission had improved security of its laptop computers and implemented a process for updating its systems against known security risks on a timely basis. Since 2009, the Commission entered into an agreement with a service provider for system hosting, ongoing system security, and monitoring. The Commission maintains appropriate contact with the service provider regarding ongoing changes and system configuration.

**Status** – The Commission has implemented this recommendation.

## Keep systems and data available for operation

*We recommended that the Saskatchewan Legal Aid Commission develop and test a disaster recovery plan for its information systems and data.* (2008 Report – Volume 1)

The Commission has developed a current disaster recovery plan (plan) for its information systems and data, and has distributed and communicated this plan to staff. The Commission has processes to complete an annual review and update of the plan.

However, the Commission has not completed a test of the plan for its critical information systems. Without a complete test, the Commission

does not know if it could restore all its critical 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 intends to complete a test of the disaster recovery plan for its critical information systems.

**Status** – We continue to make this recommendation.

### Exhibit 1—Listing of legislation

*The Department of Justice Act*
*The Enforcement of Maintenance Orders Act, 1997*
*The Federal-Provincial Agreements Act*
*The Provincial Court Act, 1998*
*The Queen's Bench Act, 1998*
*The Summary Offences Procedures Act, 1990*
*The Business Corporations Act*
*The Business Names Registration Act*
*The Administration of Estates Act*
*The Victims of Crime Act, 1995*
*The Seizure of Criminal Property Act, 2009*
*The Law Reform Commission Act*
*The Residential Tenancies Act, 2006*
*The Provincial Mediation Board Act*
*The Tax Enforcement Act*
*The Public Guardian and Trustee Act*
*The Pension Benefits Act, 1992*
*The Adult Guardianship and Co-decision Making Act*
*The Children's Law Act, 1997*
*The Dependant's Relief Act, 1996*
*The Missing Persons and Presumption of Death Act*
*The Trustee Act, 2009*
*The Queen's Printer Act*
*The Saskatchewan Financial Services Commission Act*
*The Saskatchewan Insurance Act*
*The Securities Act, 1998*
*The Trust and Loan Corporations Act, 1997*
*The Legal Aid Act*
*The Government Organization Act*
*The Public Service Act, 1998*
*The Purchasing Act, 2004*
*The Financial Administration Act, 1993*
Regulations and Orders in Council issued pursuant to the above legislation

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# Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[6] Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[7] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of Justice and Attorney General – Financial Security** (2007 Report – Volume 3) | | |
| 2009 | 15-7 that the members of the Saskatchewan Financial Services Commission set performance targets to help measure progress towards objectives. | **Partially implemented** (as at June 30, 2010). |
| 2009 | 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. | **Partially implemented** (as at June 30, 2010). |
| **Ministry of Justice and Attorney General –Security Awareness** (2010 Report – Volume 1) | | |
| 2011 | 8-1 that the Ministry of Justice and Attorney General assess its security awareness needs and ensure its security awareness program addresses those needs. | **Not implemented** (as at February 28, 2010). Follow up planned in 2012. |
| 2011 | 8-2 that the Ministry of Justice and Attorney General update its formal plan for its security awareness program and carry out the plan. | **Not implemented** (as at February 28, 2010). Follow up planned in 2012. |
| 2011 | 8-3 that the Ministry of Justice and Attorney General monitor the effectiveness of its security awareness program. | **Not implemented** (as at February 28, 2010). Follow up planned in 2012. |

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[6] For definitions of the Key Terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.

[7] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to the Legislative Assembly.

# Labour Relations and Workplace Safety

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# Main points

The Ministry of Labour Relations and Workplace Safety (Ministry) complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing. The Ministry had adequate rules and procedures to safeguard public services except:

♦ the Ministry needs to sign a shared services agreement with the Ministry of Advanced Education, Employment, and Immigration

♦ the Ministry needs to sign a service level agreement with the Public Service Commission

**Processes for addressing workplace non-compliance**

This chapter also includes an audit of the processes used by the Ministry to address workplaces that did not comply with *The Occupational Health and Safety Act, 1993* and related regulations.

The rate of workplace-related injuries in Saskatchewan is decreasing but the Province still has the second highest rate in Canada. The Ministry had effective processes except for the following. The Ministry requires a documented, comprehensive risk-based approach to address workplace non-compliance. It should undertake more complete analysis of non-compliance and its causes. It should also require more consistent use of Ministry policies and better follow up of non-compliant workplaces.

# Introduction

The Government of Saskatchewan established the Ministry of Labour Relations and Workplace Safety (Ministry) on June 29, 2010. Prior to this date, the functions of the Ministry were attached to the Ministry of Advanced Education, Employment, and Labour – now the Ministry of Advanced Education, Employment and Immigration.[1]

The Ministry is responsible for labour standards, occupational health and safety, labour relations and mediation services and advocacy on behalf of injured workers.[2]

For further details regarding the Ministry's mandate and operations, consult its publications on its website at www.lrws.gov.sk.ca.

## Financial overview

The following is a list of major programs and spending as at March 31, 2011:

|  | Estimates 2010-11[3] | Actual |
|---|---|---|
|  | (in millions of dollars) | |
| Central Management and Services | $        3. 1 | $        2.4 |
| Occupational Health and Safety | 7.3 | 7.1 |
| Labour Standards | 2.4 | 2.6 |
| Labour Relations Board | 1.0 | 0.8 |
| Labour Relations and Mediation | 0.8 | 0.8 |
| Workers Advocate | 0.6 | 0.6 |
|  | $        15.2 | $        14.3 |

In 2010-11, the Ministry had revenues of $10.5 million. Of this revenue, $10.3 million came from the Workers Compensation Board under *The Occupational Health and Safety Act, 1993* (Section 82(2)), for the costs of the industrial safety program.

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[1] *Ministry of Labour Relations and Workplace Safety 2010-11 Annual Report,* p. 5.
[2] Ibid.
[3] Saskatchewan Finance, *2010-11 Saskatchewan Estimates.*

# Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦ **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:**

> *The Financial Administration Act, 1993*
> *The Government Organization Act*
> *The Human Resources, Labour and Employment Act*
> *The Labour Standards Act*
> *The Labour Standards Regulations, 1995* (section 29 & 30)
> *The Occupational Health and Safety Act, 1993*
> *The Public Service Act, 1998*
> *The Public Service Regulations, 1999*
> *The Purchasing Act, 2004*
> *The Trade Union Act*
> *Regulations and forms, Labour Relations Board* (section 30)
> *The Conciliation Board Regulations* (section 17)
> *The Wages Recovery Act*
> *The Crown Employment Contracts Act*
> Orders in Council issued pursuant to the above legislation

In this chapter, we also report the results of our work on the Ministry's processes for addressing workplace non-compliance.

## Shared service agreement needed

The Ministry needs to sign a shared service agreement with the Ministry of Advanced Education, Employment and Immigration.

The Ministry of Advanced Education, Employment and Immigration provides various services to the Ministry. The services provided include payment processing, revenue processing/cash handling, communications, information technology, and other support services.

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A shared service agreement would help ensure that both Ministries understand their respective roles and responsibilities. Without a signed shared services agreement, there is a risk that there will not be appropriate agreement on all matters and that the Ministry's specific service needs will not be met.

1. **We recommend that the Ministry of Labour Relations and Workplace Safety sign a shared service agreement with the Ministry of Advanced Education, Employment and Immigration.**

## Service level agreement needed

The Ministry needs to sign a service level agreement with the Public Service Commission (PSC).

PSC provides various payroll and human resource services to the Ministry. The Ministry spent about $10.3 million between April 1, 2010 and March 31, 2011 on salaries and benefits.

A service level agreement should be in place so that both agencies understand their respective roles and responsibilities. The Ministry's service level agreement with PSC should clearly assign responsibilities for key payroll activities. Without a signed service level agreement, there is a risk that there will not be appropriate agreement on all matters and that the Ministry's specific service needs will not be met.

2. **We recommend that the Ministry of Labour Relations and Workplace Safety establish an agreement with the Public Service Commission for providing payroll services that clearly assigns responsibilities for key payroll activities.**

## Implementation of past recommendations needed

Prior to June 29, 2010, the Ministry was part of the Ministry of Advanced Education, Employment, and Labour – now the Ministry of Advanced Education, Employment and Immigration. As such, there are outstanding recommendations for the Ministry of Advanced Education, Employment and Labour that now apply to the Ministry of Labour Relations and Workplace Safety.

In Exhibit 1, we set out our past recommendations, actions that the Ministry took during 2010-11, and the status of the recommendations at March 31, 2011.

**Exhibit 1—Status of past recommendations**

| Past recommendation (initial report) | Public Accounts Committee (PAC) | Actions the Ministry took in 2010-11 | Status of recommendation at March 31, 2011 |
|---|---|---|---|
| **Human Resources** | | | |
| ***We recommend that the Department of Advanced Education and Employment develop a human resource plan.*** *(2007 Report – Volume 3 – Chapter 2)* | PAC agreed with this recommendation on January 8, 2008. | The Ministry is working on developing a plan. | **Partially implemented** – we continue to make this recommendation. |
| **Information technology** | | | |
| ***We recommend 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.*** *(2008 Report – Volume 3 – Chapter 2)* | PAC agreed with this recommendation on December 9, 2008. | The Ministry is working with the Information Technology Office to develop a memorandum of understanding, which is expected to include disaster recovery requirements. | **Partially implemented** – we continue to make this recommendation. |
| ***We recommend 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.*** *(2008 Report – Volume 3 – Chapter 2)* | PAC agreed with this recommendation on December 9, 2008. | The Ministry is working with the Information Technology Office to develop a new memorandum of understanding, which is expected to include requirements that will allow the Ministry to monitor the effectiveness of ITO's security controls. | **Partially implemented** – we continue to make this recommendation. |

## Processes for addressing workplace non-compliance

The Ministry is accountable under *The Occupational Health and Safety Act, 1993* (Act) and regulations to develop, promote, implement and enforce standards relating to workplaces and working conditions that are safe and healthy for employees. Regulations under the Act include *The Occupational Health and Safety Regulations, 1996* and *The Mines Regulations, 2003*. We audited how the Ministry enforced the Act and these regulations.

### Background

It is difficult to overstate the importance of healthy and safe workplaces. There are over 370,000 people employed in Saskatchewan workplaces and this number is rising as the economy expands.[4] In addition, at over 40,000 workplaces in the agriculture sector, workers are often self-employed or working on a farm.

In 2010, 38 Saskatchewan workers died due to working conditions on the job.[5] In 2010, 8.7% of Saskatchewan workers were injured at work and 3.12% of workers had more serious injuries resulting in time away from work (time-loss injuries).[6] Saskatchewan continues to have the second highest workplace injury rate in Canada (after Manitoba), and its injury rate remains well above the Canadian national average (see Exhibit 2). At the same time, rates for time-loss injuries are decreasing in Saskatchewan.[7] The Ministry told us this decline in injuries is consistent with strategies it introduced in 2003. The Ministry obtains statistics about deaths and injuries primarily from the Saskatchewan Workers' Compensation Board (WCB).

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[4] Saskatchewan Workers' Compensation Board, *2010 Annual Report*, p. 1.

[5] Saskatchewan Workers' Compensation Board, *2010 Annual Report*, p. 13 and including one fatality reported by a self-insured employer and 7 other agricultural fatalities reported to the Ministry's Occupational Health and Safety Division.

[6] The Saskatchewan Workers' Compensation Board (WCB) states in its *2010 Annual Report* that it paid $228.3 million compensation to workers (based on investigation of claims). WCB paid compensation for over 32,000 claims for workers injured on the job including 1,800 claims from workers with occupation-related health conditions (source: Saskatchewan Workers' Compensation Board, *Statistical Supplement 2010).*

[7] Ministry of Labour Relations and Workplace Safety, *2010-11 Annual Report*, p. 9.

**Exhibit 2—Work time-loss injury rates (per 100 workers) for Saskatchewan and Canadian national average, 2005 to 2010**
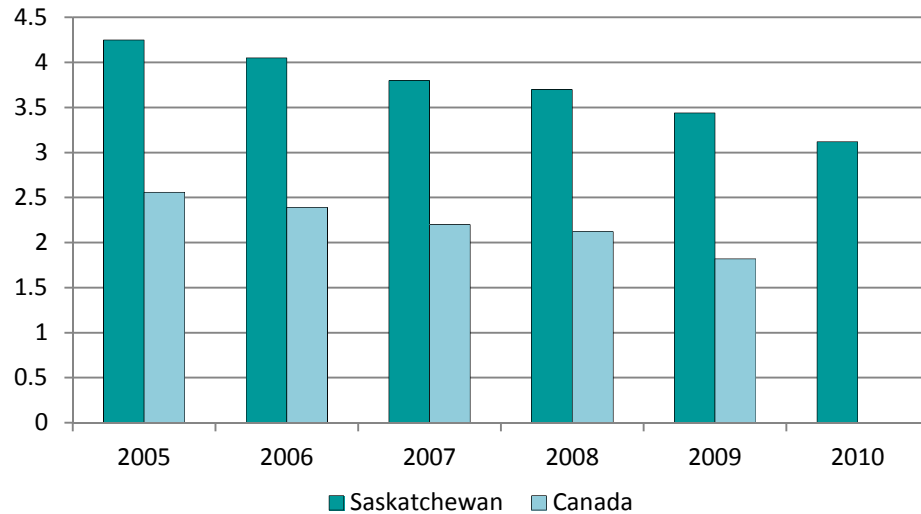


Source: The Association of Workers' Compensation Boards of Canada (AWCBC) for national rates; Saskatchewan Workers' Compensation Board (WCB) for Saskatchewan rates. [As reported in Ministry of Labour Relations and Workplace Safety, *2010-11 Annual Report*, p. 9.]

The industries in Saskatchewan with the highest number of injuries included:[8]

♦ health authorities, hospitals, care homes (5,034 incidents reported)
♦ construction[9] (3,928)
♦ grocery, department store, hardware (1,617)
♦ commercial industrial production (1,552)
♦ municipalities (1,399)
♦ transportation, courier, commercial bus (1,385)

Industries in Saskatchewan with the highest rate of time-loss injuries included:[10]

♦ light agricultural operations (2.8 times the average provincial rate)
♦ dairy products, soft drinks (2.7)
♦ iron and steel fabrication (2.3)
♦ mills, semi medium manufacturing (2.2)
♦ transportation, courier, commercial bus (2.0)

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[8] Saskatchewan Workers' Compensation Board, *Annual Report 2010*, p.14.
[9] Includes construction trades, residential construction, and commercial industrial construction.
[10] Saskatchewan Workers' Compensation Board, *Statistical Supplement 2010.*

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♦ health authorities, hospitals, care homes (1.9)
♦ residential construction (1.8)
♦ municipalities (1.6)

For these industries, we set out the total and time-loss injury rate, together with average claim duration and cost per claim in Exhibits 4 and 5 at the end of this chapter.

There are many causes of workplace injuries, for example working without adequate protective equipment, lack of supervision, and unmarked hazards. There are also many causes of workplace health-related injuries and illnesses such as exposure to ergonomic hazards, chemicals, gases, and toxic materials. It is possible to prevent many of these injuries and illnesses. Doing so would avoid suffering and reduce costs.

Employers and employees are ultimately responsible for workplace safety. The Ministry's role is to administer and enforce the Act and regulations to help reduce the number of workplace incidents. The Ministry also promotes safety and educates those in the workplace (i.e., employers, employees, owners, contractors, self-employed persons, suppliers) about safe and healthy working conditions. Throughout this report, we refer to all people in workplaces as employers and employees.

## Enforcing the Act and regulations

Saskatchewan's occupational health and safety legislation sets minimum requirements to limit health and safety hazards found in workplaces. The Act outlines the rights and duties of employers and employees, sets out penalties for offences, and mandates processes that must be used (such as the use of workplace occupational health committees). The related regulations focus on specific types of risks and related requirements. For example, the regulations set out requirements for scaffolds, compressed gases, felling trees, abrasive blasting, using explosives, precautions when using certain chemicals, and noise control. The Act and regulations define the duties of both employers and employees to keep the workplace safe and healthy.

The Ministry becomes aware of workplace health and safety issues through inspections and complaints. The Ministry employs 55

occupational health officers (officers) including 12 officers who specialize in particular health conditions (i.e., ergonomists, hygienists, toxicologists, and radiation specialists) and 7 mines inspectors. These officers inspect selected workplaces, respond to complaints, and investigate dangerous incidents.

In enforcing the Act and related regulations, the Ministry focuses on workplaces in which an employer hires workers. This reflects the Act's focus on employers' responsibilities. The Ministry uses a different approach—primarily education—for family-run or self-employed businesses such as family farms.

As set out in Exhibit 3, in 2010-11, the Ministry's officers conducted 4,851 worksite inspections across Saskatchewan and issued 6,592 contravention notices (most inspections result in more than one contravention notice). A contravention notice orders the employer to comply with specific parts of the Act or regulations (e.g., use of protective equipment) by a set date, and requires a progress report within one week of that date. If employers fail to co-operate with orders to comply with the Act and regulations, and fail to submit required progress reports, the Ministry can request that the Ministry of Justice prosecute the case. We discuss contravention notices and other types of Ministry action in our Findings section.

**Exhibit 3—Trends in inspections, contraventions, stop-work orders**

|  | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|---|
| Conduct workplace inspections | 3,621 | 3,658 | 3,851 | 4,785 | 4,851 |
| Issued contraventions (includes cessations of work, notices and compliance assurances) | 4,480 | 4,550 | 5,735 | 6,262 | 6,592 |
| Stop Work Orders | 210 | 317 | 775 | 794 | 463 |
| Files sent to Justice for review | 31 | 18 | 26 | 55 | 81 |
| Initiate prosecutions for non-compliance (number of defendants where charges laid) | 30 | 11 | 19 | 32 | 74 |
| Convictions | 10 | 13 | 16 | 11 | 52 |

Source: Ministry of Labour Relations and Workplace Safety, *2010-11 Annual Report,* p. 11.

# Audit objective, scope, criteria, and conclusion

The objective of this audit was to assess whether the Ministry had effective processes during April 1, 2010 to August 31, 2011 to address workplace non-compliance with *The Occupational Health and Safety Act, 1993* and related regulations. We did not include the harassment provisions of the regulations in our audit because the processes were different.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. We examined the Ministry's policies, procedures, and a sample of cases where inspections found non-compliance with the Act and related regulations. We also interviewed Ministry managers and officers.

To evaluate the Ministry's processes, we used criteria based on the work of other auditors and literature listed in the selected references. The Ministry's management agreed with the criteria. To have effective processes to address workplace non-compliance with the Act and regulations, our criteria expected the Ministry to:

♦   establish a documented, comprehensive risk-based approach for addressing workplace non-compliance

♦   guide non-compliant workplaces

♦   use a graduated approach to enforce the Act and regulations

♦   evaluate enforcement results

**We concluded that, during April 1, 2010 to August 31, 2011, the Ministry of Labour Relations and Workplace Safety had effective processes to address workplace non-compliance with *The Occupational Health and Safety Act, 1993* and related regulations, except for the following:**

♦   **the Ministry requires a documented, comprehensive risk-based approach to address workplace non-compliance**

♦ **the Ministry should undertake more complete analysis of non-compliance and its causes**

♦ **the Ministry should require more consistent use of Ministry policies and better follow up of non-compliant workplaces**

## Key findings and recommendations

In this section, we set out our criteria (in italics), our key findings, and our recommendations.

### *Need structured response to workplace non-compliance*

*We expected the Ministry to establish a documented, comprehensive risk-based approach for addressing workplace non-compliance. Such an approach would assist the Ministry to consistently:*

♦ *assess risk of harm (likelihood and impact of injuries)*
♦ *set priorities to address non-compliance*
♦ *communicate priorities*

We found the Ministry set and communicated priorities but needed to assess risks using a more comprehensive, systematic approach.

The Ministry's processes for setting priorities included work with other organizations at the provincial level and some internal planning processes. The Ministry participated in a formal partnership with WCB called WorkSafe Saskatchewan. This partnership used a risk-based formula to identify workplaces where the most injuries and deaths occurred and created lists for the "top" 50 and 400 employers—that is, those with the worst records. The Ministry set some priorities using these lists. For example, it asked its officers to inspect "top 50" workplaces in their geographic area. In our sample, we found about 9% of the Ministry's inspections were at identified "top 50" workplaces during April 2010 to August 2011.

The Ministry's planning documents (strategic plan and annual work plans) communicated priorities for safety and for healthy work conditions. The safety priorities included protection against collapsing trenches, preventing falls, and requiring knowledgeable supervision on the work-site. The healthy work condition priorities included ergonomics, exposure

to asbestos, lasers, and industrial contaminants. The Ministry communicated these priorities in work plans and at biweekly staff meetings. The Ministry documented a few increasing risks in its annual work plans but did not document the rationale for most of its priorities or how it assessed risks.

The Ministry set and communicated priorities, but it did not use a documented, comprehensive risk-based approach. The Ministry should consistently and systematically highlight major workplace risks, set priorities, predict what actions will improve compliance, and focus on useful strategies for each type of risk. This would assist the Ministry in focusing on sectors where deaths and serious injuries occur most often and would guide officers when deciding what response would reduce non-compliance.

3.     **We recommend that the Ministry of Labour Relations and Workplace Safety document and use a comprehensive, risk-based approach to address workplace non-compliance with *The Occupational Health and Safety Act, 1993* and related regulations.**

## *Need to identify causes of workplace non-compliance*

*We expected the Ministry to guide non-compliant workplaces by:*
♦     *communicating non-compliance promptly*
♦     *following up with guidance on non-compliance*
♦     *identifying key causes of non-compliance*

The Ministry gave timely guidance to non-compliant workplaces. It did not consistently identify and document the causes of non-compliance.

The Ministry had processes to communicate workplace non-compliance promptly. The Ministry's policy and procedures manual instructed officers to issue reports as soon as possible and no later than two weeks after the inspection. The Ministry delivered most notices of contravention promptly and within policy guidelines (92% within our sample). The remaining 8% were not timely, including 4% of notices where workers were not protected against falls and the officer did not issue an immediate stop work order as Ministry policies required. These files did not document

explanations about why the officers did not issue stop work orders. Protection against falls was a Ministry priority.

Officers also routinely discussed contraventions with the employer while on-site for inspections. For 96% of the contraventions, the Ministry provided a timely notice of contravention and/or documented discussions with the employer about failure to comply with the Act and regulations. For an additional 4%, the written notice of contravention was not timely and there was no evidence that the officer discussed the contravention with the employer during the inspection.

The Ministry guided workplaces to comply with the Act and regulations in a variety of ways during its inspections. It provided information sheets, brochures, and verbal guidance. In addition, officer's reports, given to the employer at the time of an inspection, documented the action required (e.g., use protective equipment). All notices of contravention quoted the relevant sections of the Act or regulations to provide the detailed requirements for compliance. Officers sometimes provided additional useful information beyond that required.

The Ministry's notices of contravention consistently stated what the contraventions were. They did not consistently identify and document the underlying cause of the contraventions. For example, while an infraction might be that safety equipment was not worn, the underlying cause of the infraction might be that there was no supervisor on-site, or that a new employee had not received safety training. Identifying the cause of non-compliance is key for effectively reducing dangerous occurrences. The Ministry documented the cause of non-compliance for less than 20% of contraventions. The Ministry's procedures and training did not require officers to document the cause of non-compliance. Identifying the causes of non-compliance would help the Ministry to take appropriate and timely action to enforce the Act and regulations. It would also aid in preventing similar contraventions.

4.    **We recommend that the Ministry of Labour Relations and Workplace Safety analyze why employers and/or employees do not comply with *The Occupational Health and Safety Act, 1993* and related regulations.**

## *Graduated approach used inconsistently*

*We expected the Ministry to use a graduated approach to enforce the Act and regulations including:*

♦    *identifying factors influencing the appropriate level of enforcement*

♦    *selecting the appropriate level of enforcement*

♦    *implementing enforcement*

The Ministry had a graduated approach to enforce the Act and regulations but did not ensure that employers promptly corrected non-compliant practices.

The Ministry documented the graduated enforcement approach in its policy and procedures manual. It communicated the enforcement options to officers through its plans and training.

The Ministry's graduated approach to enforcement included the following levels:

1.    verbal guidance with or without information sheets
2.    obtaining a written agreement from an employer to comply (i.e., compliance assurance statement)
3.    written warnings (e.g., in an officer's report)
4.    written orders (e.g., notice of contravention directing employer to comply with a specific regulation by a set date; stop work orders)
5.    prosecution

Ministry policies identified factors that influenced selection of a level or method of enforcement. These included, for example, a history of prior non-compliance or risks within a particular industry. The Ministry consistently used guidance (level 1) and notices of contravention (level 4) to order employers to comply with the Act and regulations.

The Ministry did not commonly use all the enforcement options available to it. The Ministry rarely used compliance assurance statements (level 2). Management told us that using compliance assurance statements was less efficient as it required returning for a second inspection to issue a notice of contravention if the employer did not comply. We observed that officers rarely used officer's reports (level 3), possibly due to unclear communication about their purpose.

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The Ministry referred some non-compliant employers to the Ministry of Justice and Attorney General for prosecution. The Ministry took this step primarily when non-compliance resulted in a dangerous occurrence, serious injury, or death. In 2010-11, at the Ministry's request, the Ministry of Justice and the Attorney General initiated 74 prosecutions, many of which related to lack of protection against falls. For example, an employer was prosecuted successfully in 2011 (and was fined $7,400) when an employee was seriously injured by an unguarded rotating auger drill.

Prosecutions are time-consuming and expensive. In Saskatchewan, the legal penalties for non-compliance are less severe than, for example, Alberta and Manitoba. Workplaces that repeatedly fail to comply with the Act and related regulations may be given higher fines. Officers told us that some employers think it is cheaper to pay fines than to comply.

The Ministry did not consistently use the appropriate level of enforcement. For example, the Ministry can order employers to discontinue work until they remedy non-compliant practices that pose imminent and serious risk in the workplace. To do this, officers issue a notice of contravention that includes a stop work order. This means that employers and employees are to stop using a particular practice or piece of equipment, or stop work until they use protective gear or an employer remedies a hazard. The Ministry's officers did not use stop-work orders consistently for similar situations. As a result, in our sample, imminent and serious safety risks continued for one to six months for 9% of contravention notices (for example, lack of protection against falls).

5.    **We recommend that the Ministry of Labour Relations and Workplace Safety consistently use stop work orders under *The Occupational Health and Safety Act, 1993* to address situations where workers are at immediate risk of harm.**

The Ministry used progress reports from employers and repeated officer inspections to enforce compliance with orders in notices of contravention. This system worked effectively about 70% of the time. The Act requires a non-compliant employer to submit a written progress report within one week of the compliance date specified in the notice of contravention. The progress report is to include planned remedies, invoices for protective equipment, photographs of remedies in place (e.g., guards in place around moving parts of equipment), etc.

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The Ministry did not receive written progress reports for about 30% of its contravention notices in our sample and did not document further follow up phone calls or inspections in these cases. One contributing cause was that the Ministry's policy for following up on missing progress reports did not state a timeline for follow up. The Ministry did not re-assess workplace compliance consistently before closing each case. Without documentation of progress, the Ministry did not know whether it was enforcing its Act and regulations for about 30% of contraventions.

6. **We recommend that the Ministry of Labour Relations and Workplace Safety monitor the timeliness of progress reports (e.g., from employers) to promptly enforce orders under *The Occupational Health and Safety Act, 1993*.**

## *More evaluation of results required*

*We expected the Ministry to evaluate its enforcement results by:*
- *reporting enforcement actions to senior management*
- *assessing the effect of enforcement promptly*
- *following up with further enforcement action as needed*

The Ministry used several performance measures and monitored some outcomes, but did not have adequate processes to evaluate its enforcement results.

The Ministry's senior management received regular monthly and quarterly reports on enforcement activities. These reports listed the number of inspections, the number of investigations of serious injuries or deaths, and other Ministry activities. The Ministry prepared quarterly reports for the Occupational Health and Safety Council, a group responsible under the Act to advise the Minister. Annually, the Ministry also prepared detailed reports including comparisons to the prior year and some trend information. The reports did not evaluate or analyze the results of the Ministry's efforts to address workplace non-compliance. For example, no reports identified the proportion of contravention notices for which there were no progress reports.

The Ministry had policies requiring officers to report serious and continuing workplace non-compliance to their managers. Officers told us they seldom reported to their manager specific cases where workplace

compliance was difficult to achieve. Management did not receive verbal or written reports about the number of cases that officers closed without achieving compliance with the Act and regulations. Officers closed 13% of contravention notices in our sample without documenting compliance or a rationale for closing the case.

The Ministry did not have a process to evaluate its enforcement approach. The Ministry undertook an organizational review. However, this review did not focus on workplace compliance. The Ministry should systematically analyze whether its enforcement approach is increasing workplace compliance with the Act and regulations. Effective enforcement will contribute to lower injury and fatality rates.

7.    **We recommend that the Ministry of Labour Relations and Workplace Safety regularly evaluate the results and effectiveness of its processes for enforcing** *The Occupational Health and Safety Act, 1993* **and related regulations.**

**Exhibit 4—Work time-loss and total injury rates (per 100 workers)**

| | Time Loss Injury Rate* | | | | | Total Injury Rate* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Description | 2006 | 2007 | 2008 | 2009 | 2010 | 2006 | 2007 | 2008 | 2009 | 2010 |
| **All Classes** | **4.05** | **3.80** | **3.70** | **3.44** | **3.12** | **10.18** | **9.87** | **10.21** | **9.32** | **8.70** |
| Light Agricultural Operations | 10.41 | 9.18 | 9.83 | 8.16 | 8.75 | 24.57 | 21.89 | 22.53 | 20.36 | 18.95 |
| Dairy Products, Soft Drinks | 10.20 | 12.14 | 14.01 | 10.88 | 8.44 | 19.68 | 18.57 | 22.57 | 26.11 | 21.38 |
| Iron and Steel Fabrication | 16.11 | 14.27 | 11.01 | 7.96 | 7.18 | 46.73 | 43.92 | 41.26 | 24.02 | 24.22 |
| Mills, Semi Medium Manufacturing | 11.59 | 10.29 | 9.41 | 9.64 | 6.94 | 27.18 | 25.44 | 25.15 | 21.95 | 17.04 |
| Transportation, Courier, Commercial Bus | 7.74 | 6.41 | 5.91 | 7.17 | 6.32 | 14.90 | 13.39 | 13.18 | 14.45 | 13.29 |
| Health Authority, Hospitals, Care Homes | 6.31 | 6.26 | 6.12 | 6.12 | 5.85 | 12.09 | 12.78 | 13.21 | 13.08 | 12.60 |
| Residential Construction | 8.79 | 9.70 | 8.23 | 5.84 | 5.52 | 21.92 | 22.46 | 23.98 | 16.12 | 16.02 |
| Cities, Towns, Villages, RM's | 5.43 | 4.97 | 5.28 | 5.59 | 5.04 | 14.38 | 14.21 | 14.36 | 14.18 | 12.11 |

*Numbers in percentages
Source: Saskatchewan Workers' Compensation Board, *Statistical Supplement 2010.*

**Exhibit 5—Average claim duration and average cost per claim**

| | Average Claim Duration (Days) | | | | | Average Cost per Claim (in $1000) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Description | 2006 | 2007 | 2008 | 2009 | 2010 | 2006 | 2007 | 2008 | 2009 | 2010 |
| **All Classes** | **33.49** | **32.08** | **33.11** | **34.10** | **34.67** | **3.4** | **3.4** | **3.6** | **3.8** | **4.2** |
| Light Agricultural Operations | 34.74 | 27.84 | 36.97 | 31.30 | 33.29 | 2.7 | 2.2 | 3.5 | 3.0 | 4.3 |
| Dairy Products, Soft Drinks | 17.63 | 14.78 | 21.08 | 17.73 | 22.62 | 2.4 | 2.8 | 3.4 | 3.9 | 3.6 |
| Iron and Steel Fabrication | 20.89 | 23.63 | 23.48 | 32.52 | 38.06 | 2.2 | 3.2 | 4.1 | 2.5 | 3.8 |
| Mills, Semi Medium Manufacturing | 24.11 | 26.84 | 23.58 | 31.52 | 28.39 | 3.2 | 2.0 | 2.5 | 3.5 | 5.1 |
| Transportation, Courier, Commercial Bus | 48.18 | 51.04 | 52.98 | 51.18 | 53.88 | 5.3 | 5.8 | 5.3 | 5.7 | 5.4 |
| Health Authority, Hospitals, Care Homes | 32.01 | 28.03 | 29.25 | 29.38 | 27.74 | 3.2 | 3.1 | 3.4 | 3.7 | 3.7 |
| Residential Construction | 45.49 | 38.23 | 42.46 | 47.28 | 46.11 | 3.4 | 3.8 | 4.3 | 4.9 | 4.5 |
| Cities, Towns, Villages, RM's | 26.77 | 29.06 | 28.95 | 26.88 | 24.27 | 3.0 | 2.8 | 3.7 | 3.1 | 3.1 |

Source: Saskatchewan Workers' Compensation Board, *Statistical Supplement 2010.*

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# 19

# Liquor and Gaming Authority

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# Liquor and Gaming Authority

# 19A

# Main points

Saskatchewan Liquor and Gaming Authority's (Liquor & Gaming) financial statements are reliable and it complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Liquor & Gaming had adequate rules and procedures to safeguard public resources except as follows:

♦ It needs to follow its information technology policies, automated teller machine service provider casino registration policy, and its rules and procedures over bank reconciliations.

♦ It needs to identify and assess the risks associated with Saskatchewan Indian Gaming Authority's (SIGA's) operations.

During the year, Liquor & Gaming's internal audit performed an annual audit to ensure that SIGA expenditures were reasonable, complied with relevant policies and had an adequate business purpose. Based on the 2009-10 audit results, Liquor & Gaming concluded that in general, expenses for the period audited were appropriate business expenses and that no recovery was required. Liquor & Gaming provided SIGA with recommendations to strengthen their internal controls over expenditures. As of October 31, 2011, Liquor & Gaming's internal audit has not yet completed the 2010-11 audit of SIGA's expenses.

Liquor & Gaming still needs to recover losses of public money from automated teller machines at SIGA casinos.

**Succession planning—a follow up**

Liquor & Gaming has implemented all of our past recommendations regarding its succession planning processes.

**Encouraging responsible use of beverage alcohol—a follow up**

Liquor & Gaming has addressed our previous recommendation on preparing a complete plan for encouraging responsible use of beverage alcohol. Liquor & Gaming is in the process of developing a reporting

document that will accompany their social responsibility plan in order to report on the status of its social responsibility initiatives.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

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# Introduction

The Saskatchewan 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. Liquor & Gaming includes slot machine revenues and expenses in its financial statements.

In 2010-11, Liquor & Gaming had revenues of $1,013 million, expenses of $570 million, and net income of $443 million. At March 31, 2011, Liquor & Gaming held total assets of $163 million and had an accumulated deficit of $5.1 million. Liquor & Gaming's 2010-11 annual report includes its financial statements.

# Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦   **Liquor & Gaming had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦   **Liquor & Gaming complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Alcohol and Gaming Regulation Act, 1997*
> *The Liquor Consumption Tax Act*
> *Customs Tariff* (Canada)
> *Excise Act* (Canada) (Schedule I and II)
> *Excise Tax Act* (Canada) (section 188)
> *Excise Act, 2001* (Canada) (Schedule IV-VI)
> *Criminal Code* (Canada) (section 207)
> *The Alcohol Control Regulations, 2002*

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> *The Saskatchewan Gaming Corporation Casino Regulations, 2002*
> *The Gaming Regulations, 2007*
> *The Liquor and Gaming Authority Employee Code of Conduct Regulations*
> **2002 Framework Agreement, as amended**
> **2002 Casino Operating Agreement, as amended**
> **Western Canada Lottery Corporation Operating Agreement**
> **Indigenous Gaming Regulators Licensing Agreement**
> **Orders in Council issued pursuant to the above legislation**

♦ **Liquor & Gaming's financial statements are reliable**

The chapter also provides an update on the past recommendations of the Standing Committee on Public Accounts.

## 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.

Under the Agreement, Liquor & Gaming allows SIGA to deduct from the slot machine revenues reasonable costs incurred in accordance with operating policies approved by Liquor & Gaming. SIGA remits the remaining revenue to Liquor & Gaming. SIGA, in conjunction with Liquor & Gaming, is responsible for setting these policies regarding what constitutes reasonable costs.

As part of Liquor & Gaming's monitoring processes over reasonable costs, Liquor & Gaming's internal audit performs an annual audit to ensure that the SIGA expenditures are reasonable, comply with approved policies, and have an adequate business purpose. This is a good oversight mechanism. The latest audit was conducted for the period from October 1, 2009 to September 30, 2010 and the report was finalized in August 2011.

If SIGA incurs inappropriate expenses[1] above $10,000 annually, Liquor & Gaming then recovers 25%[2] of the amount of such expenses from future payments to the First Nations Trust. Based on the results of internal audit, Liquor & Gaming concluded that in general, expenses for the period audited were appropriate business expenses and no recovery was required. Liquor & Gaming provided SIGA with recommendations to strengthen their internal controls over expenditures.

***We recommended that Liquor & Gaming establish a risk-based process to assess SIGA's compliance with approved operating policies.*** *(2009 Report – Volume 3)*

In June 2010, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

Liquor & Gaming has not yet completed its risk assessment to identify and assess the risks associated with SIGA's compliance with SIGA's approved operating policies. Once this assessment is completed, Liquor & Gaming will need to develop and implement strategies for any gaps in its current processes of monitoring SIGA's operations.

**Status** – We continue to make this recommendation.

***We recommended that Liquor & Gaming take steps to recover losses of public money from automated teller machines at SIGA casinos.*** *(2009 Report – Volume 3)*

In June 2010, PAC agreed with our recommendation.

In 2009-10, SIGA incurred a $1.2 million loss on automated teller machines (ATMs) resulting from SIGA's non-compliance with approved policies. Liquor & Gaming recovered, through insurance proceeds, $0.5 million of this loss. Liquor & Gaming continues to pursue the recovery of the remaining loss by relying on and monitoring SIGA's efforts to recover the missing money from the ATM operator.

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[1] 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.
[2] The 2002 Framework Agreement as amended in June 2007 requires the Province to retain 25% of the net profits from slot machines in the General Revenue Fund and distribute the remaining profits to the First Nations Trust and the Community Development Corporations.

**Status** – We continue to make this recommendation.

# Registration of ATM suppliers needed

*We recommended that Liquor & Gaming register casino automated teller machine (ATM) suppliers. (2009 Report – Volume 3)*

In June 2010, PAC agreed with our recommendation.

As a regulator of the Saskatchewan gaming industry and as an operator, Liquor & Gaming needs to ensure that individuals and organizations that provide services to the gaming industry are reputable.

Liquor & Gaming now requires registration of casino automated teller machine suppliers/owners. Liquor & Gaming has begun registering these suppliers/owners, but has not completed the registration process.

**Status** – We continue to make this recommendation.

# Compliance with policies and procedures needed

Liquor & Gaming needs to ensure its management and employees comply with established policies and procedures in the following two areas.

## *Information technology (IT)*

*We recommended that Liquor & Gaming follow its approved information technology (IT) policies and procedures. (2007 Report – Volume 3)*

In 2008, the PAC agreed with our recommendation.

IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. Employees did not follow the approved IT policies for configuring network devices and monitoring its IT security. Liquor & Gaming needs to properly configure network devices (e.g., firewalls) and monitor network security to detect and react to security threats quickly. Liquor & Gaming must also establish a process for managing incidents when they occur.

In August 2011, management told us that Liquor & Gaming has finalized planning a security infrastructure project to address high-risk IT issues. Liquor & Gaming also told us this project would include configuration and monitoring of network devices to comply with the established IT policies and procedures. Liquor & Gaming now needs to implement actions required by this project.

Failure to properly configure network devices and monitor IT security increases the risk of unauthorized disclosure of data, modification, or loss.

**Status** – We continue to make this recommendation.

### *Bank reconciliations*

Liquor & Gaming needs to follow its rules and procedures to control its bank accounts.

Liquor & Gaming's procedures require employees to agree (reconcile) its recorded bank balances to the bank's records each month. They also require management to review and approve the reconciliations. In addition to the monthly bank reconciliations, Liquor & Gaming performs daily reconciliations of its stores' deposits and cheque clearing activities. Regular reconciliations, review and approval of such reconciliations, provides a check that all charges to bank accounts are proper and all money has been received and deposited in the right accounts. It also provides a check on the accuracy and reliability of Liquor & Gaming's accounting records.

During the year, employees did not regularly prepare and management did not review and approve all of its monthly bank reconciliations on a timely basis. At April 2011, bank reconciliations for its liquor bank account and electronic funds transfer account were behind by four months.

Management told us that employees performed daily store and cheque clearing activities during the year. However, this control would not detect all errors or employee theft.

Timely bank reconciliations could help detect errors or misuse of money promptly.

1. **We recommend that the Saskatchewan Liquor and Gaming Authority follow its procedures to control its bank accounts.**

As of May 2011, Liquor & Gaming had reconciled all recorded bank balances to the bank's records.

## Succession planning—a follow up

### Background

Succession planning ensures an effective workforce is ready to assist the agency to achieve its objectives. Without employees with the required skills, Liquor & Gaming increases its risk of not achieving its objectives. To ensure an effective workforce, Liquor & Gaming needs to recruit and retain people with the required skills and create opportunities for employee career development. Also, as a Treasury Board Crown Corporation, Liquor & Gaming is responsible to build a representative workforce.

In 2006, we assessed whether Liquor & Gaming had adequate succession planning processes. We reported the audit in our 2006 Report – Volume 3. We made three recommendations to help improve Liquor & Gaming's succession planning processes. In June 2007, PAC agreed with our recommendations. Our 2009 Report – Volume 1, Chapter 8 (pp. 118 to 120) reported the results of our follow up. At that time, we continued to make two recommendations to improve Liquor & Gaming's succession planning.

In October 2011, we performed a second follow up. We describe below the two outstanding recommendations (in bold) and Liquor & Gaming's actions up to October 20, 2011. Liquor & Gaming has now implemented our recommendations.

### Document and communicate competency gaps

***We recommended that Liquor & Gaming establish a process to document and communicate potential competency gaps.*** *(2006 Report – Volume 3)*

Liquor & Gaming has established a performance planning form used for tracking employee competency and career goal objectives. This form helps to monitor employee performance and identify any future skill sets needed.

Liquor & Gaming has also developed a succession planning and management framework that identifies critical positions and areas that are necessary to meet its strategic objectives. The succession plan identifies a corporate pool of candidates with the required knowledge and skills required for these critical positions.

Liquor & Gaming's senior management uses the succession plan and performance planning forms to establish mentoring, cross training and leadership programs to help ensure that employees have the required competencies for these critical positions and areas.

**Status** – Liquor & Gaming has implemented our recommendation.

## Document and monitor progress of succession strategies

*We recommended that Liquor & Gaming document and monitor progress of succession strategies. (2006 Report – Volume 3)*

As mentioned above, Liquor & Gaming has developed an approved written succession plan that identifies critical positions that are necessary to meet its strategic objectives. The succession plan identifies a corporate pool of candidates including knowledge and skills required for these critical positions. Liquor & Gaming's succession plan and management framework lists factors used to measure and monitor the effectiveness of succession strategies.

Liquor & Gaming regularly updates a workforce analysis report that documents demographics and staff retention for all of its employees to help monitor human resource risks such as an aging workforce and staff retention. Liquor & Gaming's senior management uses this analysis along with employees' planning performance forms to update and monitor its succession plan and strategies.

**Status** – Liquor & Gaming has implemented our recommendation.

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## Encouraging responsible use of beverage alcohol—a follow up

## Background

Under *The Alcohol and Gaming Regulation Act, 1997* (Act), Liquor & Gaming is responsible for the regulation and control of beverage alcohol. The Act also authorizes Liquor & Gaming to develop, promote, or support activities or programs designed to encourage responsible alcohol consumption. Balancing the responsible use of beverage alcohol with generating revenue for the Government presents a challenge.

In the 2010-11, Liquor & Gaming generated gross revenue of $550.5 million from liquor sales.[3] Liquor & Gaming's performance plan for 2011-12 states that Liquor & Gaming's mission is to promote growth through the socially responsible distribution, management, operation and regulation of liquor in Saskatchewan. Liquor & Gaming is one of several government and non-government agencies that play a role in reducing alcohol misuse. As the regulator and principal distributor and retailer of alcohol, Liquor & Gaming needs to play a significant role in encouraging the responsible use of alcohol.

Our 2006 Report – Volume 1, Chapter 8A (pp. 233-248) concluded that Liquor & Gaming had adequate processes in place except it needed to assign responsibility, prepare a complete plan, and continue to develop performance measures and targets to evaluate its performance for encouraging responsible use of beverage alcohol.

On October 31, 2006, PAC agreed with our recommendations.

In our 2009 Report – Volume 1, we followed up on Liquor & Gaming's progress in addressing our recommendations. We concluded that Liquor & Gaming had implemented our recommendation to formally assign responsibility for encouraging responsible use of beverage alcohol. The two other recommendations were not adequately implemented.

The following sections set out the recommendations (in bold) and Liquor & Gaming's actions up to September 2011. We found Liquor & Gaming

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[3] Saskatchewan Liquor and Gaming Authority, *2010-11 Annual Report*, p. 8.

has implemented one recommendation and partially implemented the other one.

## Prepare a complete plan

***We recommended that Liquor & Gaming Authority prepare a complete plan for encouraging responsible use of beverage alcohol.*** *(2006 Report – Volume 1)*

Liquor & Gaming prepared a social responsibility plan. Outlined in the plan are goals and objectives to encourage responsible use of alcohol. The plan also documents costs and timeframes, potential actions to be completed, outcomes and the divisions responsible for each initiative.

**Status** – Liquor & Gaming has implemented our recommendation.

## Research and develop performance measures and targets

***We recommended that Liquor & Gaming Authority continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol.*** *(2006 Report – Volume 1)*

Liquor & Gaming told us it is challenging to accurately measure the results of the social responsibility initiatives aimed at modifying human behaviour due to the nature of the activities done (e.g., information campaigns). Liquor & Gaming documents results for initiatives where information exists (e.g., the Report Impaired Drivers program). In this program, participating police services track both the number of citizen calls made and the number of charged impaired drivers resulting from those calls. Police services provide this information to SGI. SGI then provides this information to Liquor & Gaming.

Liquor & Gaming also told us that they are in the process of developing a reporting document that will accompany its social responsibility plan. Liquor & Gaming plans to report on the status of its social responsibility initiatives.

**Status** – We continue to make this recommendation.

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# Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[4] Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[5] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Saskatchewan Liquor and Gaming Authority – Supervising Delegated Regulatory Functions** (2010 Report – Volume 2) | | |
| 2011 | 15A-3 that the Liquor and Gaming Authority identify key risks to charitable gaming and use them to focus its evaluation of the Indigenous Gaming Regulators' compliance with the Licensing Agreement. | **Not implemented** (as at April 30, 2010). Follow up planned in 2012. |
| 2011 | 15A-4 that the Liquor and Gaming Authority's senior management receive timely, summarized, written reports of its quarterly and annual evaluations of the Indigenous Gaming Regulators' compliance with the Licensing Agreement for charitable gaming. | **Not implemented** (as at April 30, 2010). Follow up planned in 2012. |
| 2011 | 15A-5 that the Liquor and Gaming Authority keep a written record of required actions and proposed changes to its Licensing Agreement for charitable gaming as agreed upon with Indigenous Gaming Regulators Inc. | **Not implemented** (as at April 30, 2010). Follow up planned in 2012. |

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[4] For definitions of the key terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.

[5] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to the Legislative Assembly.

# Saskatchewan Indian Gaming Authority Inc.

# 19B

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# Main points

This chapter includes the results of our 2011 audit of Saskatchewan Indian Gaming Authority Inc. (SIGA). Over the past several years, SIGA has made significant progress to address the recommendations made in our previous reports.

Saskatchewan Liquor and Gaming Authority's (Liquor & Gaming) internal audit performs annual audits to ensure that the SIGA expenditures are reasonable, comply with relevant policies and have an adequate business purpose. Based on the 2009-10 results of internal audit, Liquor & Gaming concluded that in general, expenses for the period audited were appropriate business expenses and that no recovery was required. As of October 31, 2011, Liquor & Gaming's internal audit has not yet completed the 2010-11 audit of SIGA's expenses.

SIGA needs to better protect its information technology (IT) systems and data including: approving a complete IT strategic plan, preparing a complete disaster recovery plan and assessing the need for a business continuity plan.

SIGA also needs to improve its guidance to employees by completing and implementing its human resources plan to ensure its employees have the appropriate competencies and by ensuring its employees are following its processes for controlling capital assets.

Prior to 2008, Liquor & Gaming prescribed the structure of SIGA's Board of Directors through a directive. In 2008, Liquor & Gaming removed the directive. Since that time, the Board has increased in size and as such, related expenses have increased. Liquor & Gaming, SIGA and the Federation of Saskatchewan Indian Nations are working to resolve current governance issues.

SIGA's financial statements are reliable and it complied with the authorities governing its activities.

This chapter includes a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

# 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. The Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) licensed SIGA to operate six casinos. SIGA's casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public. All casinos are located on First Nations reserves:

Northern Lights Casino (Prince Albert)
Gold Eagle Casino (North Battleford)
Painted Hand Casino (Yorkton)
Bear Claw Casino (White Bear First Nation)
Dakota Dunes Casino (Whitecap First Nation)
Living Sky Casino (Swift Current)

As required by section 207 of the *Criminal Code*, Liquor & Gaming owns the slot machines located in SIGA's casinos. Accordingly, 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.

Under the Casino Operating Agreement,[1] Liquor & Gaming allows SIGA to deduct from the slot machine revenues reasonable costs for operating casinos, as determined by Liquor & Gaming. SIGA remits the remainder to Liquor & Gaming. Also, the Casino Operating Agreement allows SIGA to recover, in any year, net losses 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, ancillary operations (i.e., gift shops, restaurants, and lounges), and table games operations. Table 1 shows the net casino profits SIGA made during the last five years.

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[1] The 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.

**Table 1–Net profits (in $000) from SIGA operated casinos**

| Segment | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Slot operations profit | $ 80,122 | $ 75,468 | $ 78,685 | $ 68,355 | $ 52,695 |
| Ancillary operations loss | (11,779) | (11,472) | (9,399) | (6,143) | (3,091) |
| Table games operations loss | (4,248) | (3,755) | (2,066) | (1,106) | (767) |
| Distributable net profit | 64,094 | 60,241 | 67,220 | 61,106 | 48,837 |
| Unrealized gain (loss) on interest rate swaps | 345 | 4,867 | (7,346) | (3,014) | --- |
| Net profit | $ 64,439 | $ 65,108 | $ 59,874 | $ 58,092 | $ 48,837 |

# Background

In 2002, the Government of Saskatchewan and the FSIN signed a Framework Agreement (Framework Agreement) effective from June 11, 2002 to June 11, 2027. The Framework Agreement allows the development and operation of casinos in Saskatchewan within the parameters of the *Criminal Code.*

Liquor & Gaming and SIGA also signed a Casino Operating Agreement effective from June 11, 2002 to June 11, 2027. Under the Casino Operating Agreement, Liquor & Gaming allows SIGA to deduct from slot machine revenues reasonable costs incurred in accordance with the operating policies approved by Liquor & Gaming. SIGA deposits the remainder into a trust account for Liquor & Gaming in accordance with the process specified in the Casino Operating Agreement. The management of SIGA, in conjunction with Liquor & Gaming, are responsible for setting policies around what constitutes reasonable costs.

As part of Liquor & Gaming's monitoring processes over reasonable costs, its internal audit performs annual audits to ensure that the SIGA expenditures are reasonable, comply with relevant policies and have an adequate business purpose. The latest audit was conducted for the period from October 1, 2009 to September 30, 2010 and the report was finalized in August 2011. As of October 31, 2011, Liquor & Gaming's internal audit has not yet completed the 2010-11 audit of SIGA's expenses.

If SIGA incurs inappropriate expenses above $10,000 annually, Liquor & Gaming can then recover 25% of the amount of such expenses from

future payments to the First Nations Trust. Based on internal audit results, Liquor & Gaming concluded that, in general, expenses for the period audited were appropriate business expenses and no recovery was required.

Prior to 2008, Liquor & Gaming prescribed the structure of SIGA's Board of Directors through a directive. In 2008, Liquor & Gaming removed the directive. Since that time, the Board has increased in size from 7 to 13 members and as such, related expenses have increased. Liquor & Gaming, SIGA, and FSIN are working to resolve current governance issues.

## Audit conclusion and findings

To form our opinions, we 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*.[2]

**In our opinion, for the year ended March 31, 2011:**

♦ **SIGA had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦ **SIGA complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Non-profit Corporations Act, 1997*
> *The Alcohol and Gaming Regulation Act, 1997*
> **Framework Agreement (June 11, 2002)**
> **Casino Operating Agreement (June 11, 2002)**
> **Terms and Conditions for SIGA Table Games (issued by Indigenous Gaming Regulators)**
> **SIGA Slot Machine Operating Procedures and Directives (issued by Liquor & Gaming)**
> **SIGA Operating Policies and Directives (issued by Liquor & Gaming)**

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

> SIGA Bylaws
> *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada)
> Regulations issued pursuant to the above legislation

♦ **SIGA's financial statements are reliable**

## Implementation of past recommendations needed

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 and the Standing Committee on Public Accounts (PAC) agreed with our recommendations. We continue to make the recommendations contained in Exhibit 1.

**Exhibit 1–Summary of previous outstanding recommendations**

| Recommendation (initial report) | Status with PAC | Actions SIGA took in 2010-11 | Status of recommendation |
|---|---|---|---|
| *We recommend that Saskatchewan Indian Gaming Authority Inc.'s management review and the Board approve an information technology (IT) strategic plan.* (2005 Report – Volume 3) | PAC agreed with this recommendation in 2006. | In January 2011, SIGA's Board approved an IT strategic plan. However, the approved IT strategic 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 key threats and risks, long-term planning, and estimated resources required to carry out the plan. | **Partially implemented.** |

| Recommendation (initial report) | Status with PAC | Actions SIGA took in 2010-11 | Status of recommendation |
|---|---|---|---|
| *We recommend that Saskatchewan Indian Gaming Authority Inc. prepare a complete disaster recovery plan and assess the need for a business continuity plan*. *(2008 Report – Volume 3)* | PAC agreed with this recommendation in 2009. | SIGA places significant reliance on its IT systems to operate. SIGA still does not have a complete disaster recovery plan (DRP) for all of is IT systems. Nor has SIGA assessed the requirements for a business continuity plan (BCP) including emergency preparedness planning for all of its casinos.<br><br>SIGA also needs to assess the requirement for a BCP by completing a threat and risk assessment. A BCP would help SIGA recover critical business functions in the event of a disaster. In 2010, SIGA initiated a project to address this issue. | **Partially implemented.** |
| *We recommend Saskatchewan Indian Gaming Authority Inc. complete and implement its human resource plan. (2003 Report – Volume 3)* | PAC agreed with this recommendation in 2004. | SIGA developed a draft 2009-2014 human resource plan. To strengthen this plan, SIGA should include a projection of its future human resource needs (i.e., number, type, level, and location of employees). This information would allow SIGA to focus its efforts to carry out its strategic plan. | **Partially implemented.** |

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| Recommendation (initial report) | Status with PAC | Actions SIGA took in 2010-11 | Status of recommendation |
|---|---|---|---|
| *We recommend that Saskatchewan Indian Gaming Authority Inc. adequately segregate responsibilities of information technology staff so that one person cannot both develop and make system changes. (2010 Report – Volume 2)* | PAC agreed with this recommendation in 2011. | SIGA's IT application developers continue to have the ability to both develop and make system changes. | **Not implemented.** |
| *We recommend that Saskatchewan Indian Gaming Authority Inc. perform regular reviews of its computer application user accounts. (2010 Report – Volume 2)* | PAC agreed with this recommendation in 2011. | SIGA does not review user access or segregation of duties for application user accounts to ensure that the access granted is required and consistent with each employee's job responsibilities. | **Not implemented.** |
| *We recommend that Saskatchewan Indian Gaming Authority Inc. follow its policies to control capital assets. (2010 Report – Volume 2)* | PAC agreed with this recommendation in 2011. | SIGA has not counted all of its capital assets and compared the counts to the accounting records. | **Partially implemented.** |
| *We recommend that Saskatchewan Indian Gaming Authority Inc. follow its computer password setting policy. (2010 Report – Volume 2)* | PAC agreed with this recommendation in 2011. | During the year, SIGA did not require users to follow the password settings for its financial system application. | **Not implemented.** |

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# Protecting Saskatchewan data— the *USA Patriot Act*

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# Main points

On June 6, 2011, the Standing Committee on Public Accounts (PAC) asked that:

> ...when the Provincial Auditor next reports that they take a look at all of the necessary protections that ITO has in place to ensure the citizens of Saskatchewan that their third party contractor cannot share information with the parent company where the parent company is subject to the Patriot Act.

The *USA Patriot Act* does not represent the only risk for Canadian data. And while PAC's motion was in regards to ITO's third party contractor, the same risks are applicable wherever a government agency uses a service provider that stores or processes data in the US, is a US corporation itself, or has a corporate parent in the US. There are also many different ways that agencies can end up with data at risk.

Agencies can manage risks by assessing the risks of using third party contractors, considering risks when selecting contractors, and putting adequate protections in contracts. ITO had some protections in place. Although we make recommendations for how those protections could be improved, these protections can only manage risk, not eliminate it.

Because of security weaknesses at ITO reported in Chapter 16, the protections may not be effective in achieving their intended purpose.

A further way of protecting Saskatchewan data is through the law. We recommend that the Ministry of Justice and Attorney General consider the benefits, in consultation with Saskatchewan's Information and Privacy Commissioner, of changes to Saskatchewan's general access and privacy legislation, which could serve to mitigate risks related to the *USA Patriot Act*. In particular, Saskatchewan's Information and Privacy Commissioner has expressed concerns and made recommendations regarding the "duty to protect" personal information and data in prior years.

# Introduction

This chapter sets out the results of our study into how the Information Technology Office (ITO) protects data that is managed and stored for it by a service provider, where the service provider might be required by United States (US) law to provide that data to a US law enforcement agency. We undertook this study at the request of the Standing Committee on Public Accounts (PAC).

While PAC's motion was in regards to ITO's third party contractor, the same risks are applicable wherever a government agency uses a service provider that stores or processes data in the US, is a US corporation itself, or has a corporate parent in the US. In this chapter we outline the implications of the *USA Patriot Act*[1] for ITO and other government agencies and describe how the related risks can be managed.

# Standing Committee on Public Accounts motion

On June 6, 2011, PAC passed the following motion:

> That when the Provincial Auditor next reports that they take a look at all of the necessary protections that ITO has in place to ensure the citizens of Saskatchewan that their third party contractor cannot share information with the parent company where the parent company is subject to the *Patriot Act*.[2]

# Our response to the motion

The protections put in place by ITO cannot ensure that information will not be accessible through the operation of the *USA Patriot Act*. Short of a decision to exclude the third party contractor because of its corporate ownership, ITO's contractual protections represent a reasonable attempt to manage risks related to the *USA Patriot Act*.

However, as discussed in Chapter 16 – Information Technology Office, our audit of IT security at ITO has identified security weaknesses. These security weaknesses relate to the information managed by the third party contractor. Until these weaknesses are addressed, government

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[1] The text and legislative history of the *USA Patriot Act* can be found at http://thomas.loc.gov/cgi-bin/bdquery/z?d107:H.R.3162:.
[2] http://docs.legassembly.sk.ca/legdocs/Legislative Committees/PAC/Minutes/PAC_35_Minute_June_6_2011.pdf.

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information is at risk of inappropriate access or modification. As well, until ITO monitors whether security requirements that the third party contractor needs to follow are being met, the contractual protections may not be effective in achieving their intended purpose.

In addition, a further means of protecting data is through legislation. We recommend in this chapter that the Ministry of Justice and Attorney General work with the Office of the Information and Privacy Commissioner to address the Commissioner's recommendations for changes to Saskatchewan's access and privacy laws.

In the following sections, we outline the risks related to the *USA Patriot Act* and describe how these risks are managed.

## ITO, its service provider, and the data centre

ITO delivers goods and services related to information technology (IT) to ministries and government agencies. It sets policies and standards for the Government of Saskatchewan respecting IT and information management. Its responsibility for doing so is set out in its regulation.[3]

As part of delivering IT goods and services, ITO uses a data centre, which is a central location for computer network hardware and software, especially storage devices for data. Due to the extensive use of IT in managing government and delivering government programs and services, the ITO data centre contains significant amounts of information. This includes sensitive and confidential information. ITO is responsible to protect the information that it manages, whether directly or through a service provider.

Effective December 6, 2010, ITO commenced an agreement with a service provider to operate and maintain its data centre until December 5, 2017. The service provider, through multiple levels of ownership, is a subsidiary of a US company.

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[3] *The Information Technology Office Regulations, 2007*, s. 3.

# What is the impact of the *USA Patriot Act*?

The *USA Patriot Act* made numerous amendments to US laws. The effect of those amendments includes permitting US law enforcement agencies to require US persons or entities to furnish information. Those orders can apply to information that is in the US, Canada, or elsewhere. A US company can be ordered to provide information that exists (for example on a computer server) in the US. But the US company can also be ordered to provide information to which it has access even if that information is in Canada. The US company subject to the order is not permitted to reveal the existence of the order or that it provided information.

# What kinds of data are at risk?

There are risks involved in storing electronic information anywhere that is not under your direct control. Increasingly, people, businesses, and governments are giving their data to others to manage and store. In this chapter we are focusing on the use of a contractor to operate a data centre. But other situations where data is at risk include:

- Email services, social media, and back up sites
- Services that store information and copies of documents so users can access them from wherever they have access to a computer and the Internet, such as Google Docs, Microsoft Office 365, and Apple iCloud
- Web-based applications where third parties manage the systems and/or host the data
- Other instances of cloud computing where users pay for computing services provided by others over the Internet

In addition, vendors of IT services are often given access to data for maintenance and troubleshooting. This provides another way that a US company may have access to data.

If a US company has access (formal or informal) to data from Saskatchewan, either directly or through a controlled subsidiary, the US company could be required to furnish the data to a US law enforcement agency.

## How significant is the risk?

For information in British Columbia, the Information and Privacy Commissioner for British Columbia considered this matter in detail and concluded that there was: "...a reasonable possibility of unauthorized disclosure of...personal information pursuant to an extraterritorial US order or national security letter."[4] British Columbia and several other provinces made changes to their laws in attempts to specifically address risks related to the *USA Patriot Act*.[5]

At the same time, others regard the *USA Patriot Act* as presenting less risk. One reason is that US law enforcement agencies have other ways of obtaining information.

> Canadian and US intelligence agencies share vast amounts of information. Mutual assistance treaties allow Canadian authorities to get warrants for US authorities and vice versa. "Arrangements" exist for informal sharing related to targets of mutual interest. Canadian authorities can get information in the US without a warrant and American authorities can get information in Canada without a warrant.[6]

This suggests that "multilateral treaties and bilateral data sharing arrangements are being used by the US law enforcement far more than the Patriot Act."[7]

According to the Treasury Board of Canada Secretariat, "...it would be much more difficult for most foreign governments to target specific personal information that may be held by a company under the terms of a contract with the Canadian government than it would be to request information through an existing bilateral agreement."[8]

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[4] Information and Privacy Commissioner for British Columbia, p.18.
[5] British Columbia, for example, amended its *Freedom of Information and Protection of Privacy Act* to specify that public bodies ensure that personal information is stored only in Canada and accessed only in Canada, subject to exceptions. Unauthorized disclosure is prohibited and the changes also required notification in the event of a "foreign demand for disclosure."
[6] Fraser, David, (2011).
[7] Information Technology Association of Canada. (March 2010). *Submission to the Third Legislative Review of the Freedom of Information and Protection of Privacy Act*. http://www.leg.bc.ca/cmt/39thparl/session-2/foi/submissions/organizations/Information_Technology_Association_of_Canada.pdf (October 25, 2011).
[8] Treasury Board of Canada Secretariat (2010), p.9.

Nevertheless, the Treasury Board of Canada Secretariat recommended the need for special attention to government contracts to manage the risks related to the *USA Patriot Act*.[9] Just as Canadian legislation may not dissuade a US company from complying with a legal requirement, within the US, to furnish information, a contract may not prevent disclosure. But these are elements in managing the risk of disclosure.

## How can the risk be managed?

We suggest that government agencies consider the following strategies to manage risks related to the *USA Patriot Act* and data managed and stored by third party contractors.

### Assess risks of using third party contractors

Government agencies should identify risks related to the use of third party contractors. This includes risks related to the *USA Patriot Act*. Agencies should analyze the likelihood and potential impact of risks. For more sensitive information, agencies must take greater precautions.

Agencies should also take into account technical protections that are becoming available to reduce risk. For example, even where data is hosted in the US, Canadian agencies may use encryption to restrict service provider access to sensitive data. In this case, as in most cases, it is not possible to eliminate risk, only reduce it. It is important that agencies decide what level of risk they can tolerate.

### Consider risks when selecting third party contractors

Having assessed risks, government agencies should ensure that they consider those risks in making decisions about service providers. Risk should be considered with other selection criteria in selecting vendors. To allow this to happen, government agencies should ensure they communicate the relevant risks to individuals or groups tasked with making selection decisions.

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[9] Ibid., p.1.

## Protect contractually against information being divulged under the *USA Patriot Act*

Government agencies should use the language in contracts to limit disclosure of information. Depending on the nature of the data, government agencies may decide to specify that information must be processed and stored in Canada. Contracts should prohibit disclosure or transfer of information to parties (related or not) outside Canada or allowing such parties to have access to information without written permission. And contracts should enable whatever technical protections government agencies decide to implement, such as restricting access to some data through encryption.

## Consider legislative protection

One further way to protect data is through legislation. We have consulted with Saskatchewan's Information and Privacy Commissioner regarding PAC's request and this study. The Commissioner has identified that Saskatchewan's legislation is out of date, observing that "all other provinces in western Canada and most Canadian jurisdictions have extensively revised and modernized their access and privacy laws."[10]

In particular, the Commissioner has noted that more recent laws in Canada include a "duty to protect" that requires government agencies to protect personal information. This duty is backed up by significant penalties. Such protections, which are present in Saskatchewan's *Health Information Protection Act*, are absent in Saskatchewan's general access and privacy legislation.

The Commissioner has recommended that the legislation be amended. According to the Commissioner, adequate legislative protection would reinforce the need for government agencies to ensure they have carefully assessed risks and have been diligent in using contracts to manage the risks. We agree. In addition, we also agree with the Commissioner that legislative responses to the *USA Patriot Act* in other provinces should be carefully considered for Saskatchewan.

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[10] Office of the Information and Privacy Commissioner, *2007-2008 Annual Report*, p.7.

1.      **We recommend that the Ministry of Justice and Attorney General consider the benefits, in consultation with Saskatchewan's Information and Privacy Commissioner, of changes to Saskatchewan's general access and privacy legislation, which could serve to mitigate risks related to the *USA Patriot Act*. In particular, Saskatchewan's Information and Privacy Commissioner has expressed concerns and made recommendations regarding the "duty to protect" personal information and data in prior years.**

## How did ITO manage the risk?

We studied whether ITO had adequate protections in place to prevent the third party contractor for the data centre from sharing information with its parent company where the parent company was subject to the *USA Patriot Act*. We assessed ITO's protections for the period January 1, 2010 to August 31, 2011.

To evaluate ITO's protections, we used the strategies mentioned in the previous section. Management agreed with these strategies.

We found that ITO assessed the risk of using third party contractors. It analyzed risks related to the *USA Patriot Act*, for example by obtaining legal advice. However, ITO did not document its analysis of risk.

2.      **We recommend that the Information Technology Office document its analysis of risks related to the *USA Patriot Act*.**

ITO considered risks related to the *USA Patriot Act* when it selected its service provider. For example, ITO specified in the selection process that the infrastructure was to be located in Saskatchewan.

ITO also built into its contract with the third party contractor provisions specifically designed to manage risks related to the *USA Patriot Act*. ITO specified that specific data (i.e., personal information and personal health information) as well as infrastructure were to remain in Canada. The contract also specified that both ITO and the contractor are responsible for complying with privacy laws.

The protections put in place by ITO cannot ensure that its service provider—the third party contractor—will not share information with the parent company subject to the *USA Patriot Act*. But, as noted, short of a decision to exclude the service provider because of its corporate ownership, the protections in the contract represent a reasonable attempt to manage the risks.

However, as we have described earlier in this chapter, our audit of ITO describes weaknesses that put government information at risk (see Chapter 16 – Information Technology Office). The ITO needs to monitor whether the security requirements the service provider is to follow—including requirements related to the *USA Patriot Act*—are being met. Until it does so, the contractual protections may not be effective in achieving their intended purpose.

## Do other government agencies have information that could be similarly accessed?

Many Saskatchewan government agencies have data that might be accessible through application of the *USA Patriot Act*. This includes agencies using data housed in the US and vendors (US or with US parents) providing maintenance that requires access to data.

ITO manages many IT contracts on behalf of ministries. As described above, ITO includes language in its contracts intended to manage these risks. Crown Investments Corporation of Saskatchewan (CIC) Crown corporations have also considered risks relating to the *USA Patriot Act.* For example, CIC considered the *USA Patriot Act* in formulating policies for CIC Crown corporations and in recommending language for contracts.

We encourage all government agencies to consider the risks related to the operation of the *USA Patriot Act* when making decisions about contracting for IT-related work.

## Glossary

**Cloud computing**—The provision of computer resources as a service over the Internet. The user pays for the amount of service required.

**Data centre**—A central location for computer network hardware and software, especially storage devices for data.

**Encryption**—A method of putting information in code so that only authorized users will be able to see or use the information.

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

**Server**—A computer that hosts systems or data for use by other computers on a network.

## Selected references

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# Public Service Commission

**21**

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# Main points

The Public Service Commission (PSC) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

PSC had adequate rules and procedures to safeguard public resources except, as in prior years, PSC did not make certain that user access to its information systems for its former employees was removed promptly. Removing unneeded user access promptly reduces the risk of unauthorized access to PSC's information systems and data. PSC handles sensitive and confidential data.

In 2010-11, PSC implemented a new policy to require all new employees of Government ministries to submit a criminal record check before commencing employment and to require existing employees to report any criminal charges or convictions. These steps help reduce the risk of loss of public money.

This chapter also contains a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

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# 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 have about 12,000 staff positions.

PSC provides leadership and policy direction for the development of a professional public service. PSC delivers human resource services including staffing, classification of positions, compensation and labour relations, and works with ministries in the delivery of human resource services.[1]

The following is a list of PSC's major programs and spending. For further details and variance explanations, see PSC's *2010-11 Annual Report* available on its website www.psc.gov.sk.ca.

|  | Original Estimates | Actual |
|---|---|---|
|  | (in thousands of dollars) | |
| Human Resource Client Service and Support | $ 14,161 | $ 13,548 |
| Employee Service Centre | 13,677 | 13,013 |
| Central Management and Services | 4,325 | 5,188 |
| Corporate Human Resources and Employee Relations | 3,310 | 3,058 |
| Capital Asset Amortization | 1,400 | 1,431 |
|  | $ 36,873 | $ 36,238 |

# Audit conclusion and findings

**In our opinion, for the year ended March 31, 2011:**

♦ **PSC had adequate rules and procedures to safeguard public resources except for the matters reported below**

♦ **PSC complied with the following authorities governing its activities relating to financial reporting, safeguarding public**

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[1] Public Service Commission (2011). *2010-11 Annual Report*. Regina: Author.

*resources, revenue raising, spending, borrowing, and investing:*

> *The Public Service Act, 1998*
> *The Public Service Regulations, 1999*
> *The Financial Administration Act, 1993*
> *Orders in Council issued pursuant to the above legislation*

# Controlling user access to computer systems and data

*We recommended that the Public Service Commission follow its established procedures for removing user access to its computer systems and data.* *(2010 Report – Volume 2)*

In June 2011, the Standing Committee on Public Accounts (PAC) agreed with this recommendation.

During 2010-11, PSC continued to not follow its established procedures for granting and removing user access to its computer systems and data. We found that PSC managers did not make timely requests to remove user access for five terminated employees.

**Status** – We continue to make this recommendation.

# Update on implementation of criminal record checks

*We recommended that the ministries (formerly departments) of Community Resources and Employment and 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).* *(2005 Report – Volume1)*

PAC agreed with these recommendations in 2005.

In September 2005, the Government made PSC responsible for implementing its policy on obtaining criminal record checks for ministry staff in designated positions. Under the Government's 2005 policy, PSC

required incumbent employees in designated positions to submit a criminal record check by stated deadlines and every five years thereafter. PSC determined whether those criminal record checks were satisfactory.[2]

In October 2010, PSC implemented a new policy requiring all new employees of Government ministries to submit a criminal record check before commencing employment. Also, employees must report any criminal charges or convictions as they occur. Failure to report a charge or conviction may result in disciplinary action up to and including dismissal.

Exhibit 1 provides statistics on the number of designated positions that required employees to provide a criminal record check, the deadline dates, and the number of employees who have submitted them.

**Exhibit 1-Statistics on criminal record checks: 2009 to 2011**

| As at | Number of positions requiring criminal record check | Number of employees who have submitted criminal record checks | Deadline dates to submit criminal record check |
|---|---|---|---|
| September 2009 | 10,908 | 7,687 | September 2010 and every five years thereafter |
| September 2010 | 11,998 | 10,755 | September 2010 (for all incumbent employees except CUPE[3] members) or by February 2012 (for CUPE members) and every five years thereafter |
| September 2011 | 11,998 | 11,794 | February 2012 (for incumbent CUPE members) and prior to employment commencement for all new employees |

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[2] A satisfactory check is either a police report showing 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.
[3] Members of the Canadian Union of Public Employees Local 600 (CUPE). PSC *2010-11 Annual Report* (p. 25) reports CUPE employees account for 4.5% (i.e., 541) of the total ministry employees (i.e., 11,905) employed at March 31, 2011.

**Status** – Implemented – PSC has appropriate processes to complete criminal record checks to properly protect citizens from loss of public money.

## Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[4] Our intent is to follow up outstanding recommendations in upcoming reports.

| PAC REPORT YEAR[5] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Public Service Commission – Developing Leaders** (2009 Report – Volume 1) | | |
| 2011 | 9-1 that the Public Service Commission use mentorship programs to help develop potential leaders in government ministries. | **Partially implemented** (as at June 30, 2010 – 2010 Report – Volume 2, p.290). PSC was working with Executive Council to obtain deputy ministers commitment to mentoring. |
| 2011 | 9-2 that the Public Service Commission coordinate programs that provide potential leaders in government ministries with suitable developmental work experiences. | **Partially implemented** (as at June 30, 2010 – 2010 Report – Volume 2, p.290). PSC had gained support of Deputy Minister to Premier for talent management but had not yet coordinated programs. |
| 2011 | 9-3 that the Public Service Commission monitor and report regularly to deputy ministers on the readiness of government ministries to meet their future leadership needs. | **Partially implemented** (as at June 30, 2010 – 2010 Report – Volume 2, p.291). PSC was collecting information about potential leaders but had not yet reported on readiness. |

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[4] For definitions of the Key Terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.
[5] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to the Legislative Assembly.

| PAC REPORT YEAR[5] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Public Service Commission – MIDAS HR/Payroll – annual security audit** (2010 Report – Volume 1) | | |
| 2011 | 9-1 that the Public Service Commission amend its service level agreements with ministries to clearly assign responsibilities for key payroll activities (i.e., managing payroll overpayments, approving payroll payments, and investigating payroll differences). | **Not implemented** (as at December 31 2010). |
| 2011 | 9-3 that the Public Service Commission consistently document its review of payroll reports and resolution of matters resulting from its review. | **Not implemented** ((as at December 31 2010) |

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# Saskatchewan Power Corporation

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# Main points

This chapter contains the results of our audit of the adequacy of SaskPower's processes for inspections of gas and electrical installations and our follow up of outstanding recommendations from two previous audits.

**Inspecting gas and electrical installations**

SaskPower is responsible for the inspection of electrical and gas installations in Saskatchewan. SaskPower had adequate processes for inspections of gas and electrical installations for the twelve-month period ended March 31, 2011 with a few exceptions. We provided seven recommendations including that SaskPower needs to:

♦   periodically re-evaluate its inspection strategies to determine whether they achieve the results intended
♦   improve its processes for monitoring key inspection decisions and reporting inspection activity results to those responsible
♦   report summarized results of its inspection activities to senior management and the board

**Processes to plan for infrastructure needs—a follow up**

SaskPower has implemented the final recommendations remaining from our 2006 audit of its processes to plan for infrastructure needs. It now documents risks that it accepts when it approves capital projects.

**Processes to buy goods and services—a follow up**

SaskPower has made some progress in implementing the remaining two recommendations from our 2007 audit of processes to buy goods and services valued under $100,000. At September 2011, SaskPower staff did not always follow established processes and did not track problems with key suppliers in a coordinated and accessible format.

## Inspecting gas and electrical installations

### Introduction

Under *The Power Corporation Act*, SaskPower is responsible for the inspection of apparatus and equipment related to the use of electrical energy and natural or manufactured gas. SaskPower is also responsible for administering and enforcing *The Gas Inspections Act, 1993, The Electrical Inspections Act, 1993,* and related regulations (inspection acts). A key requirement under these inspection acts is to ensure that gas and electrical installations[1] meet minimum Canadian safety code requirements.[2]

Improper installations of equipment place a safety risk for the Saskatchewan public. By law, anyone (e.g., contractors or homeowners) installing electrical or gas equipment to commercial or residential property must purchase a permit from SaskPower before the work begins.[3] SaskPower uses permits to authorize the homeowner or the contractor to do the installation. Only licensed gas contractors can obtain a permit for installing gas equipment.

SaskPower enforces the requirement of obtaining permits, in part, through inspection of installations prior to approving the permits. It reviews applications for permits and may decide to inspect certain installations. Under the inspections acts, when installations fail to meet minimum safety code requirements SaskPower can stop work, require changes in an installation, disconnect the power or gas, or levy fines.

This section sets out the results of our audit of SaskPower's processes for inspecting gas and electrical installations.

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[1] Installations include the equipment and alteration, extension and repair of any piping (gas) or wiring (electrical).
[2] http://www.csa.ca/cm/ca/en/home (accessed: August 15, 2011).
[3] Details on how to obtain gas and electrical permits is publicly available at http://www.saskpower.com/customer_service/permits_inspections/.

## SaskPower's responsibility for enforcing the safety codes

Electrical and gas installations are an integral part of new commercial or residential construction and renovations to existing properties. Based on Canada Mortgage and Housing Corporation (CMHC) monthly reports, Saskatchewan had 6,900 dwelling starts for the year ended June 2011 compared to 5,100 for the same period in 2010.[4] According to CMHC's *Renovation and Home Purchase Survey*, 42% of Canadian homeowner households renovated their primary residence in 2010.[5] As well, the Construction Sector Council forecasts a continuing surge in non-residential projects in Saskatchewan.[6]

In 2010, SaskPower issued over 135,000 gas and electrical permits. The majority of these permits relate to residential property versus commercial property. As shown in Exhibit 1, the total number of permits SaskPower issues each year has increased over the last five years. Over the five-year period from 2006 to 2010, the proportion of gas permits compared to the total increased slightly from 39.7% to 42%.

**Exhibit 1—Number of permits by type from 2006 to 2010**

|  | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Electrical Permits | 63,039 | 70,692 | 73,617 | 72,994 | 79,411 |
| Gas Permits | 41,693 | 44,405 | 49,757 | 50,948 | 56,480 |
| Total | 104,732 | 115,097 | 123,374 | 123,942 | 135,891 |

SaskPower has about 51.5 inspectors (with 25 assigned to inspecting electrical permits and 26.5 to inspecting gas permits). They performed over 58,000 inspections in 2010 and identified defects in approximately 8% of these inspections.

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[4] http://www.cmhc-schl.gc.ca  Housing Market Information – Preliminary Housing Start Data; Date released: August 2011 (Table 14 Dwelling Starts in Canada, Prairie Provinces, Seasonally Adjusted at Annual Rates (p. 16)) (accessed August 16, 2011).

[5] http://www.cmhc-schl.gc.ca  Housing Market Information - Renovation and Home Purchase Report; Date released: 2011 (Accessed August 29, 2011).

[6] http://www.csc-ca.org  Saskatchewan: Construction Looking Forward 2011-2019 (prepared by Construction Sector Council) (Accessed August 16, 2011).

# Audit objective, criteria, and conclusion

The objective of this audit was to assess the adequacy of SaskPower's processes for inspections of gas and electrical installations for the twelve-month period ended March 31, 2011.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate SaskPower's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. SaskPower agreed with the criteria (see Exhibit 2).

**Exhibit 2—Audit criteria**

1. Use a risk-based strategy for inspection selection
   1.1    Identify key risks of non-compliance
   1.2    Develop a strategy to address those risk
   1.3    Periodically re-evaluate the strategy
   1.4    Set clear policies for handling incidents and complaints

2. Carry out inspections in accordance with strategy
   2.1    Use qualified personnel for inspections
   2.2    Carry out inspections as planned
   2.3    Investigate incidents and complaints

3. Monitor compliance with standards
   3.1    Report promptly identified non-compliance to affected parties
   3.2    Resolve deficiencies noted in inspections
   3.3    Report periodically to senior management and board on compliance trends

**We concluded that SaskPower had adequate processes for inspections of gas and electrical installations for the twelve-month period ended March 31, 2011 except for its processes to:**

♦    **periodically re-evaluate the effectiveness of its inspection strategies including policies over documenting key inspection decisions and following up identified defects**

♦    **monitor key inspection decisions**

♦    **report summarized results of its inspection activities to senior management and the board**

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## Key findings and recommendations

In this section, we set out our findings and recommendations related to the criteria. Our expectations are set out in italics under each subheading.

### *Use a risk-based strategy for inspection selection*

*To enforce compliance with provincial gas and electrical standards, we expected the following. SaskPower would use a risk-based strategy that selects higher-risk permits for inspection and promotes adherence to the relevant national safety code. The risk-based strategy would include an analysis of key risks of non-compliance, a strategy to address those risks, expectations on the nature and extent of permits to inspect, and expectations on the timing and manner to resolve identified defects. Also, SaskPower would have clear policies for handling incidents and complaints. Senior management would approve the strategy and communicate it to all staff involved. Lastly, SaskPower would evaluate the strategy periodically to confirm its ongoing relevance.*

SaskPower used a risk-based strategy to decide which gas and electrical permits to inspect. SaskPower has given inspectors the authority to allow a permit holder to install the gas or electrical equipment without an inspection. It calls these "cleared" permits. Its strategy to select which permits to inspect (inspection strategy) required inspectors to consider the results of its permit compliance audits of contractors,[7] risk scores calculated by its Gas Electrical Inspection System (GEIS), and their professional judgement.

SaskPower had identified risk factors for gas and electrical permits. Risk factors differed slightly between these two different types of installations. Risk factors included contractor past permit and defect history, amount of work covered by a permit, and the type of work (residential vs. commercial). The risk factors for electrical permits do not include installations of over 600 AMPS even though SaskPower has decided to inspect all of these installations. GEIS does not track information about amperage of electrical installations.

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[7] An inspector may examine contractor financial and non-financial records to confirm that regulations are followed and permits are obtained for all work performed.

SaskPower used GEIS to track key information about each permit including the name of the installer (contractor/homeowner), and the inspection results. Using this information, GEIS automatically calculated a risk score for each permit based on significant risk factors that SaskPower selected for use in 2001.

SaskPower, since 2001, has not formally reviewed whether these risk factors remain relevant and complete or whether its inspection strategy has worked as expected. At August 2011, it did not have formal plans to do so.

National gas and electrical safety codes are updated periodically (e.g., every three years). Changes in safety codes, legislation, or other situations may change the importance of SaskPower's existing risk factors or create new risk factors.

Lack of periodic review of risk factors and update of inspection strategies increases the risk that SaskPower may not select the right permits to inspect. This could potentially lead to significant defects remaining unidentified. Gas and electrical installation defects could result in property damage, injury, or death.

1. **We recommend that SaskPower periodically review and update its gas and electrical inspection strategies.**

Through setting expectations about the extent of inspections to do each year, SaskPower recognized the importance of using inspections as a way to promote adherence to safety codes (that is, inspecting enough installations to let installers know that it will check their compliance). In 2010, it expected gas inspectors to inspect 60% of the gas permits and each inspector to complete around 1,000 inspections. In 2010, it expected electrical inspectors to inspect 33% of the electrical permits and each inspector to complete between 750 and 1,000 inspections. Its written guidance for gas inspectors sets out its expectations for the extent of gas inspections to be conducted each year. It communicated similar expectations for electrical inspections to inspectors informally without providing them with written guidance.

Although GEIS calculated a risk score for each permit, SaskPower did not require gas or electrical inspectors to inspect permits with high GEIS risk

scores. As previously noted, SaskPower expected inspectors to use their professional judgement to decide which permits to select for inspection. To help gas inspectors make consistent judgements, SaskPower provided its gas inspectors with written guidance on selecting gas permits to inspect and standard checklists to guide inspections. The checklists were based on the gas safety code. SaskPower had not provided its electrical inspectors with similar guidance. Not providing written guidance increases the risk that inspectors may not apply their professional judgement consistently and as SaskPower expects.

2.      **We recommend that SaskPower document its strategy for electrical inspections including guidance on selecting permits to inspect.**

Guidance provided by SaskPower did not require inspectors to document the reasons for not inspecting permits with high GEIS risk scores. Not documenting reasons for these decisions makes it difficult for SaskPower to monitor whether inspectors select the right permits to inspect.

During our audit, we noted numerous permits with high GEIS risk scores that were cleared without inspection. For example, 32% of gas permits and 57% of electrical permits with high GEIS risk scores were cleared without inspection. Inspectors did not document their reasoning for not inspecting permits with high GEIS risk scores, that is, document why these were not high-risk installations.

Chief inspectors[8] told us that they relied primarily on interactions with their inspectors and periodic staff meetings to assess the appropriateness and consistency of inspectors' inspection selection decisions. Documentation of inspection decisions would enable chief inspectors to better determine if inspectors consistently inspect high-risk installations. Inconsistent application of the inspection strategy could result in permits for high-risk installations being cleared without inspection, leading to potentially significant defects remaining unidentified. Gas and electrical installation defects could result in property damage, injury, or death.

3.      **We recommend that SaskPower require, in writing, its gas and electrical inspectors to document rationale for not inspecting permits for high-risk installations.**

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[8] Chief inspectors are the head of SaskPower's gas and electrical divisions.

4.      **We recommend that SaskPower require management to review inspectors' rationale for not inspecting gas and electrical permits for high-risk installations.**

## *Carry out inspections in accordance with strategy*

*Proper implementation of inspection strategies ensures inspectors select, at minimum, higher risk installations for inspection and promotes adherence to the relevant national safety code. We expected the following. SaskPower would require inspectors to have appropriate qualifications (e.g., defined levels of knowledge, skills, and experience). Inspectors would carry out inspections consistent with the related inspection strategy and SaskPower's expectations. Inspectors would investigate reported incidents and complaints promptly.*

SaskPower required inspectors to have qualifications (i.e., levels of knowledge, skills, and nature and years of experience) that were consistent with those for similar positions in Alberta, British Columbia, and Manitoba. In addition, SaskPower provided continual training to keep inspectors' knowledge current. For example, it required its electrical inspectors to complete an eight-week training course. SaskPower also provided training on changes to safety code and supervisors discussed these changes at quarterly meetings with inspectors.

SaskPower expected inspectors to keep abreast of changes to national gas and electrical safety codes. During the audit, inspectors showed awareness of changes to safety codes. Also, to help keep staff current, SaskPower supported the participation of its inspection staff on Canadian Standards Association national safety code development committees. At August 2011, three inspection staff were involved in those committees.

As set out in Exhibit 3, in 2010, SaskPower inspected 63% of gas permits and 30% of electrical permits. As such, SaskPower achieved its 2010 target percentage of gas inspections and was slightly below its 2010 target percentage of electrical inspections. It achieved its 2010 targets for the average number of inspections completed by each gas and electrical inspector.

**Exhibit 3—Permits inspected by type from 2006 to 2010**

|  | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| % Gas permits inspected | 51% | 49% | 58% | 60% | 63% |
| Average # gas permits inspected per inspector | 921 | 937 | 1,192 | 1,200 | 1,336 |
|  |  |  |  |  |  |
| % Electrical permits inspected | 27% | 22% | 22% | 28% | 30% |
| Average # electrical permits inspected per inspector | 692 | 684 | 713 | 907 | 942 |

SaskPower used GEIS to track the results of the inspections. Where the inspection identified a problem (a defect), GEIS automatically set a date (i.e., 30 days from the date of inspection) by which the permit holder was to correct the problem (i.e., resolution date). Inspectors could extend the resolution date if reasonable justification existed. SaskPower promptly communicated this date, in writing, to the permit holder along with the results of the inspection (usually on the day of the inspection). Although inspectors were not formally required to document their reasons for extending the date, we found some inspectors documented their reasons in either personal notes or electronic summary sheets.

SaskPower recognized that GEIS was not designed to capture the reasons for extending the resolution date or activities to monitor overdue inspections. As such, SaskPower expected electrical inspectors to record, for each permit, pertinent information about identified defects and their activities to monitor overdue defects in an electronic summary sheet. In September 2011, gas inspectors started to use similar summary sheets.

SaskPower asked permit holders to advise them when defects were fixed. SaskPower expected its inspectors to be proactive and follow up defects not corrected by the resolution date. If the defect was not corrected when expected, SaskPower expected inspectors to remind permit holders of the requirement to fix the defect (e.g., second notices) and to take defined escalating actions (e.g., initiate bond action or disconnect gas/electricity) until the defect was fixed. It provided inspectors with written guidance to follow up identified defects.

Timely and continuous follow up of identified defects is critical so that problems are fixed within a reasonable time period. As noted in Exhibit 4,

the time allowed for and taken to fix defects varied significantly. In 73% of the permits with inspections that we sampled, the permit holder exceeded the time provided to fix the defect.

**Exhibit 4—Time taken to clear permits (based on our sample of permits)**

|  | Gas Permits | Electrical Permits |
|---|---|---|
| # days allowed for permit holder to fix defect | 30 to 210 days | 21 to 90 days |
| # days taken by permit holders to resolve inspection defect | up to 334 days | up to 304 days |

SaskPower expected inspectors to use their judgement in clearing defects and deciding which defects required reinspection. We expected inspectors to reinspect the installation within 120 days after the permit holder advised SaskPower that the defect was fixed. Alternatively, for permits where inspectors decided a reinspection was unnecessary, we expected them to indicate in GEIS that the permit was cleared. Reinspection confirms that permit holders fixed the defect properly. For 13% of the permits that we sampled (4 of 30), inspectors did not re-inspect within this period and the permits remained uncleared in GEIS. In one instance, the inspector did not re-inspect until over a year after the permit holder advised SaskPower that it had fixed the defect.

Senior management relied solely on verbal reports from inspectors about defects not fixed as or when expected. Management did not receive written reports on the average number of days allowed for correction, or on the status of defects not corrected within the allowed time. Without timely defect resolution, homeowners and/or businesses may be at risk of property damage, injury, or death.

Timely resolution of defects also reduces the chance that permits may needlessly remain outstanding. Management has a policy to clear a permit (with or without inspection) within one year of its issuance. During our audit, GEIS had over 34,000 uninspected and uncleared permits that were over a year old; 9,000 of these permits were over two years old. Management did not receive a report to monitor uncleared permits that remain in GEIS.

5. **We recommend that SaskPower establish a process to clear uninspected gas and electrical permits in its Gas Electrical Inspection System within a reasonable amount of time.**

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### *Monitor compliance with standards*

*Monitoring the results of inspections allows SaskPower to determine if inspection activities are effective. We expected the following. SaskPower would promptly inform affected parties of defects identified during inspections. SaskPower would work with contractors and homeowners so that defects were fixed within a reasonable timeframe or, alternatively, for unresolved defects take steps to minimize the risk of property damage, injury, or death. Senior management would receive and review periodic reports on inspection results and compliance trends. Reports would include trend information on the number and nature of permits cleared without inspection, the extent of inspections, the number and type of defects found, number and type of defects not resolved within a reasonable timeframe, and assessments of residual risk of property damage, injury, or death. The Board of directors would receive periodic summary reports about compliance trends and their impact on SaskPower's gas and electrical regulatory activities.*

SaskPower required inspectors to communicate inspection results promptly to permit holders. For all of the permits that we sampled, inspectors consistently issued the results of the inspections through inspection notices the day of the inspection. When following up the status of uncorrected defects, each inspector kept notes of communications with permit holders. The nature and extent of these notes varied between inspectors.

As previously noted, management did not formally determine if inspectors consistently inspected permits with high-risk installations and did not ensure permits were cleared within one year of their issuance. Rather, management met quarterly with staff of the gas and electrical inspection divisions to discuss issues and kept minutes of these meetings.

Each month, supervisors of inspectors received information about the volume of inspection activities (i.e., the number of inspections completed and outstanding defects at the time of the report). On an annual basis, senior management received reports on the total number of gas and electrical permits issued and cleared, inspections, and defect notices issued. One report provided comparisons to prior year figures on an overall basis. Another report compared the current year data to a three-

year average. Management also received a comparison of the actual number of inspections per inspector to planned.

Senior management did not receive information on the results of inspection activities such as trend information on the nature of permits cleared without inspection, type of the defects (e.g., residential, commercial, agricultural, etc.), the number or the age of outstanding defects, or actions taken for higher-risk outstanding defects.

During the audit period, the Board did not receive any reports on SaskPower's inspection activities.

Without information on the results of the inspection activities, including information on high-risk defects not resolved within a reasonable time, SaskPower cannot effectively monitor if permits were cleared in accordance with policy and whether its inspection activities are effective. Furthermore, without comparative information on inspection results, SaskPower cannot identify common or emerging trends or risks. These trends or risks could lead to necessary changes to the inspection strategy.

6. **We recommend that SaskPower give senior management quarterly written reports on high-risk older outstanding defects and on the number and age of all outstanding gas and electrical defects identified in inspections.**

7. **We recommend that SaskPower periodically give its Board of Directors summary trend information on its gas and electrical inspection activities and common or emerging trends or risks in gas and electrical installations.**

## Selected references

Provincial Auditor Saskatchewan. (2007). Chapter 2 – Agriculture and Food. In *2007 Report – Volume 1*. http://www.auditor.sk.ca/saskrepnew.nsf/$$ViewTemplate?OpenView

Provincial Auditor Saskatchewan. (2007). Chapter 9 – Finance. In *2007 Report – Volume 3*. http://www.auditor.sk.ca/saskrepnew.nsf/$$ViewTemplate?OpenView

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Provincial Auditor Saskatchewan. (2010). Chapter 2 – Education. In *2010 Report – Volume 1*.
http://www.auditor.sk.ca/saskrepnew.nsf/$$ViewTemplate?OpenView

## Processes to plan for infrastructure needs—a follow up

### Introduction

At June 2011, SaskPower's generating infrastructure included three coal-fired power stations, seven hydroelectric stations, five natural gas stations, and two wind generation facilities. Combined, these could generate up to 4,009 megawatts.[9] At June 30, 2011, the power stations had a cost of $4.2 billion and a net book value of $2.2 billion.[10]

Also, at June 2011, SaskPower had contracts with various power producers to purchase up to 496 megawatts of electricity.[11] SaskPower estimates that it will need an additional 3,755 megawatts of electricity by 2033 to meet projected electricity needs.[12] It expects to invest about $10 billion in infrastructure over the next 10 years including $675 million in 2011.[13]

### Status of recommendation

Our 2006 Report – Volume 1 includes the results of our audit of SaskPower's processes to plan for infrastructure needs related to generating electricity. We made four recommendations. On January 10, 2007, the Standing Committee on Crown and Central Agencies agreed with these recommendations. Chapter 16 of our 2010 Report – Volume 1 reported that SaskPower, at December 31, 2009, had adequately addressed three of these four recommendations.

As described below, at September 30, 2011, SaskPower has implemented the remaining recommendation.

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[9] SaskPower. *SaskPower 2011 Second quarter report for the six months ending June 30, 2011*.
[10] Ibid., p.28.
[11] Ibid., p. 41.
[12] *SaskPower 2010 Annual Report*, p.45.
[13] *SaskPower 2011 Second quarter report,* p. 3.

### *Documenting infrastructure risks*

***We recommended that SaskPower document the nature and extent of specific infrastructure risks that it accepts when it approves projects.*** *(2006 Report – Volume 1)*

Effective for the 2011 fiscal year, SaskPower requires staff to document their analysis of risk for larger capital projects (i.e., those with budgeted costs over specified dollar thresholds). It further requires staff to submit this documentation to management and the Board when seeking approval to proceed with the project. Required documentation includes the following for each identified risk: root causes, magnitude, and likelihood of the risk occurring.

Staff capture the results of their risk assessments and analysis in a "risk register." The risk register also includes the risk owner, actions taken to mitigate the risk, potential measures to assist in monitoring the risk, and identifies the risk remaining after mitigating actions that SaskPower accepts when it approves the project.

**Status** – SaskPower has implemented this recommendation.

## Processes to buy goods and services—a follow up

### Introduction

Effective acquisition of goods and services is crucial to SaskPower. As set out in its purchasing objective, it expects "to ensure SaskPower and its subsidiaries purchase goods and services in a manner that maximizes value, competition, and fairness and results in the best possible balance of benefits to SaskPower and to the people of Saskatchewan."[14]

SaskPower has a large number of low dollar value purchases (i.e., below $50,000) each year and does business with about 2,600 suppliers. In each of the past two years, SaskPower bought about $250 million of goods and services (e.g., materials, contract management) excluding its salaries and related benefits, and spent over $565 million on capital

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[14] *SaskPower Purchasing Policy and Procedures*, September 2007, p. 4.

projects.[15] Capital projects include turbine and boiler upgrades, transmission lines, and wood pole replacements.

## Status of recommendations

Chapter 23 of our 2007 Report – Volume 3 includes the results of our audit of SaskPower's processes to buy goods and services valued at under $100,000. We made four recommendations. Chapter 16 of our 2010 Report – Volume 1 reported that SaskPower, at December 31, 2009, had adequately addressed two of these four recommendations. At September 30, 2011, the Standing Committee on Crown and Central Agencies had not yet reviewed these chapters.

As described below, at September 30, 2011, while SaskPower has made progress implementing the remaining two recommendations, more work remains.

## Obtaining required approval for purchases

*We recommended that SaskPower consistently follow its established processes that require its staff to obtain the appropriate approval of the purchase prior to finalizing the purchase decision.* *(2007 Report – Volume 3)*

As reported in our 2010 Report – Volume 1, SaskPower had a clear and detailed policy and procedure for obtaining appropriate approval prior to finalizing the purchasing decision but staff did not always follow these procedures.

During 2011, as part of its Business Renewal Program, SaskPower engaged a consultant to review its procurement function and to develop new ways to carry out its procurement function. SaskPower intends to redesign its existing procurement processes over the next four to five years. Planned changes include the use of electronic approvals to avert initiation of procurement activities before appropriate approvals are obtained.

In 2011, SaskPower monitored purchases and required staff to report irregularities to internal audit and senior management. There were no

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[15] SaskPower. *2010 Annual Report*. p. 2.

purchasing irregularities reported during 2011. SaskPower's ability to effectively monitor whether staff follow the existing purchasing procedures is limited given the large number of personnel involved in purchasing, the high volume of transactions, and the extensive amount of manual processes used. Our testing of 2011 purchases showed that staff did not consistently obtain required approvals before finalizing purchase decisions. SaskPower told us that it expects to address this problem as part of its Business Renewal Program.

Obtaining proper approval before a purchase ensures the purchase decision (including the chosen purchase method) is appropriate.

**Status** – We continue to make this recommendation.

## Tracking problems with key suppliers

*We recommended that SaskPower track problems with key suppliers and make this information available for purchasing decisions. (2007 Report – Volume 3)*

Consistent with our 2007 audit, SaskPower does not document supplier performance information in a coordinated and accessible format.

As noted above, SaskPower has initiated a redesign of its existing procurement processes. Planned improvements include collecting and maintaining key supplier performance data in a centrally accessible information technology system.

Given the new system will not be operational for several years, SaskPower is considering implementing an interim process to improve tracking of supplier performance in a coordinated and accessible format.

Tracking supplier performance can reduce the risk that SaskPower will re-use suppliers with known performance problems.

**Status** – We continue to make this recommendation.

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# Saskatchewan Watershed Authority

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# Main points

Saskatchewan Watershed Authority (Authority) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, the Authority's financial statements are reliable.

The Authority had adequate rules and procedures to safeguard public resources except for the following:

♦ the Authority needs to use appropriate information technology security policies and procedures and to implement and test a business continuity plan

♦ the Authority needs to put in place an adequate information technology service agreement with Saskatchewan Water Corporation

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

# Introduction

The mandate of the Saskatchewan Watershed Authority (Authority) is to lead management of the Province's water resources to ensure safe sources for drinking water and reliable water supplies for economic, environmental, and social benefits for Saskatchewan people.[1]

At March 31, 2011, the Authority held assets of $361.7 million, had annual operating revenue of $75.1 million, and had a surplus for the year of $36.0 million. Each year, the Authority tables its annual report including its audited financial statements with the Legislative Assembly.[2]

# Audit conclusion and findings

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

**In our opinion, for the year ended March 31, 2011:**

♦ **the Authority had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦ **the Authority complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Saskatchewan Watershed Authority Act, 2005*
> *The Saskatchewan Watershed Authority Regulations*
> *The Drainage Control Regulations*
> *The Water Power Act*
> *The Water Power Regulations*
> *The Crown Employment Contracts Act*
> *The Financial Administration Act, 1993*

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[1] Saskatchewan Watershed Authority, *2010-11 Annual Report*, p. 3.
[2] See www.swa.ca.

**Orders in Council issued pursuant to the above legislation**

♦ **the Authority's financial statements are reliable**

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

# Information technology security policies and procedures need improvement

The Authority needs to strengthen the design and implementation of its information technology (IT) security policies and procedures for change management, incident management, and segregation of IT duties.

The Authority does not have sufficient segregation of duties or sufficient documentation of IT changes made. The Authority has limited incident and problem management procedures and does not monitor the security logs of network equipment such as firewalls to help safeguard its assets. Also, segregation of duties between users of the data and the developers and programmers is not maintained when migrating programming code into the production environment.

IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. For example, these policies and procedures identify the rules that staff need to follow. They also define how compliance with security policies will be monitored and how security incidents will be addressed.

Without adequate IT security policies, the Authority's systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

1. **We recommend that the Saskatchewan Watershed Authority approve information technology security policies and procedures to address change management, incident management and segregation of information technology duties.**

## Business continuity plan needed

*We recommended that the Saskatchewan Watershed Authority implement and test a business continuity plan.* (2010 Report – Volume 2)

On January 20, 2011, PAC agreed with our recommendation.

During the year, the Authority made little progress in this area. The Authority needs a written, approved, and tested business continuity plan[3] to help ensure that it can continue to deliver its programs and services in the event of a disaster.

The Authority 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 Authority is at risk of not being able to deliver its programs and services in a timely manner.

A good business continuity plan must:

♦ have management support including making the required resources available to create and maintain the business continuity plan

♦ be based on a threat and risk assessment including identifying and ranking the Authority's critical functions

♦ set out the plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of key programs and services

♦ be documented, approved by management, and easily accessible when the plan needs activation

♦ be tested initially and policies should provide for ongoing testing, maintenance, and updating of the plan

**Status** – We continue to make this recommendation.

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[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.

## Signed service agreement required

*We recommended that the Saskatchewan Watershed Authority have an adequate information technology service agreement with Saskatchewan Water Corporation.* (2010 Report – Volume 2)

On January 20, 2011, PAC agreed with our recommendation.

During the year, the Authority made little progress in this area. The Authority supplies information technology services to Saskatchewan Water Corporation. The Authority does not have a service agreement with Saskatchewan Water Corporation.

The Authority needs a service agreement with Saskatchewan Water Corporation setting out the roles and responsibilities of both parties. For example, the agreement would describe the services to be provided by the Authority (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 service agreement, there is a risk that the Authority and Saskatchewan Water Corporation will not clearly understand and carry out their roles and responsibilities.

**Status** – We continue to make this recommendation.

## Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[4] Our intent is to follow up outstanding recommendations in upcoming reports.

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[4] For definitions of the Key Terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.

| PAC REPORT YEAR[5] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Saskatchewan Watershed Authority – Water Supply** (2010 Report – Volume 2) | | |
| 2011 | 19-3 that the Saskatchewan Watershed Authority's Board approve a policy for identifying risks to the water supply. | **Not implemented** (as at September 30, 2011). |
| 2011 | 19-4 that the Saskatchewan Watershed Authority implement a written plan for identifying risks to the water supply. | **Not implemented** (as at September 30, 2011). |
| 2011 | 19-5 that the Saskatchewan Watershed Authority document its processes to collect information about the water supply. | **Not implemented** (as at September 30, 2011). |
| 2011 | 19-6 that the Saskatchewan Watershed Authority systematically evaluate information about the water supply to identify risks. | **Not implemented** (as at September 30, 2011). |
| 2011 | 19-7 that the Saskatchewan Watershed Authority consistently document identified causes of risks to the water supply. | **Not implemented** (as at September 30, 2011). |
| 2011 | 19-8 that the Saskatchewan Watershed Authority communicate to the public risks about the water supply including likelihood and impact of these risks. | **Not implemented** (as at September 30, 2011). |
| **Saskatchewan Watershed Authority – Cross-Government Infrastructure** (2005 Report – Volume 1) | | |
| 2005 | 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, 2010). |
| 2005 | 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, 2010). |

[5] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to Legislative Assembly.

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# Social Services

<span style="color:teal; font-size:2em">**24**</span>

# Main points

The Ministry of Social Services (Ministry) and its funds complied with authorities governing their activities and the financial statements of the funds are reliable. The Ministry had adequate rules and procedures to safeguard public resources except it needs to improve its processes in the following areas:

**Protection of children**

The Ministry must follow its processes to ensure all children who are the responsibility of the Minister receive proper care and are protected. Lack of compliance with established standards increases the risk that foster families may not receive the support they need and wards of Minister may not receive the care they need. The quality assurance group assesses how well Ministry staff and First Nation agencies comply with the Ministry's child protection standards. The quality assurance process is a positive step to help improve child protection in the province but more work remains.

**Income assistance programs**

The Ministry needs to continue to improve its processes to ensure only eligible individuals receive assistance and that they receive the correct amount of assistance. It also needs to document its analysis to determine an acceptable rate of overpayments for income assistance programs.

**Supervision of community-based organizations**

Although the Ministry has made progress towards better supervising community-based organizations (CBOs), more work remains. The Ministry needs to work with CBOs to establish performance measures and targets that better allows it to assess the CBOs' progress in achieving the Ministry's operational objectives. It also needs to perform timely reviews on all the performance information submitted by the CBOs.

**Corporate Services**

The Ministry needs to do more to strengthen its information technology security processes. It needs to sign an adequate agreement with ITO, monitor the effectiveness of ITO's security and establish an adequate information technology plan.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

# 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 citizens in their efforts through income support, child and family services, services for persons with disabilities, development of affordable housing, and by building greater capacity in community-based organizations.[1]

The Ministry received $804 million from the General Revenue Fund to deliver its programs and had revenues of $23[2] 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:

|  | Estimates[3] | Actual |
|---|---|---|
|  | (Millions of dollars) | |
| Central management and services | $ 41 | $ 43 |
| Income assistance and disability services | 508 | 513 |
| Child and family services | 182 | 167 |
| Client support | 15 | 20 |
| Housing | 11 | 61[4] |
|  | $ 757 | $ 804 |

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[1] Ministry of Social Services *2010-11 Annual Report*.
[2] Ministry of Social Services *2010-11 Annual Report*, p. 31.
[3] Saskatchewan Finance, *Saskatchewan Provincial Budget Estimates for the fiscal year ending March 31, 2011* excluding the money authorized through the *Saskatchewan Supplementary Estimates*.
[4] Additional funding was provided by Special Warrant for the social housing agreement which is cost shared with the federal government.

## Special purpose funds and Crown agency

The Ministry is responsible for the following special purpose funds (funds) and Crown agency:

|  | Year-end |
|---|---|
| Social Services Central Trust Account | March 31 |
| Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund | March 31 |
| Social Services Valley View Centre Residents' Trust Account | March 31 |
| Saskatchewan Housing Corporation | December 31 |

In this chapter, we report the results of our audit of the Ministry and its funds. We reported the results of our audit of the Saskatchewan Housing Corporation for the year ended December 31, 2010 in our 2011 Report – Volume 1.

The chapter also provides an update on the past recommendations of the Standing Committee on Public Accounts.

# Audit conclusion and findings

To assess the Ministry's processes to protect children in care, we examined various files, reports, and documents in the Ministry's offices and had discussions with senior officials. Our work did not include directly examining files of those children that the Ministry placed in out-of-home care on reserves.

**In our opinion, for the year ended March 31, 2011:**

♦    **the Ministry and its funds had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**

♦    **the Ministry and its funds complied with the following 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:*

> *The Child and Family Services Act*
> *The Child Care Act*
> *The Department of Social Services Act*
> *The Rehabilitation Act*
> *The Residential Services Act*
> *The Saskatchewan Assistance Act*
> *The Saskatchewan Income Plan Act*
> *The Government Organization Act*
> *Orders in Council and regulations issued pursuant to the above legislation*

♦ **the financial statements of the funds are reliable**

We report our findings under four headings: protection of children, income assistance programs, supervision of community-based organizations, and corporate services.

## Protection of children

### *Background*

*The Child and Family Services Act* requires the Minister of Social Services to intervene on a child's behalf if 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 a 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.

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A non-ward is a child that the courts may place in the custody of a person of sufficient interest[5] rather than with the Minister.

Also, the Ministry has delegated authority to 18 First Nation Child and Family Services agencies[6] (First Nation agencies) to care for children who are wards of the Minister and reside on reserves.

Under the law, First Nation 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 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 Nation agency's care

♦ accept transfer of First Nation children from the Ministry that it apprehended off reserve when the Ministry considers the transfer desirable

To obtain custody of a child in need of protection, First Nation agencies use the Minister's powers specified in agreements 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, the Ministry continues to be responsible to ensure those children receive appropriate care whether on or off reserve.

At March 31, 2011, the Ministry reported it had 5,879 children in out-of-home care.[7] Of those children, 1,538 children were non-wards and 4,341 children were wards of the Minister. Of those children who were wards of the Minister, the Ministry's staff (caseworkers) cared for 74% of the children and the First Nation agencies cared for 26% of the children.

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[5] 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 to the child, and in the case of a Status Indian child, is Chief of the Indian Band or his or her designate.
[6] First Nation agencies are not-for-profit community-based organizations that individual First Nations establish to carry out child and family service programs on related First Nation reserves.
[7] Ministry of Social Services *2010-11 Annual Report*, p. 22.

**Table 1** below shows that the total number of children in out-of-home care has been declining over the past three years.

**Table 1—Children in care**

| Fiscal year end | Non-wards living in out-of-home care | Children in care on reserve | Children in care off reserve | Total Children in out-of-home care |
|---|---|---|---|---|
| March 31, 2009 | 1,297 | 1,206 | 3,593 | 6,096 |
| March 31, 2010 | 1,428 | 1,176 | 3,348 | 5,952 |
| March 31, 2011 | 1,538 | 1,124 | 3,217 | 5,879 |

Source: Ministry of Social Services *2010-11 Annual Report*, p. 22.

The Ministry has established rules and procedures (standards) to protect children in out-of-home care. The Ministry's standards apply to children including those who are in the care of First Nation agencies.

The standards set out detailed processes for providing appropriate out-of-home care. For example, standards state how often caseworkers need to meet with foster parents and children and define requirements for child development plans. The standards also set out approval requirements for foster homes caring for more than four children and define how to assess potential new foster parents (reference and criminal record checks).

To help improve compliance with its standards to protect children in out-of-home care, the Ministry established a quality assurance process in 2009. In 2010, we could not assess the effectiveness of the Ministry's quality assurance process because the Ministry did not provide us sufficient details of its quality assurance processes and corroboratory evidence of results. The Ministry told us that it could not share the results with us in the past because it had not completed its findings. We have now received that information. We refer to the Ministry's quality assurance process later in this chapter.

Notwithstanding the location of the foster homes (off reserve or on reserve), the Ministry requires that each child must have an assigned caseworker. The Ministry has established standards setting out qualifications and requirements for reference and criminal record checks to hire such caseworkers. Management told us that the Ministry approves hiring of all caseworkers.

**455**

The quality assurance group reports to a senior official of the Ministry. The group assesses how well Ministry staff and First Nation agencies comply with the Ministry's child protection standards. The group assesses compliance of the Ministry's service areas[8] every quarter while it does so once in three years for First Nation agencies. Later in this chapter, we discuss the frequency of the group's current practice to assess compliance of First Nation agencies.

The Ministry has staff specifically dedicated to work with First Nation agencies to resolve any issues the quality assurance group identifies. It requires staff and First Nation agencies to prepare written plans to address the issues identified. The Ministry also has processes to work with care providers on reserves to improve compliance with the established child protection standards.

The Ministry's quality assurance process is a positive step to help improve child protection in the province but more work remains.

### *Protection standards for children in out-of-home care*

***We recommended that the Ministry of Social Services follow its processes to ensure that children in care are protected and the payments to custodians are authorized.*** *(2003 Report – Volume 3).*

In September 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

The Ministry has implemented processes to ensure payments to custodians are authorized.

The Ministry's quality assurance group monitors compliance with the established child protection standards. The quality assurance group monitors compliance with child protection standards both on and off reserves.

We reviewed the Ministry's quality assurance reports for one service area and 8 First Nation agencies. The Ministry's work for the remaining two service areas and ten First Nation agencies is not yet complete.

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[8] The Ministry has divided the province into three service areas, i.e., South, Centre, and North.

For the past many years, we have reported the Ministry's non-compliance with its child protection standards. In the past, we only reported non-compliance with child protection standards for children residing off reserves. We did so because the Ministry could not provide us information for children residing on reserves.

During 2011, the Ministry's quality assurance reports that we reviewed identified non-compliance with established child protection standards for children in out-of-home care residing both on and off reserves. Caseworkers did not always comply with the established standards. For example, for one service area where the Ministry completed its review, it found the level of compliance with established standards as follows:

♦  maintaining current child development plans every 120 days (82% compliance)
♦  preparing and maintaining child development plans within the first 30 days of the child's placement (22% compliance)
♦  meeting and documenting meeting with foster parents and children (50% to 71% compliance)
♦  updating the criminal record checks for foster parents and other adults living in the foster home (41% compliance)
♦  assessing foster homes on a consistent basis (53% compliance)
♦  reviewing and approving foster homes when placing more than four children in the foster home (75% compliance)

We received the results of the Ministry's assessment of the level of compliance at 8 of the 18 First Nation agencies. The results show that those agencies had varying levels of compliance with established standards. While some agencies had good compliance with some standards, others had poor compliance. The Ministry needs to continue to work with the First Nation agencies to communicate the importance of following established standards. For example, on an overall basis, the 8 agencies completed criminal record checks in 61% of the foster homes reviewed.

The Ministry established standards to help protect vulnerable children. Lack of compliance with those standards by the Ministry staff and the First Nation agencies increases the risk that children in care may not receive the care they need.

The Ministry told us it is starting to implement new risk assessment processes for protecting children in its care. The processes will result in new service standards, including contact standards, that are based upon the protection needs of the child rather than being system-wide.

**Status** – We continue to make this recommendation.

### *Caring for children residing on reserves*

***We recommended that the Ministry of Social Services make agreements with First Nation child and family services agencies to require timely and relevant information to ensure proper care for children who are wards of the Minister****. (2008 Report – Volume 3)*

***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.*** *(2008 Report – Volume 3)*

In December 2008, PAC agreed with our recommendations.

Management told us that since 2008, the Ministry has moved from a manual tracking system to a broad-based technology system (LINKIN) to assist in monitoring and tracking children. The Ministry piloted the system in 2010-11 and management has advised us it will be rolled out in 2011-12.

Under Section 61 of *The Child and Family Services Act,* the Ministry initially signed agreements with all of the 18 First Nation agencies to provide childcare services to children residing on reserves on the Ministry's behalf. In our past reports, we said those agreements were not adequate because the First Nation agencies were not required to provide timely and relevant information to ensure proper care for wards of the Minister.

The Ministry has now signed revised agreements with 15 of the 18 First Nation agencies. The updated agreements require the First Nation agencies to provide the Ministry with information on agency staff, foster homes, and children in care. For example, the agreements require the First Nation agencies to provide a listing of children in care including a description of the court order in place regarding the child and basic

information such as how long the child has been in care. Management told us that the Ministry requires each First Nation agency to provide a monthly listing of children in its care.

While 17 First Nation agencies provide monthly reports on children in care, we found that the Ministry did not receive these reports on a timely basis. The Ministry received about 47% of these reports more than 90 days after the month-end. We also found that one First Nation agency did not provide the Ministry with the required information to monitor the agency's compliance with established childcare standards.

The Ministry does not receive all of the required information. For example, the Ministry requires First Nation agencies to provide annually a list of their staff with qualifications, criminal record checks, and clearance from the child abuse registry. None of the reports that we reviewed included this information.

Management told us that the Ministry continues to work with First Nation agencies to obtain timely information in accordance with its agreements.

**Status** – We continue to make these recommendations.

***We recommended that the Ministry of Social Services adequately monitor the First Nation Child and Family Services agencies' compliance with the Ministry's standards for approval of out-of-home care providers.*** *(2008 Report – Volume 3)*

***We recommended that the Ministry of Social Services seek regular personal contact with children who are wards of the Minister and regularly review the First Nation child and family services agencies' child protection files.*** *(2008 Report – Volume 3)*

In December 2008, PAC agreed with our recommendations.

The Ministry's quality assurance group is required to visit each First Nation agency and examine its case management practices and compliance with established protection standards. For example, the quality assurance processes would assess whether caseworkers have regular personal contact with children in care. The examination is required once every three years.

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As we stated earlier, the Ministry's staff and the First Nation agencies do not always follow established child protection standards. The Ministry needs to regularly assess to determine the level of compliance with standards at the First Nation agencies and its own service centres. Management told us that the Ministry is planning to use a risk-based approach to assess compliance with established standards. A risk-based approach would allow the Ministry to examine those agencies that have the most significant challenges more often.

While the quality assurance processes are a positive step, the Ministry needs to complete its review of First Nation agencies on a timely basis. We found that Ministry staff can take up to a year to finalize reports and document plans for corrective actions. For example, staff finalized reports for three of the reviews about a year after they had completed their work.

The Ministry told us that it regularly meets with First Nation agencies and that it would intervene immediately if it determined that children may be at risk.

**Status** – We continue to make these recommendations.

## Income Assistance Programs

In this section, we report on the Ministry's management of various assistance programs.

### *Social assistance payments*

In the year ended March 31, 2011, the Ministry made payments totalling $245 million to social assistance clients.

A client's[9] need for food, clothing, and shelter may require an immediate 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. The Ministry has established detailed policies and procedures that set out how the Ministry's staff should calculate, verify, and authorize payments to social assistance clients.

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[9] A citizen that seeks social assistance is called a client.

**460**

*We recommended that 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.*
*(2000 Report – Volume 3)*

In June 2001, PAC agreed with our recommendation.

We have reported for the past many years that the Ministry's staff do not consistently follow established policies and procedures. Non-compliance with policies could result in financial loss.

During the year, staff did not consistently assess assistance recipients' employability or financial needs. The lack of compliance with Ministry policies could result in some recipients receiving incorrect amounts of assistance. The Ministry needs to follow its policies and procedures to ensure only appropriate recipients receive the correct amount of social assistance.

The Ministry told us it is currently developing a new case management system (LINKIN) that will provide an opportunity to simplify processes and increase compliance with program requirements. The Ministry expects LINKIN will be operational for payment of income assistance benefits over the next four years.

**Status** – We continue to make this recommendation.

## *Employment and rental housing supplement payments*

The Saskatchewan Employment Supplement (SES) and Saskatchewan Family Rental Housing Supplement (RHS) programs help support low-income working parents. SES helps parents with child related costs of working (e.g., childcare). The Ministry pays RHS to eligible low-income parents to promote access to safe and affordable housing.

In the year ended March 31, 2011, the Ministry paid approximately $43 million in total for both programs. On average, 6,084 and 5,019[10] families received monthly payments from the SES and RHS programs. Some low-income families are eligible to receive both supplements at the same time.

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[10] Ministry of Social Services *2010-11 Annual Report*, p. 13 (SES) and p. 20 (RHS).

Clients tell the Ministry their employment income, family composition, and rental information when they apply for assistance under SES and RHS, and monthly thereafter. These factors affect the amount of assistance a client is eligible to receive on a monthly basis.

***We recommended that the Ministry of Social Services ensure that only eligible persons receive the correct amount of Saskatchewan Employment Supplement.*** *(2005 Report – Volume 3)*

In October 2006, PAC agreed with our recommendation.

***We recommended that the Ministry of Social Services establish adequate processes to ensure that only eligible persons receive Saskatchewan Family Rental Housing Supplement assistance and that they receive the correct amount of Saskatchewan Rental Housing Supplement assistance***. *(2007 Report – Volume 3)*

In January 2008, PAC agreed with our recommendation.

Each month, the Ministry audits benefits paid to approximately 150 SES/RHS clients. These audits require clients to provide the Ministry with documented support of their monthly income (e.g., pay stub). Most clients provide the necessary information, but some do not. Because the amount of a client family's monthly income determines the level of monthly SES and RHS assistance, incorrect income information or lack of such information increases the risk of incorrect monthly assistance.

The Ministry audited SES and RHS clients to assess eligibility and verify the accuracy of amounts paid. Based on its audit results, the Ministry estimates that 4.3% of clients who received payments were not entitled to the amounts paid. Our test of the clients' files resulted in similar findings. The Ministry has reduced its error rate for SES and RHS over the past few years.

Based on the work of the Ministry, we estimate that the Ministry may have paid ineligible recipients approximately $1.8 million.[11] The Ministry needs to review its processes to ensure only eligible recipients receive the correct amount of SES and RHS payments.

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[11] Payments (net of recoveries) x estimated rate of overpayments ($43 million x 4.3%).

**Status** – We continue to make these recommendations.

## Supervision of community-based organizations

Community-based organizations (CBOs) provide programs such as group homes, services to enable people to live in their own homes (who otherwise could not), and youth-at-risk intervention programs. For the year ended March 31, 2011, the Ministry paid $155.6 million to over 200 CBOs that provide services on its behalf.

### *Performance measures and targets*

***We recommended that 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.*** *(2007 Report – Volume 3)*

In January 2008, PAC agreed with our recommendation.

The Ministry revised its CBO agreements to include program objectives and outcomes. However, the agreements do not include performance measures and targets. Performance measures and targets would allow the Ministry to assess CBO performance. For example, whether money paid to CBOs achieved the results the Ministry has intended.

**Status** – We continue to make this recommendation.

### *Review of performance information submitted*

***We recommended that the Ministry of Social Services perform timely reviews on all the performance information submitted by the community-based organizations.*** *(2007 Report – Volume 3)*

In January 2008, PAC agreed with our recommendation.

While the Ministry has improved the timeliness of performing reviews on information received, it needs complete and timely information to assess whether CBOs achieve intended results.

The Ministry requires CBOs to submit operational reports that describe services and activities. It also requires CBOs to provide the Ministry with quarterly and annual financial reports. The service agreements specify what is to be received and when.

We found the Ministry did not always receive the required reports from some CBOs. Also, the Ministry received the required reports from some CBOs late. The Ministry needs to ensure CBOs comply with reporting requirements.

**Status** – We continue to make this recommendation.

## Corporate services

This section reports on the management of corporate and support services of the Ministry.

### *Adequate information technology agreement needed*

***We recommended that the Ministry of Social Services sign an adequate agreement with the Information Technology Office (ITO) that includes network security and disaster recovery requirements.***
*(2007 Report – Volume 3)*

In January 2008, PAC agreed with our recommendation.

The Ministry signed a new memorandum of understanding (MOU) with ITO effective July 2011.

The MOU requires ITO to advise the Ministry of all incidents or issues pertaining to the security of Ministry systems and data. The agreements do not provide details on what information ITO must provide. Nor does the MOU specify disaster recovery requirements (e.g., time to restore, testing requirements). Lack of agreed upon disaster recovery requirements could result in the Ministry's systems and data not being available when needed.

**Status** – We continue to make this recommendation.

*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.* (2008 Report – Volume 3)

In December 2008, PAC agreed with our recommendation.

The Ministry receives monthly service and user access reports from ITO. However, the reports provided during the year did not contain all incidents or issues pertaining to Ministry systems or data. Without a complete security report, the Ministry does not have adequate information on the potential impact significant security weaknesses could have on its systems and data. For example, the Ministry was not aware that ITO did not update the equipment required for managing and maintaining systems and data on a timely basis. Nor was the Ministry aware of the potential security risks this posed to its systems and data.

As noted above, the new MOU the Ministry signed with ITO after year end sets out additional reporting requirements. We plan to follow up on this next year.

ITO provides the Ministry with a stale account report that identifies users who may no longer require access to Ministry systems and data. The Ministry needs to review these reports on a timely basis. The Ministry also needs to implement processes to monitor user access removal. We found that access to systems and data for individuals who no longer worked for the Ministry was not removed at the time of the individual's departure.

Management told us it has changed its processes to follow up on inactive accounts.

**Status** – We continue to make this recommendation.

## Information technology plan required

*We recommended that the Ministry of Social Services establish an adequate information technology plan.* (2008 Report – Volume 3)

In December 2008, PAC agreed with our recommendation.

Management told us that the Ministry is developing a multi-year information technology (IT) plan that outlines the Ministry's technology needs and links to its strategic objectives.

A multi-year IT plan would help ensure that the Ministry can direct its resources to IT projects that support the Ministry's strategic objectives. A plan may also help management to address threats and risks to the security of the Ministry's systems and data.

Management also told us that the Ministry would complete its IT plan by the fall of 2011.

**Status** – We continue to make this recommendation.

### Business continuity plan needs testing

A disaster could result in the loss of Ministry resources (e.g., personnel, buildings, systems, and data) without warning. The Ministry has managed external emergencies (e.g., emergency flood relief, resident evacuations) well. However, it does not have a tested plan for the continuity of its own business in the event of a disaster.

***We recommended that the Ministry of Social Services complete its business continuity planning by testing its business continuity plan.***[12] *(2003 Report – Volume 3)*

In September 2008, PAC agreed with our recommendation.

During the year, the Ministry formed a new committee called the Business Continuity Management Committee (committee). Management told us that the committee plans to start meeting in the fall of 2011. The committee is responsible for updating and testing the Ministry's existing business continuity plan.

Management told us it plans to update and test the Ministry's business continuity plan in 2011-12.

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[12] Business Continuity Plan (BCP) – Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operation of the organization's critical operations and functions including normal operations of computerized systems.

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**Status** – We continue to make this recommendation.

# Status of previous recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.[13]

| PAC REPORT YEAR[14] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of Social Services – Saskatchewan Housing Corporation (2004 Report – Volume 1)** | | |
| 2005 | PAC concurs: <br><br> 15-1 that the Saskatchewan Housing Corporation's capital plan should show: <br><br> - the specific measures the Corporation would use to determine the appropriate size, mix, and condition of the housing portfolio (i.e. performance measures); <br> - the starting point of each measure (i.e. baseline); and <br> - what the Corporation expects to achieve with the housing portfolio and by when (i.e. targets). | **Partially implemented** (as at December 31, 2010). <br><br> We plan to follow up in 2012. |

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[13] For definitions of the key terms used in the exhibit, see Chapter 27 – Standing Committee on Public Accounts.

[14] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to the Legislative Assembly.

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# Tourism, Parks, Culture and Sport

# 25

## Main points

The Ministry of Tourism, Parks, Culture and Sport (TPCS) and its agencies had adequate controls to safeguard public resources and complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. TPCS's agencies financial statements are reliable for the year ended March 31, 2011.

Our office reached an agreement with TPCS and Sask Sport Inc. on how our office could obtain audit assurance on the information we require related to Saskatchewan's share of the lottery revenues and expenses calculated in accordance with the *Restated Western Canada Lottery Agreement, November 1, 2009* (Lottery Agreement).

**Compliance with the Lottery Agreement—a follow up**

We followed up on three outstanding recommendations. TPCS has implemented one recommendation and we have replaced two previous recommendations with a new recommendation. We recommend that when TPCS renews its agreement with its lotteries marketing agent in 2014, that TPCS amend the new agreement to require the lotteries marketing agent to make payee lists available to TPCS.

**Provincial parks capital asset planning—a follow up**

TPCS is making progress in addressing our past recommendations. There is still more work to do to strengthen its processes for planning capital assets in provincial parks.

# Introduction

The mandate of the Ministry of Tourism, Parks, Culture and Sport (TPCS) is to support, celebrate and build pride in Saskatchewan. TPCS's strategic focus is on tourism enhancement, quality of life and economic growth.[1] It provides oversight and accountability services with respect to public responsibility for the lottery system and the Lottery Trust Fund for Sport, Culture and Recreation.

TPCS is also responsible for the provincial park system including the "administration, management, planning, development, and maintenance of all park land."[2] The provincial park system includes 8 historic sites, 24 protected areas, 34 provincial parks, and 129 recreation sites covering a total of 1.4 million hectares of land.[3]

In this chapter, we set out the results of our 2011 audit of TPCS and its agencies.

We also report the results of our follow up on two audits at TPCS:
♦   compliance with the *Restated Western Canada Lottery Agreement, November 1, 2009* (Lottery Agreement)
♦   capital asset planning

## Overview of TPCS's finances

The following is a list of major programs and spending:

|  | Original Estimates | Actual |
|---|---|---|
|  | (in thousands of dollars) | |
| Central Management and Services | $     9,112 | $     8,930 |
| Tourism | 14,097 | 13,696 |
| Parks | 21,004 | 21,599 |
| Building Communities Program | 13,731 | 11,099 |
| Culture | 30,275 | 27,223 |
| Heritage | 8,350 | 8,632 |
| Strategic Policy, Planning & Partnerships | 2,857 | 3,318 |
| Community Initiatives Fund | 9,427 | 8,159 |

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[1] Saskatchewan Provincial Budget: 2011-12 Estimates, http://www.finance.gov.sk.ca/budget2011-12/2011-12Estimates.pdf.
[2] *The Parks Act*, section 13.
[3] Ministry of Tourism, Parks, Culture and Sport: *Annual Report '10-11*.

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|  | Original Estimates | Actual |
|---|---|---|
|  | (in thousands of dollars) | |
| Saskatchewan Communications Network | 3,830 | 1,431 |
| Total spending | 112,683 | 104,087 |
| Capital Asset purchases | (4,907) | (4,796) |
| Capital Asset amortization | 2,295 | 2,553 |
| Other | --- | 445 |
| Total expense | $    110,071 | $    102,289 |

## Special purpose funds and agencies

At March 31, 2011, TPCS was responsible for the following special purpose funds and agencies:

|  | Year-end |
|---|---|
| Commercial Revolving Fund | March 31 |
| Community Initiatives Fund | March 31 |
| Saskatchewan Archives Board | March 31 |
| Saskatchewan Arts Board | March 31 |
| Saskatchewan Centre of the Arts | March 31 |
| Saskatchewan Communications Network Corporation[4] | 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 |
| Western Development Museum | March 31 |

# Audit conclusion 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

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[4] This agency was wound up at March 31, 2011.

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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, 2011:**

♦ **TPCS and its agencies had adequate rules and procedures to safeguard public resources**

♦ **TPCS and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Active Families Benefit Act*
*The Culture and Recreation Act, 1993*
*The Economic and Co-operative Development Act -*
     **sections 8(a), 8(b), and 9(1)(e)**
*The Film Employment Tax Credit Act*
*The Heritage Property Act*
*The Interprovincial Lotteries Act, 1984*
*The Meewasin Valley Authority Act*
*The Multiculturalism Act*
*The Natural Resources Act*
*The Parks Act*
*The Public Service Act, 1998*
*The Regional Parks Act, 1979*
*The Saskatchewan Gaming Corporation Act* **(Part IV)-**
     **Community Initiatives Fund**
*The Tourism Authority Act*
*The Wakamow Valley Authority Act*
*The Wanuskewin Heritage Park Act*
*The Government Organization Act*
*The Financial Administration Act, 1993*
**Regulations and Orders in Council issued pursuant to the above legislation**

♦ **the financial statements of the above agencies are reliable**

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## Access to audit public money

*We recommended that the Ministry of Tourism, Parks, Culture and Sport direct Western Canada Lottery – Saskatchewan Division Inc., Sask Sport Distributors Inc. and the Western Canada Lottery Corporation to allow the Provincial Auditor access to audit their accounts related to public money.* (2010 Report – Volume 2)

Our office reached an agreement with TPCS and Sask Sport Inc. on how our office could obtain audit assurance on the information we require related to Saskatchewan's share of the lottery revenues and expenses calculated in accordance with the Lottery Agreement.

As well, TPCS is now obtaining sufficient information from Saskatchewan Lotteries to demonstrate their monitoring of it.

**Status** – TPCS has implemented this recommendation.

## Compliance with the lottery agreement—a follow up

In Chapter 16 of our 2009 Report – Volume 1, we reported our audit of TPCS's processes to supervise compliance with the Lottery Agreement and made seven recommendations. In September 2009, the Standing Committee on Public Accounts agreed with our recommendations.

In 2010, we followed up on TPCS's progress in addressing our recommendations. In our 2010 Report – Volume 2, we concluded that TPCS had met four recommendations and still had work to do on three recommendations.

In September 2011, we completed our second follow up to assess TPCS's progress in addressing the remaining recommendations.

The following sets out the three recommendations (in italics) and TPCS's actions to September 30, 2011.

For the remainder of this section, Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. are referred to as Saskatchewan Lotteries.

*We recommended 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, Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc.* *(2009 Report – Volume 1)*

TPCS has developed written procedures to monitor compliance with the lottery agreement by the Western Canada Lottery Corporation and Saskatchewan Lotteries.

**Status** – TPCS has implemented this recommendation.

*We recommended that the Ministry of Tourism, Parks, Culture and Sport make public a list of persons (i.e., employees, suppliers) who received public money from Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc.* *(2009 Report – Volume 1)*

*We recommended that the Ministry of Tourism, Parks, Culture and Sport give the Legislative Assembly the annual audited financial statements of Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc.* *(2009 Report – Volume 1)*

Based on discussions with TPCS, we have re-evaluated these two recommendations.

TPCS has an agreement with Sask Sport Inc. (parent company of Saskatchewan Lotteries*)* for the marketing of lottery products in Saskatchewan and the administration of the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Trust Fund). This agreement does not require Sask Sport Inc. (lotteries marketing agent) to submit payee lists to TPCS. The agreement requires the lotteries marketing agent to provide audited annual financial statements to TPCS for Saskatchewan Lotteries and the Trust Fund. These financial statements show the expenses that the lotteries marketing agent deducted from lottery profits. The financial statements of the Trust Fund are tabled in the Legislative Assembly.

Payee lists would show who (e.g., employees, suppliers) received the money that the lotteries marketing agent deducted from lottery profits.

Payee lists would enable TPCS to assess the appropriateness of these expenses.

The current agreement expires on March 31, 2014. When TPCS renews the agreement, we suggest that they amend the new agreement to require the lotteries marketing agent to make payee lists available to TPCS.

1. **We recommend that when the Ministry of Tourism, Parks, Culture and Sport renews its agreement with its lotteries marketing agent that the Ministry amend the agreement to require the lotteries marketing agent to make payee lists (e.g., employees and suppliers) available to the Ministry.**

## Provincial parks capital asset planning—a follow up

In 2009, we assessed TPCS's processes for planning capital assets in provincial parks. Our 2009 Report – Volume 3, Chapter 18 concluded that as of July 31, 2009, TPCS had adequate long-term capital asset planning 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 (in italics below) about TPCS's capital asset planning. On June 6, 2011, the Standing Committee on Public Accounts agreed with those recommendations.

We defined "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. We focused on key capital assets within provincial parks such as water and sewer systems, bridges, roadways, buildings, and campsites.

We did a follow up of management's actions on these three recommendations to September 15, 2011. We found that TPCS still has work to do.

## Projected future use of capital assets needed

*We recommended that 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.* (2009 Report – Volume 3)

Up to September 15, 2011, TPCS did not document projected future use levels for its key capital assets in the provincial park system. Instead, TPCS documented five-year trends in the number of park visitors. It did not identify the factors influencing these trends or estimate future patterns for public use of Saskatchewan's parks.

TPCS documented risks associated with provincial parks' key capital assets for its annual budget submission. It identified the condition of its buildings (e.g., service centres) and the capacity of its sewer and water systems as key risks. It outlined short-term maintenance and upgrades needed in the provincial park system without documenting influencing factors, assumptions, or projected future use levels.

**Status** – We continue to make this recommendation.

## Principles for capital asset planning needed

*We recommended that 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.* (2009 Report – Volume 3)

TPCS has not documented principles to guide its planning process for capital assets or to set priorities to maintain or upgrade key capital assets. TPCS told us that when setting priorities it considers a number of factors such as visitor complaints, the age and condition of a facility, building standards including accessibility, health and safety standards including personal security of staff, and the advice of consultants. TPCS documented this analysis in some program development documents. TPCS did not yet have complete program development documents for all its key assets.

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TPCS's overall mandate is to preserve the Province's parks, natural areas, recreational areas, and historic sites.[5] TPCS aims to "use provincial parklands for recreation while maintaining a healthy ecosystem that is sustainable for future generations."[6] This requires careful balancing of competing priorities. Documented principles would help TPCS to set priorities acceptable to a wide range of park users.

**Status** – We continue to make this recommendation.

## Financial implications of capital asset strategies needed

*We recommended that 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.* (2009 Report – Volume 3)

TPCS told us it intends to include life cycle and maintenance costs for new projects related to the provincial parks' key capital assets. For example, when it contracts with engineering firms to assess the condition of key capital assets, it will request an estimate of life-cycle costs.

**Status** – We continue to make this recommendation.

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[5] *The Parks Act*, section 4.
[6] Ministry of Tourism, Parks, Culture and Sport: *Annual Report '10-11*, p. 22.

# Quality of annual reports

<span style="color:teal;font-size:large">26</span>

## Main points

Our Office continues to encourage meaningful public reporting and improvements to public performance reports by the Government and its agencies. This chapter provides an update on the overall quality of the content of the annual reports of various ministries, Treasury Board agencies, and CIC Crown corporations (CIC Crowns).

The CIC Crowns' annual reports remain strong. CIC showed its continued commitment to providing legislators with quality annual reports by setting minimum standards for disclosure of information and engaging an outside agency to periodically review the annual reports of CIC Crowns.

For ministries and Treasury Board agencies, the Ministry of Finance provided guidance to those agencies for preparing annual reports. This guidance reflected best practices for public performance reporting except it did not expect agencies to report against performance targets (i.e., what the agency planned to achieve).

The annual reports of ministries and Treasury Board agencies have improved since our last assessment in 2006. Consistent with our prior assessment, the reports did not include performance targets for most performance measures. Other areas for further improvement include more robust discussions of key factors impacting results (e.g. risks, capacity considerations) and better linkage between financial and non-financial information.

# Introduction

*Sound public performance reporting can be a powerful tool in promoting better understanding and debate about how resources were used, what was achieved in comparison to what was planned, and how to improve performance.[1]*

For many years, we have encouraged meaningful public reporting and improvements to public performance reports by the Government and its agencies. Through various reports, we have reminded the Assembly of the importance of annual reports for government accountability,[2] and provided them with our assessments of the quality of the Government's annual reporting guidelines and the content of annual reports of various government agencies.[3]

## Assessing the quality of annual reports

This chapter provides an update on the overall quality of the content of the annual reports of various ministries, Treasury Board agencies and CIC Crown corporations (agencies). (See Exhibit 1 in Chapter 26A and Exhibit 1 in Chapter 26B for listings of agencies). We assessed whether their most recent annual reports contained information reflecting best practices for public performance reporting. To provide the update, we compared the results of assessments of the content of these agencies' most recent annual reports to our previous assessments of their annual reports.

Part A sets out the results of our assessments of six CIC Crown corporations. Part B sets out the results of our assessments of ten ministries and six Treasury Board agencies.

Overall we found the annual reports of the CIC Crown corporations remain strong. For the ministries and Treasury Board agencies, the annual reports have improved from our 2006 assessment but more work remains.

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[1] CICA Public Sector Accounting Board. *Statement of Recommended Practice (SORP-2) Public Performance Reporting.* p. 3.
[2] *2008 Report – Volume 3 (Chapter 20 – Government accountability) and 2009 Report – Volume 3 (Chapter 19 – Government accountability).*
[3] *2005 Report – Volume 1 (Chapter 12 – Crown Investments Corporation of Saskatchewan), 2006 Report – Volume 3 (Chapter 14 – Public plans and annual report assessments)*, and *2007 Report – Volume 3 (Chapter 9 – Finance).*

## Selected references

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# Quality of annual reports of CIC Crown corporations

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# The quality of annual reports of CIC Crown corporations

This Part provides an update on the overall quality of the content of the annual reports of CIC Crown corporations (CIC Crowns). To provide the update, we compared the results of assessments of the content of six CIC Crown corporations' 2010 annual reports to previous assessments of their annual reports (see Exhibit 1).

**Exhibit 1—Listing of selected CIC Crown corporations**

Crown Investment Corporation of Saskatchewan (CIC)
Saskatchewan Gaming Corporation
Saskatchewan Government Insurance
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
SaskEnergy Incorporated

For CIC Crowns, we referred to the results of assessments done by the Conference Board of Canada (CoBC). During 2011, CIC engaged CoBC to review the reporting and disclosure in CIC Crowns' 2010 annual reports. CoBC used its best practice matrix to assess these annual reports (Exhibit 2). We found CoBC's principles and best practice matrix consistent with the recommended practice set out in the Statement of Recommended Practice (SORP-2) Public Performance Reporting as published by the Canadian Public Sector Accounting Board.[1]

We limited our assessment to examining the content of annual reports and did not verify whether the information in the reports was relevant and reliable. For example, we did not assess the accuracy, completeness, or validity of underlying information systems or data used to prepare the performance information.

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[1] *The Public performance reporting – Guide to preparing public performance reports* is a companion document to SORP-2. The guide is available at http://www.psab-ccsp.ca/other-non-authoritative-guidance/item14604.pdf. (Accessed October 5, 2011).

**Exhibit 2—Conference Board of Canada – Reporting and disclosure best practices principles**

| Principle | Related content or features |
|---|---|
| Principle 1: Leadership and Stewardship | Refers to disclosure of the corporation's level of confidence that it has the leadership and capacity to deliver on its mandate and mission. |
| Principle 2: Empowerment and Accountability | Refers to disclosure relating to the corporation's reporting on how it is accountable for corporate results and plans. |
| Principle 3: Communication and Transparency | Refers to disclosure of the operating context for the corporation; the leadership team's skills, attributes, and approach; and that team's ability to clearly communicate about the corporation's operations to a range of stakeholders. |
| Principle 4: Service and Fairness | Refers to disclosure of the corporation's initiatives that affect the broader community and of the corporation's initiatives to create trust. |
| Principle 5: Accomplishment and Measurement | Refers to disclosure of the corporation's key performance drivers and an accounting of how well the corporation has achieved its goals. |
| Principle 6: Continuous Learning and Growth | Refers to disclosure of the corporation's initiatives to increase the value of its people and practices and to increase its capacities through learning and growth across the organization. |

Source: Conference Board of Canada

## Key findings—annual reports of CIC Crown corporations remain strong

Overall, the quality of the 2010 annual reports of the above-listed CIC Crowns remained strong. The content of these annual reports reflected either best or good practices[2] on an overall basis and by principle. While the assessment noted a few areas where significant key details were lacking (e.g., where report did not provide further information on specific risks identified or mitigation strategies for these risks), it did not note any examples of poor practice.

CIC shows its continued commitment to providing legislators with quality annual reports. Since 2000, CIC Crowns report results in their annual report using a corporate balanced scorecard method. CIC has established a policy for the CIC Crowns that explains the importance of quality annual reports and sets minimum standards for disclosure of information. For its commercial Crowns (e.g., SaskTel, SaskEnergy), it

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[2] Rating of "good practice" means disclosure provided reflected good practice but further information or clarification would strengthen disclosure.

expects them to provide information that is consistent with publicly-traded corporations operating in the same industry. In addition, on a two-year cycle, it engages CoBC to review the annual reports of CIC and its Crowns against a best practice matrix. This matrix is to reflect the best practices for reporting, accountability and governance of private and public sector corporations.

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# Quality of annual reports of ministries and Treasury Board agencies

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# The quality of annual reports of ministries and Treasury Board agencies

This Part provides an update on the overall quality of the content of the annual reports of 10 ministries and 6 Treasury Board agencies (see Exhibit 1). To provide the update, we compared the results of our assessments of the content of these agencies' most recent annual reports to our previous assessments of their annual reports.

**Exhibit 1—Listing of selected agencies and year-end of annual report assessed**

| Ministries – March 31, 2011 | Treasury Board agencies |
|---|---|
| Advanced Education, Employment, and Immigration<br>Agriculture<br>Education<br>Energy and Resources<br>Finance<br>Government Services<br>Health<br>Highways and Infrastructure<br>Public Service Commission<br>Social Services | March 31, 2011<br>Saskatchewan Crop Insurance Corporation<br>Saskatchewan Liquor and Gaming Authority<br>Regina Qu'Appelle Regional Health Authority<br>Saskatoon Regional Health Authority<br><br>June 30, 2011<br>Saskatchewan Institute of Applied Science and Technology<br><br>December 31, 2010<br>Workers' Compensation Board |

We assessed whether their most recent annual reports contained information as set out in the Statement of Recommended Practice (SORP-2) Public Performance Reporting as published by the Canadian Public Sector Accounting Board (PSAB).[1] See Exhibit 2. Statements of Recommended Practices such as SORP-2 are not mandatory or prescriptive; rather PSAB encourages public sector agencies to voluntarily apply them. The Ministry of Finance refers to SORP-2 in its Annual Report Content Guidelines as a source of information to improve performance reporting.[2]

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[1] The *Public performance reporting – Guide to preparing public performance reports* is a companion document to SORP-2. The guide is available at http://www.psab-ccsp.ca/other-non-authoritative-guidance/item14604.pdf (October 20, 2011).

[2] Annual Report content guidelines are available at http://www.finance.gov.sk.ca/PlanningAndReporting/AnnualReportGuidelines201011.pdf (October 20, 2011).

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We limited our assessment to examining the content of annual reports and did not verify whether the information in the reports was relevant and reliable. For example, we did not assess the accuracy, completeness, or validity of underlying information systems or data used to prepare the performance information.

We limited our assessment to examining the content of annual reports and did not verify whether the information in the reports was relevant and reliable. For example, we did not assess the accuracy, completeness, or validity of underlying information systems or data used to prepare the performance information.

# Key findings–Reports improved but more work remains

## Guidelines support quality reporting

The Ministry of Finance (Finance) leads the Government's accountability system for ministries and Treasury Board agencies (agencies). This includes helping agencies improve the quality of information contained in their annual reports. "Finance ensures ministries meet government's expectations for thorough and accurate reporting on stated commitments, increasing transparency and accountability across government."[3]

Since 2003, Finance has established Annual Report Content Guidelines (guidelines) applicable to ministries and agencies within the scope of the Government's Accountability Framework.[4] It encourages other agencies to use them. Finance updates these guidelines each year based on its research of best practices. It provides advice and assistance to agencies to help them improve their annual reports.

The 2010-11 guidelines provided agencies with sound guidance. They explained the importance of quality annual reports and set minimum standards for information to include in the annual reports for the stated fiscal year. The guidelines required agencies to report on the progress made toward the strategies, planned actions, and performance measures outlined in the agencies' related public performance plans. The guidelines also required agencies to report on all Government commitments, such

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[3] http://www.finance.gov.sk.ca/PlanningAndReporting (October 20, 2011).
[4] The Government's Accountability Framework guiding document is available at http://www.finance.gov.sk.ca/PlanningAndReporting/AccountabilityFrameworkDiagram.pdf (October 20, 2011).

as those stated in the annual throne speeches, and the Ministers' mandate letters. The guidelines encouraged agencies, wherever possible, to provide trends on the results of their performance measures. Also, the guidelines set out best practices.

Overall, the 2010-11 guidelines were generally consistent with best practices other than they did not expect agencies to include performance targets for their selected performance measures.

While trend information on measurement results can be used to imply an intended result, disclosing performance targets more clearly communicates what the agency planned to achieve.

1. **We recommend that the Ministry of Finance encourage ministries and Treasury Board agencies to disclose performance targets for their performance measures in their annual reports.**

## Assessment of annual reports of Ministries and Treasury Board agencies

Overall, the quality of the annual reports of both ministries and Treasury Board agencies improved from our last assessment done in 2006.[5]

The annual reports of all ministries' and most of Treasury Board agencies' were accessible on the Government's website. Annual reports of ministries were similarly located on the ministry web pages with weblinks to their related planning documents and the Government's overarching direction document. Also new in 2011, the ministries and some of the Treasury Board agencies published an "annual report highlights" document that provided a concise executive summary of the annual report. The Government's intent of the "highlights" was to increase interest in the ministries' and agencies' activities over the previous year.

The content of the annual reports reflected, in many areas, the attributes as outlined in Exhibit 2. For example, most of the reports that we examined:

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[5] *2006 Report – Volume 3 (Chapter 14 – Public plans and annual report assessments).*

- communicated information that was credible and embodied the characteristics of fairness, comparability, consistency, and understandability
- focused on the critical aspects of performance
- clearly described the agency's strategic direction including alignment of the agency's strategies to the Government's overall vision and goals
- clearly reported on public Government commitments (e.g., commitments from the throne speech and ministry mandate letters)
- provided good linkage of strategies and activities to planned actions and performance measures as set out in their public performance plans
- set out, by strategy, activities undertaken in the reporting period
- clearly disclosed the results of their selected performance measures
- showed trends of results for many of the performance measures with at least some analysis of these trends
- included statements acknowledging responsibility for the information provided and described the reporting entity covered by the report

However, most reports did not disclose the agency's performance targets. Management noted that the guidelines did not expect them to include targets. As noted above, disclosure of performance targets provides important context to understand actual results and the extent of progress towards achieving goals.

Many reports contained limited discussion of key factors (e.g., key risks, capacity considerations) that had a significant impact on performance measure results in the current year or were expected to impact future results. Many provided little to no information about benchmarks or comparative information from other similar entities. This type of information helps explain the results achieved.

In many reports, the linkage between financial and non-financial performance information was not sufficiently documented. Explaining the relationship between financial and non-financial performance information helps show what results were achieved with resources used during the reporting period.

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**Exhibit 2—Sound public performance reporting attributes and related content**

| Attributes | Related content or features |
|---|---|
| 1 – CHARACTERISTICS OF PERFORMANCE INFORMATION | A public performance report should communicate information that is credible and embodies the characteristics of fairness, comparability and consistency, and understandability. The characteristics of performance information are interrelated. If any of these characteristics is missing, the credibility of the report is compromised. When considering the characteristics of performance information, having a good understanding of the perspectives of the users of performance reports will contribute to the usefulness of these reports. (SORP-2, paragraphs 22 and 23) |
| 2 – REPORT FOCUSES ON CRITICAL ASPECTS OF PERFORMANCE | Focusing on the few critical aspects of performance means that only the key strategies, goals and objectives are described in the public performance report. The entity's measurement strategy would provide sufficient information to assess and report performance relating to a goal or the organization as a whole. Reporting extensive detailed information is not useful. The intent is not to overwhelm the users with excessive information but to provide sufficient information regarding critical aspects of performance for users to better understand what has been achieved during the period. Focusing on the few critical aspects of performance in a public performance report enhances the usefulness of the report by providing a concise picture of performance. (SORP-2, paragraph 35) |
| 3 – DESCRIBES THE ENTITY'S STRATEGIC DIRECTION | In order to put a public performance report in context, the strategic direction of the public sector entity would be described. The strategic direction reflects an entity's high-level priorities and long term goals as stated in public policy announcements (for example, legislative mandate, speech from the throne, major public commitments, budgets, strategic plans). A government organization would explain the public purpose served, including its connection to overall government objectives and priorities. (SORP-2, paragraph 41) |
| 4 – EXPLAIN ACTUAL RESULTS FOR THE REPORTING PERIOD AND COMPARE THEM WITH PLANNED RESULTS, EXPLAINING SIGNIFICANT VARIANCES | In order to report progress toward achieving goals, planned results would be identified in a public performance report. Planned results would be stated in terms of outputs and outcomes. Reporting planned results and identifying the source of the commitments (for example, its high level priorities and long-term goals) provides a frame of reference against which to assess actual results. The comparison of actual results to planned results, and the related explanations, are key components of a fairly presented public performance report. Once planned results have been established with respect to goals and objectives, they would be compared with actual results. The public performance report would present the actual results compared to the planned results and explain significant variances between the two. (SORP-2, paragraphs 43 and 45) |

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| Attributes | Related content or features |
|---|---|
| 5 – REPORT PROVIDES COMPARATIVE INFORMATION ABOUT TRENDS, BENCHMARKS, BASELINE DATA OR THE PERFORMANCE OF OTHER SIMILAR ORGANIZATIONS | Comparative information can include a trend analysis where the actual results for the current period are compared against the actual results for prior periods. Including trend information allows users to assess plans, relate current achievements to long-term goals, and assess progress over time. When providing a trend analysis, it is necessary to provide the data for more than two years, as this enhances a user's ability to assess the trend, assuming the information is available and can be presented in a consistent manner. (SORP-2, paragraph 51) |
| 6 – DESCRIBES LESSONS LEARNED AND KEY FACTORS INFLUENCING PERFORMANCE AND RESULTS | As part of the explanation of significant variances, the public performance report would include a discussion of the potential future implications. This would include an indication of how the lessons learned will be applied and identification of areas that may require further study or evaluation before any final decisions regarding changes to strategies or refining the performance measures can be made. In these situations, users are interested in knowing that the issue is being addressed. To assess performance, users need to have an understanding of the key factors that influence performance and results. Issues of risk and capacity are particularly important in this regard. Other factors may also be important depending on the circumstances. This information helps users interpret the meaning and significance of the performance data reported and provides the context to understand how earlier decisions made or strategies adopted in relation to these factors influenced the performance and results being reported. (SORP-2, paragraphs 54 and 57) |
| 7 – LINKS ITS FINANCIAL AND NON-FINANCIAL PERFORMANCE INFORMATION | It is important to link financial and non-financial performance information to demonstrate to users how entrusted resources were applied during the period and what was achieved as a result. Since inputs are used directly or indirectly to produce outputs (and contribute to the achievement of intended outcomes), this information will assist users in assessing the fiscal stewardship of public resources. When financial and non-financial performance information is linked, results and resources are aligned, and the relationship between them described and demonstrated. (SORP-2, paragraph 69) |

| Attributes | Related content or features |
|---|---|
| 8 – DISCLOSES THE BASIS FOR REPORTING | The public performance report should disclose the basis on which it has been prepared. In particular, the public performance report should disclose:<br>(a) a statement acknowledging the entity's responsibility for its preparation;<br>(b) the basis on which those responsible for the preparation of the report have confidence in the reliability of the information in the report;<br>(c) a description of the reporting entity;<br>(d) the rationale for selecting the few critical aspects of performance on which to focus; and<br>(e) any changes made to performance measures during the period, with restatement of prior period measures when appropriate.<br>(SORP-2, paragraph 74) |

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# Standing Committee on Public Accounts

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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. It helps the Assembly hold the Government accountable for its management of public resources.

The Committee reviews the activities, performance, and reports of government ministries, agencies, and certain 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.

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's Third Report to the 26th Legislature. The Committee presented this report to the Assembly on September 6, 2011.

The Committee's reports during the previous five years contained 638 recommendations including over 230 new recommendations in 2011. The Government has fully implemented 60% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 50% 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 exhibits, we set out the status of the Committee's outstanding recommendations that are 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 over 270 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), a Financial Statement Discussion and Analysis section, and other financial information. The second report contains details on revenues and expenditures of certain agencies that receive money from the GRF, details on capital asset acquisitions of those agencies, a listing of suppliers who received $50,000 or more for

goods and services supplied to the GRF, key financial information of some pension plans and trust funds administered by the Government, a listing of taxes and fees, and information on road-use fuel tax accountability. 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 discusses and recommends 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 to 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 promote 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 for 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

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[1] Certain chapters within our reports are referred to the Standing Committee on Crown and Central Agencies.

the Committee's meetings (i.e., Hansard verbatims, minutes, videos, and reports) are available to the public on the Committee's website www.legassembly.sk.ca/legislative-business/.

# The members of the Standing Committee on Public Accounts

As of October 2011, the members of the Committee were:

♦    Trent Wotherspoon, Chair
♦    Glen Hart, Deputy Chair
♦    Pat Atkinson
♦    Dan D'Autremont
♦    Warren Michelson
♦    Lyle Stewart
♦    Rod Gantefoer

# Committee accomplishments

Since the fall of 2010, the Committee met 9 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 2009 Report (Volume 3) and 2010 Report (Volumes 1 and 2).

The Committee has not yet completed its review of our following reports:

♦    2010 Report – Volume 2 (three chapters outstanding)
♦    2011 Report – Volume 1

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's Third Report to the 26th Legislature. The Committee presented this Report to the Assembly on September 6, 2011. The report contains over 230 recommendations. It was moved by the Deputy Chair of PAC and agreed to by the Legislative Assembly "that the draft Third Report of the Standing Committee on Public Accounts be adopted and that the final report be approved by the Steering Committee and filed with the Clerk pursuant to Rule 135(6)". The Government has 120 days to provide a response to the Report.

# Status of recommendations of the Committee

The Committee has asked us to monitor compliance with its recommendations and to report on their status. This chapter along with other chapters in our report provide an update on the status of the Committee's outstanding recommendations that the Government has not yet fully implemented.

The Committee's reports during the previous five years contained 638 recommendations. Some of these recommendations take a number of years to implement. As of October 2011, the Government has fully implemented 60% (October 2010–71%) of the Committee's recommendations. The Government has partially implemented 50% (October 2010–74%) of the remaining recommendations.[2]

# Summary

The Committee continues to discuss 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 to help 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.

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[2] Calculations are based on the Committee's recommendations up to and including the Third Report to the 26[th] Legislature at September 6, 2011. For 2011, a decrease in the results of fully and partially implemented recommendations is due to the Committee's new recommendations from its 2011 Report being included in the calculation. This report contained over 230 recommendations and the Government has not yet had time to address the recommendations.

# Status of previous Committee recommendations

Exhibit 1 provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.

**Exhibit 1**

| PAC REPORT YEAR[3] | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| **Ministry of First Nations and Métis Relations** | | |
| 2009 | 10-2 that the Ministry of First Nations and Métis Relations' human resource plan more clearly outline gaps in current resources (e.g., number and types of positions) and provide details on plans to implement strategies to meet human resource needs (including timeframes, responsibilities and financial resources).<br><br>(2007 Report – Volume 3) | **Partially implemented** (as at March 31, 2011).<br><br>We plan to follow up in 2012. |
| **Workers' Compensation Board – New Claims Management System** (2010 Report – Volume 2) | | |
| 2011 | 22-1 that the Workers' Compensation Board provide senior management and the Board reports that include the forecasted costs to complete the Eclipse Claims Replacement Project as well as the estimated completion date of the project. | **Implemented** (as at May 31, 2011). |

Exhibit 2 lists the recommendations that were made by PAC and included in the Committee's Third Report to the 26th Legislature.

**Exhibit 2**

| PAC REPORT YEAR | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| 2011 | **CR1** that the committee adhere to the $50,000 threshold, in regard to payee disclosure reporting, that was set under the previous administration. | **Implemented.**<br><br>The threshold for payee disclosure in Saskatchewan remains at $50,000. |

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[3] "PAC Report Year" refers to the year that PAC first made the recommendations in its report to Legislative Assembly.

| PAC REPORT YEAR | OUTSTANDING RECOMMENDATION | STATUS |
|---|---|---|
| 2011 | **CR2** that Kelsey Trail Health Authority and the Ministry of Health report to PAC on September 30, 2011 the progress achieved on the Auditor's recommendations in the 2010 Report Volume 2 Chapter 11C. | **Implemented.** Kelsey Trail Regional Health Authority provided the required information to PAC on October 3, 2011. We plan to do a follow up of the recommendations in 2012. |
| 2011 | **CR3** that when the Provincial Auditor next reports that they take a look at all of the necessary protections that ITO has in place to ensure the citizens of Saskatchewan that their third party contractor cannot share information with the parent company where the parent company is subject to the Patriot Act. | **Implemented.** See Chapter 20--Protecting Saskatchewan data—the *USA Patriot Act* for status. |

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# Appendix

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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.                   |
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## *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;

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.*

<div style="text-align: right">1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4;<br>2001, c.32, s.3; 2005, L-11.2, s.97; 2007,<br>c.6, s.2.</div>

<div style="text-align: center">APPOINTMENT AND OFFICE</div>

**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.
<div style="text-align: right">2001, c.32, s.4.</div>

**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.

<div align="right">2001, c.32, s.4.</div>

**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.

<div align="right">2001, c.32, s.4.</div>

**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.

<div align="right">2001, c.32, s.5.</div>

**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).

**1-3**

(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.

<div align="right">1983, c.P-30.01, s.5.</div>

## 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.

<div align="right">1983, c.P-30.01, s.6.</div>

## 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.

<div align="right">1983, c.P-30.01, s.7; 2001, c.32, s.6.</div>

## 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.

<div align="right">1983, c.P-30.01, s.8; 2001, c.32, s.7.</div>

## 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.

<div align="right">1983, c.P-30.01, s.9; 2001, c.32, s.8.</div>

**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.

**1-5**

(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.

<div align="right">2001, c.32, s.9.</div>

**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.

**1-6**

(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.

**1-7**

## 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.

<div align="right">1986-87-88, c.26, s.6; 2001, c.32, s.10.</div>

## 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;

       (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.

<div align="right">1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.</div>

**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.

<div align="right">1983, c.P-30.01, s.13.</div>

**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.

<div align="right">2001, c.32, s.11.</div>

**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;

**1-10**

(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.

<div align="center">2001, c.32, s.11.</div>

**1-11**

## 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.

<div align="right">1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.</div>

## 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.

<div align="right">1983, c.P-30.01, s.16.</div>

### 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.

<div align="right">1983, c.P-30.01, s.17.</div>

### 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.

<div align="right">1983, c.P-30.01, s.18; 2001, c.32, s.12.</div>

### 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:

(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).

<div align="right">1983, c.P-30.01, s.19.</div>

<div align="center">AUDIT COMMITTEE</div>

**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.

<div align="right">2001, c.32, s.13; 2005, c.L-11.2, s.97.</div>

**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;

**1-14**

(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.

**1-17**

**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.

<div align="right">1983, c.P-30.01, s.32.</div>

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# Appendix

**2**

## 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 which administer public money that were subject to audit examination under *The Provincial Auditor Act* at July 31, 2011.

This Appendix includes the status of those audits at October 31, 2011. 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 a few agencies. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate incomplete audits, but rather include their results in future reports.

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| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| **Government of Saskatchewan –**<br>  **Summary Financial Statements** | March 31 | Complete | Yes/2011 Rpt V2 |
| **Ministries and Secretariats:** | | | |
| Enterprise and Innovation programs | March 31 | Complete | Yes 2011 Rpt V2 |
| Ministry of Advanced Education,<br>  Employment and Immigration | March 31 | Complete | Yes/2011 Rpt V1<br>& V2 |
| Ministry of Agriculture | March 31 | Complete | Yes/2011 Rpt V2 |
| Ministry of Corrections, Public Safety and<br>  Policing | March 31 | Complete | Yes/2011 Rpt V1<br>& V2 |
| Ministry of Education | March 31 | Complete | Yes/2011 Rpt V1<br>& V2 |
| Ministry of Energy and Resources | March 31 | Complete | Yes/2011 Rpt V2 |
| Ministry of Environment | March 31 | Complete | Yes/2011 Rpt V2 |
| Ministry of Finance | March 31 | Complete | Yes/2011 Rpt V2 |
| Ministry of First Nations and Métis<br>  Relations | March 31 | Complete | Yes/2011 Rpt V2 |
| Ministry of Government Services | March 31 | Complete | Yes/2011 Rpt V1<br>& V2 |
| Ministry of Health | March 31 | Complete | Yes/2011 Rpt V2 |
| Ministry of Highways and Infrastructure | March 31 | Complete | Yes/2011 Rpt V1<br>& V2 |
| Ministry of Justice and Attorney General | March 31 | Complete | Yes/2011 Rpt V1<br>& V2 |
| Ministry of Labour Relations and<br>  Workplace Safety | March 31 | Complete | Yes/2011 Rpt V2 |
| Ministry of Municipal Affairs | March 31 | Complete | No |
| Ministry of Social Services | March 31 | Complete | Yes/2011 Rpt V2 |
| Ministry of Tourism, Parks, Culture and<br>  Sport | March 31 | Complete | Yes/2011 Rpt V2 |
| Executive Council | March 31 | Complete | No |
| Information Technology Office | March 31 | Complete | Yes/2011 Rpt V1<br>& V2 |
| Provincial Capital Commission, Office of<br>  the | March 31 | Complete | No |
| Provincial Secretary, Office of the | March 31 | Complete | No |
| Public Service Commission | March 31 | Complete | Yes/2011 Rpt V1<br>& V2 |
| **Crown agencies:** | | | |
| 101005716 Saskatchewan Ltd. | December 31 | Note 1 | |
| 101027596 Saskatchewan Ltd. | December 31 | Note 8 | |
| 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 8 | |

| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| 617275 Saskatchewan Ltd. | December 31 | Note 1 | |
| Agricultural Credit Corporation of Saskatchewan | March 31 | Complete | No |
| Agricultural Implements Board | 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 |
| Carlton Trail Regional College | June 30 | Complete | Yes/2011 Rpt V2 |
| Chinook School Division No. 211 | August 31 | Complete | Yes/2011 Rpt V1 |
| Christ the Teacher Roman Catholic Separate School Division No. 212 | August 31 | Complete | Yes/2011 Rpt V1 |
| CIC Asset Management Inc. | December 31 | Complete | No |
| 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 | No |
| Conseil des Ecoles Fransaskoises School Division No. 310 | August 31 | Note 7 | Yes/2011 Rpt V1 |
| Creighton School Division No. 111 | August 31 | Complete | Yes/2011 Rpt V1 |
| Crown Investments Corporation of Saskatchewan | December 31 | Complete | Yes/2011 Rpt V2 |
| Cumberland Regional College | June 30 | Complete | No |
| Cypress Regional Health Authority | March 31 | Complete | Yes/2011 Rpt V2 |
| DirectWest Canada Inc. | December 31 | Note 1 | |
| DirectWest Corporation | December 31 | Complete | No |
| eHealth Saskatchewan (formerly Saskatchewan Health Information Network | March 31 | Complete | No |
| Englefeld Protestant Separate School Division No. 132 | August 31 | Complete | Yes/2011 Rpt V1 |
| Enterprise Saskatchewan | March 31 | Complete | No |
| 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 | Complete | No |
| Good Spirit School Division No. 204 | August 31 | Complete | Yes/2011 Rpt V1 |
| Government House Foundation, The | March 31 | Complete | No |
| Gradworks Inc. | December 31 | Complete | No |

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| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| Great Plains College | June 30 | Rotational | |
| HARO Financial Corporation | August 31 | Note 1 | |
| Health Quality Council | March 31 | Complete | No |
| Heartland Regional Health Authority | March 31 | Complete | Yes/2011 Rpt V2 |
| Hollywood At Home Inc. | December 31 | Note 1 | |
| Holy Family Roman Catholic Separate School Division No. 140 | August 31 | Complete | Yes/2011 Rpt V1 |
| Holy Trinity Roman Catholic Separate School Division No. 22 | August 31 | Delayed | Yes/2011 Rpt V1 |
| Horizon School Division No. 205 | August 31 | Complete | Yes/2011 Rpt V1 |
| Hospitality Network Canada Inc. | December 31 | Complete | No |
| Ile a la Crosse School Division No. 112 | August 31 | Complete | Yes/2011 Rpt V1 |
| Information Services Corporation of Saskatchewan | December 31 | Complete | No |
| Innovation Saskatchewan | March 31 | Complete | No |
| 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 | |
| Keewatin Yatthé Regional Health Authority | March 31 | Complete | Yes/2011 Rpt V2 |
| Kelsey Trail Regional Health Authority | March 31 | Complete | Yes/2011 Rpt V2 |
| Law Reform Commission of Saskatchewan | March 31 | Complete | No |
| Light of Christ Roman Catholic Separate School Division No. 16 | August 31 | Complete | Yes/2011 Rpt V1 |
| Liquor and Gaming Authority | March 31 | Complete | Yes/2011 Rpt V2 |
| Liquor and Gaming Authority Extended Health Care Plan | March 31 | Complete | No |
| Liquor Board Superannuation Commission, The | December 31 | Complete | Note 4 |
| Living Sky School Division No. 202 | August 31 | Complete | Yes/2011 Rpt V1 |
| Lloydminster Roman Catholic Separate School Division No. 89 | August 31 | Complete | Yes/2011 Rpt V1 |
| Lloydminster Public School Division No. 99 | August 31 | Complete | Yes/2011 Rpt V1 |
| Mamawetan Churchill River Regional Health Authority | March 31 | Complete | Yes/2011 Rpt V2 |
| Manalta Investment Company Ltd. | December 31 | Note 1 | |
| Many Islands Pipe Lines (Canada) Limited | December 31 | Complete | No |
| Métis Development Fund | December 31 | Complete | No |
| Municipal Employees' Pension Commission | December 31 | Complete | Note 2 |
| Municipal Financing Corporation of Saskatchewan | December 31 | Complete | No |

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| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| Municipal Potash Tax Sharing Administration Board | December 31 | Complete | No |
| Nokomis Holding, Inc. | December 31 | Note 1 | |
| North East School Division No. 200 | August 31 | Complete | Yes/2011 Rpt V1 |
| North Sask. Laundry & Support Services Ltd. | March 31 | Complete | Yes/2011 Rpt V2 |
| North West Regional College | June 30 | Rotational | |
| North West School Division No. 203 | August 31 | Complete | Yes/2011 Rpt V1 |
| Northern Lights School Division No. 113 | August 31 | Complete | Yes/2011 Rpt V1 |
| Northlands College | June 30 | Rotational | |
| Northpoint Energy Solutions Inc. | December 31 | Complete | Yes/2011 Rpt V1 |
| Operator Certification Board | March 31 | Complete | No |
| Owners, The: Condominium Corporation No. 101100609 | March 31 | Complete | No |
| Parkland Regional College | June 30 | Complete | No |
| Physician Recruitment Agency of Saskatchewan | March 31 | Complete | No |
| Power Corporation Superannuation Plan | December 31 | Complete | Yes/2011 Rpt V1 |
| Power Greenhouses Inc. | December 31 | Complete | No |
| Prairie Agricultural Machinery Institute | March 31 | Complete | No |
| Prairie North Regional Health Authority | March 31 | Complete | Yes/2011 Rpt V1 & V2 |
| Prairie South School Division No. 210 | August 31 | Complete | Yes/2011 Rpt V1 |
| Prairie Spirit School Division No. 206 | August 31 | Complete | Yes/2011 Rpt V1 |
| Prairie Valley School Division No. 208 | August 31 | Complete | Yes/2011 Rpt V1 |
| Prince Albert Parkland Regional Health Authority | March 31 | Complete | Yes/2011 Rpt V1 & V2 |
| Prince Albert Roman Catholic Separate School Division No. 6 | August 31 | Complete | Yes/2011 Rpt V1 |
| Public Employees Pension Plan | March 31 | Complete | Yes/2011 Rpt V2 |
| Public Service Superannuation Board | March 31 | Complete | Yes/2011 Rpt V2 |
| Qu'Appelle Holding, Inc. | December 31 | Note 1 | |
| Regina Qu'Appelle Regional Health Authority | March 31 | Complete | Yes/2011 Rpt V2 |
| Regina Roman Catholic Separate School Division No. 81 | August 31 | Complete | Yes/2011 Rpt V1 |
| Regina School Division No. 4 | August 31 | Complete | Yes/2011 Rpt V1 |
| Saskatchewan Apprenticeship and Trade Certification Commission | June 30 | Complete | No |
| 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 | No |
| Saskatchewan Cancer Agency | March 31 | Complete | Yes/2011 Rpt V2 |
| Saskatchewan Centre of the Arts | March 31 | Complete | No |

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| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| Saskatchewan Communications Network Corporation | March 31 | Complete | No |
| Saskatchewan Crop Insurance Corporation | March 31 | Complete | Yes/2011 Rpt V2 |
| Saskatchewan Development Fund Corporation | December 31 | Complete | No |
| Saskatchewan First Call Corporation | December 31 | Note 1 | |
| Saskatchewan Gaming Corporation | December 31 | Complete | Yes/2011 Rpt V1 |
| Saskatchewan Government Growth Fund II Ltd. | December 31 | Complete | Note 9 |
| Saskatchewan Government Growth Fund III Ltd. | December 31 | Complete | No |
| Saskatchewan Government Growth Fund IV Ltd. | December 31 | Complete | Note 9 |
| Saskatchewan Government Growth Fund V (1997) Ltd. | December 31 | Complete | Note 9 |
| Saskatchewan Government Growth Fund VI Ltd. | December 31 | Complete | Note 10 |
| Saskatchewan Government Growth Fund VII Ltd. | December 31 | Complete | Note 10 |
| Saskatchewan Government Growth Fund VIII Ltd. | December 31 | Complete | Note 10 |
| Saskatchewan Government Insurance | December 31 | Complete | No |
| Saskatchewan Government Insurance Superannuation Plan | December 31 | Complete | No |
| Saskatchewan Grain Car Corporation | July 31 | Complete | No |
| Saskatchewan Health Research Foundation | March 31 | Complete | No |
| Saskatchewan Heritage Foundation | March 31 | Complete | No |
| Saskatchewan Housing Corporation | December 31 | Complete | Yes/2011 Rpt V1 |
| Saskatchewan Immigrant Investor Fund Inc. | December 31 | Note 3 | |
| Saskatchewan Impaired Driver Treatment Centre Board of Governors | March 31 | Complete | No |
| Saskatchewan Indian Gaming Authority Inc. | March 31 | Complete | Yes/2011 Rpt V2 |
| Saskatchewan Institute of Applied Science and Technology | June 30 | Complete | Yes/2011 Rpt V2 |
| Saskatchewan Labour Market Commission | March 31 | Delayed | |
| Saskatchewan Legal Aid Commission | March 31 | Complete | Yes/2011 Rpt V2 |
| Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation | March 31 | Complete | No |
| Saskatchewan Opportunities Corporation | December 31 | Complete | No |
| Saskatchewan Pension Annuity Fund | March 31 | Complete | No |
| Saskatchewan Pension Plan | December 31 | Complete | No |
| Saskatchewan Power Corporation | December 31 | Complete | Yes/2011 Rpt V2 |
| Saskatchewan Research Council | March 31 | Complete | Yes/2011 Rpt V1 |

| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| Saskatchewan Rivers School Division No. 119 | August 31 | Complete | Yes/2011 Rpt V1 |
| Saskatchewan Telecommunications | December 31 | Complete | Yes/2011 Rpt V1 |
| Saskatchewan Telecommunications Holding Corporation | December 31 | Complete | Yes/2011 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 | No |
| Saskatchewan Valley Potato Corporation | December 31 | Note 1 | |
| Saskatchewan Water Corporation | December 31 | Complete | Yes/2011 Rpt V1 |
| Saskatchewan Watershed Authority | March 31 | Complete | Yes/2011 Rpt V2 |
| Saskatoon 2 Management Ltd. | December 31 | Note 1 | |
| Saskatoon 2 Properties Limited Partnership | December 31 | Note 6 | |
| Saskatoon Regional Health Authority | March 31 | Complete | Yes/2011 Rpt V1 & V2 |
| Saskatoon School Division No. 13 | August 31 | Complete | Yes/2011 Rpt V1 |
| SaskEnergy Incorporated | December 31 | Complete | No |
| SaskEnergy International Incorporated | December 31 | Complete | No |
| SaskEnergy Nova Scotia Holdings Ltd. | December 31 | Note 1 | |
| SaskPower International Inc. | December 31 | Note 1 | |
| SaskTel International Consulting, Inc. | December 31 | Note 1 | |
| SaskTel Investments Inc. | December 31 | Note 1 | |
| SecurTek Monitoring Solutions Inc. | December 31 | Complete | No |
| SGC Holdings Inc. | December 31 | Complete | No |
| SGI CANADA Insurance Services Ltd. | December 31 | Complete | No |
| Shellbrook Holding, Inc. | December 31 | Note 1 | |
| South East Cornerstone School Division No. 209 | August 31 | Complete | Yes/2011 Rpt V1 |
| Southeast Regional College | June 30 | Rotational | |
| St. Augustine Roman Catholic Separate School Division No. 220 | August 31 | Complete | Yes/2011 Rpt V1 |
| St. Paul's Roman Catholic Separate School Division No. 20 | August 31 | Complete | Yes/2011 Rpt V1 |
| Sun Country Regional Health Authority | March 31 | Complete | No |
| Sun West School Division No. 207 | August 31 | Complete | Yes/2011 Rpt V1 |
| Sunrise Regional Health Authority | March 31 | Complete | Yes/2011 Rpt V2 |
| Swan Valley Gas Corporation | December 31 | Note 1 | |
| Teachers' Superannuation Commission | June 30 | Delayed | |
| Technical Safety Authority of Saskatchewan, The | June 30 | Complete | No |

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| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| TecMark International Commercialization Inc. | March 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 |
| Workers' Compensation Board | December 31 | Complete | Yes/2011 Rpt V1 |
| Pension Plan for Employees of the Saskatchewan Workers' Compensation Board | December 31 | Complete | No |
| **Special purpose and trust funds:** | | | |
| Capital Pension Plan | December 31 | Complete | No |
| Commercial Revolving Fund | March 31 | Complete | No |
| Correctional Facilities Industries Revolving Fund | March 31 | Complete | No |
| Criminal Property Forfeiture 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 | No |
| Extended Health Care Plan for Certain Other Employees | December 31 | Complete | No |
| Extended Health Care Plan for Certain Other Retired Employees | December 31 | Complete | No |
| Extended Health Care Plan for Retired Employees | December 31 | Complete | No |
| Fish and Wildlife Development Fund | March 31 | Complete | No |
| General Revenue Fund | March 31 | Complete | Yes/2011 Rpt V2 |
| Growth and Financial Security Fund | March 31 | Note 5 | |
| 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 | No |
| Livestock Services Revolving Fund | March 31 | Complete | No |
| Northern Municipal Trust Account | December 31 | Complete | Yes/2011 Rpt V1 |
| Oil and Gas Orphan Fund | March 31 | Complete | No |

**2-8**

| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| 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/2011 Rpt V2 |
| 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 | No |
| Public Employees Group Life Insurance Fund | December 31 | Complete | No |
| 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 |
| 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 | No |
| Saskatchewan Financial Services Commission Fund | March 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 Severance Pay Credits 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 |

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| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| 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 |
| Training Completions Fund | March 31 | Complete | No |
| Transportation Partnerships Fund | March 31 | Complete | No |
| Victims' Fund | March 31 | Complete | No |

**Offices of the Legislative Assembly:**

| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| Board of Internal Economy | March 31 | Complete | No |
| Chief Electoral Office | March 31 | Delayed | |
| 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** *The Provincial Auditor Act***:**

| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974 | December 31 | Complete | No |
| 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 |

| Agency | Fiscal year end | Status at October 31, 2011[1] | Significant issues reported[2] |
|---|---|---|---|
| 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 | December 31 | Delayed | |
| 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 11 | -- |

Note 1:    These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency.

Note 2:    We continue to recommend that Municipal Employees Pension Commission have a written, tested, and approved disaster recovery plan. Refer to our 2009 Report – Volume 1 for details.

Note 3:    These agencies were recently created or became Crown agencies. December 31, 2011 will be the first period-end audited by our Office. The status of the audits of these agencies will be provided in future reports.

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:    The Ministry of Finance does not prepare financial statements for this Fund.

Note 6:    SaskTel did not prepare financial statements for the year ended December 31, 2010. SaskTel sold its interest in Saskatoon 2 Properties Limited Partnership in January 2011.

Note 7:    We will audit the Conseil des Ecoles Fransaskoises School Division No. 310 beginning with the year ended August 31, 2011.

Note 8:    These entities were wound up on September 10, 2010.

Note 9:    These entities were wound up on March 2, 2011.

Note 10:  These entities were wound up on March 9, 2011.

Note 11:  Effective for the year ending March 31, 2012, Tourism, Parks, Culture and Sport has provided the office access to information from Western Canada Lottery Corporation.

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[1].    "Complete" – the audit was complete at October 31, 2011.
"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, 2011 as "Complete". We list the other entities as "Rotational".

[2].    "No" - no significant issues were reported.
"Yes/2011 Rpt V1" – significant issues are reported in our 2011 Report – Volume 1.
"Yes/2011 Rpt V2" – significant issues are reported in our 2011 Report – Volume 2.

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# Appendix

<span style="color:teal; font-size:3em;">**3**</span>

## 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.

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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.

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I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgments 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 published in the *CICA Handbook - Assurance*. 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 judgment 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 [Year end]:

*(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 published in the *CICA Handbook - Assurance*, 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 [Year end].

## 3.    The reliability of financial statements.

I have audited the accompanying financial statements of [Crown agency X], which comprise the [balance sheet] as at [Year end], and the [income statement], [statement of changes in equity] and [cash flow statement] for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [acceptable financial reporting framework] for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of [Crown agency X] as at [Year end], and [insert appropriate wording to describe financial results] for the year then ended in accordance with [acceptable financial reporting framework].