

## 2011 Report – Volume 2

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Opening statement by Bonnie Lysyk, Provincial Auditor, for her meeting with members of the press regarding the 2011 Report – Volume 2.

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Good morning, and thank you for the opportunity to discuss my *2011 Report – Volume 2* with you today.

From an overall perspective, the Saskatchewan economy is doing relatively 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 those improvements that will pay dividends over the long term – in good times and in bad.

While my report identifies numerous issues across the broad spectrum of government operations, I have selected five important issues to illustrate with examples from my report that will be tabled later this morning. And then I’d be happy to take your questions.

**The first issue I would like to discuss is the importance of the Saskatchewan Government clearly communicating its financial surplus or deficit results to the citizens of Saskatchewan in a way consistent with the rest of Canada.** This issue is thoroughly explained in Chapter 10 of my report.

In my opinion, this Chapter deals with a very important issue, but a somewhat daunting one, because it challenges the status quo of public financial reporting in Saskatchewan. It should be noted that this is a longstanding issue that has been raised by my predecessors – two previous Provincial Auditors.

It is generally accepted that the annual reported surplus or deficit of the entire government is the benchmark by which the public measures how good a job a government is doing in managing the public purse. Simply put, the way that Saskatchewan publicly reports its annual surpluses and deficits to the citizens of Saskatchewan is “out of sync” with the rest of Canada. Generally accepted accounting principles for the public sector published by the Canadian Institute of Chartered Accountants recognize the importance of reporting on the financial results of the entire government. Virtually all other provinces in Canada follow these generally accepted accounting principles.

As recent as the Mid-Year Report released on November 28, 2011, the Government did not report to the public in accordance with generally accepted accounting standards. For example, the press release entitled “*2011-12 Mid-Year Report*” focuses entirely on the General Revenue Fund. The press release highlights the anticipated \$25 million pre-transfer surplus in the General Revenue Fund, but makes no mention of the fact that the Government is now forecasting a \$304 million deficit on a summary basis. This \$304 million deficit is the more comparable figure to the financial results being reported in other provinces in Canada.

Financial results in the General Revenue Fund can also be “earnings managed” to achieve a surplus even when results should be reported as a deficit. A chart on page 199 of my report shows that between 2001-02 and 2010-11, governments in Saskatchewan reported General Revenue Fund surpluses in five years, when they should have reported deficits.

Also, the three page “Backgrounder–Report Summary” accompanying the Government’s Mid-Year Report indicates that there is an expected decrease in “Government General Public Debt” of \$325 million from the prior year, but makes no mention of the fact that the Government’s total debt, including all government entities, is expected to increase by \$189 million from the prior year.

At March 31, 2002, total debt of the Province of Saskatchewan, net of monies put in sinking funds to pay off debt in the future, was \$15.4 billion. At March 31, 2011, the comparable figure was \$14.5 billion. While GRF debt has declined, pension debt has been increasing and now represents approximately 43% of the Government’s total debt. This is illustrated on page 224 of my report.

I encourage the Government of Saskatchewan to give this issue serious consideration and publicly communicate financial surpluses or deficits and total debt figures to the citizens of Saskatchewan focusing on the Summary Financial Statements.

**A second issue is the importance of protecting data and information.** My office has audited security at the Information Technology Office, otherwise known as ITO, since 2006 and has reviewed IT security in the ministries. In 2006, a number of weaknesses were identified related to the security and availability of systems managed by ITO. Over the past few years, ITO has made some improvements to its ability to prevent or detect security threats. However, five years later, we find that government systems and data, including those managed by ITO, are still at risk. The ITO and all government agencies, including regional health authorities, need to resolve IT weaknesses on a more timely basis.

**A third issue is the importance of having well understood, open and transparent processes in the public sector.** My office 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. on April 19, 2010.

In Chapter 14D, we are reporting that this service agreement was unique when compared to other service provider agreements, and that the processes followed, which were also unique, did not demonstrate the cost effectiveness of this decision. Neither the Ministry of Health nor Saskatoon Regional Health Authority 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 its decision, or detailed support for the per bed rate payments that will be made to Amicus under this Agreement to cover both its operating and capital costs.

In the public sector there must be clear and transparent processes in place to use when seeking and selecting service providers to avoid real or perceived conflicts of interest, or controversy in future projects.

**A fourth issue is the importance of effective processes to ensure legislation, standards and policies are being followed.** The importance of this is illustrated by our audit work in four areas:

- ◆ The **first area** relates to municipal policing oversight. Under legislation, the Saskatchewan Police Commission and the Ministry of Corrections, Public Safety and Policing both are responsible to promote adequate and effective municipal policing. We concluded that the Ministry and the Commission need to monitor municipal policing to ensure that law enforcement is delivered uniformly in all municipalities. But to do so, the Ministry and the

Commission need to define their roles, and have clear direction and adequate resources. To build public confidence in policing, municipal police services need consistent policies and practices, and these policies and practices must be effectively monitored.

- ◆ A **second area** where monitoring compliance with standards is important relates to children in care. There are over 5,900 children in care in Saskatchewan. The Ministry of Social Services has a responsibility to ensure that children receive proper care. Caseworkers are to follow established standards to protect children in the care of the Ministry or First Nation Agencies. In 2009, the Ministry established a Quality Assurance Group that monitors compliance with the Ministry's child protection standards. This was a positive step, but more work remains. Caseworker compliance with these standards continues to be an issue in both the Ministry and in First Nation Agencies. It also continues to be important that First Nation Agencies provide required information to the Ministry on a timely basis. Lack of compliance with these standards increases the risk that children may not receive the care they need.
- ◆ A **third area** where monitoring compliance is important relates to the Ministry of Labour Relations and Workplace Safety and its role in addressing workplace non-compliance with occupational health and safety legislation and regulations. Saskatchewan continues to have the second highest workplace injury rate in Canada<sup>1</sup> and its injury rate remains well above the Canadian national average. We audited 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 uses progress reports from employers and repeated officer inspections to enforce compliance. We found that the Ministry did not receive written progress reports for about 30% of its contravention notices. Without this information, the Ministry did not know whether it was successful in enforcing its Act and regulations for about 30% of contraventions. Overall, the Ministry needs to improve its approach in identifying where it needs to focus its efforts and analyze causes of non-compliance, so that Saskatchewan's high workplace injury rate can be more effectively addressed.
- ◆ A **fourth area** where monitoring is important involves SaskPower. We audited SaskPower's processes for inspections of gas and electrical installations. We noted that SaskPower needs to re-evaluate its inspection strategies, improve its processes for monitoring key inspection decisions and improve its reporting of inspection activities. Inspection processes are important to ensure proper installations of equipment and minimize safety risks.

**The fifth issue that I would like to highlight is the importance of long-term capital asset planning and maintenance.** The following example illustrates this need.

- ◆ The health care system uses over \$1.2 billion of capital assets to deliver health care. The Ministry of Health and the regional health authorities do not have a long-term capital asset plan. Lack of such a plan increases the risk that the health care system may not have the 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.

Overall, these issues highlight where changes are needed.

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<sup>1</sup> 2009 – Saskatchewan time loss injuries of 3.4 injuries per 100 workers. Canada's national average was 1.8 injuries per 100 workers.

On the positive side of the ledger, I am pleased to say that for most of the 145 government agencies that we examined, we did not identify significant issues. As well, in many cases where we performed follow-up audit work, we found that considerable progress has been made by agencies in addressing our past recommendations.

I also want to express my thanks to the past members of the Standing Committee on Public Accounts. This Committee has supported my office and our recommendations and has been active in fulfilling its scrutiny role on behalf of the citizens of Saskatchewan. I look forward to working with the new Standing Committee on Public Accounts.

As well, I would like to acknowledge Saskatchewan's Information and Privacy Commissioner who worked with us in finalizing Chapter 20-Protecting Saskatchewan data-the *USA Patriot Act*, a chapter that resulted from a request of the Standing Committee on Public Accounts. In this chapter we note that the Saskatchewan Information and Privacy Commissioner has recommended that Saskatchewan's general access and privacy laws be amended and modernized to strengthen information and privacy protection.

Finally, in closing, I would also like to thank the four Deputy Provincial Auditors who are here today and all of the other staff in our office for their professionalism and hard work on this report for the members of the Legislative Assembly and the citizens of Saskatchewan.

I would now welcome your questions.