

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

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

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*.

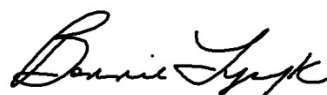
Standing Committee on Public Accounts

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