Introduction

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Reflections of the Provincial Auditor

First, I would like to express my thank you to the Provincial Auditor Search Committee, Members of the Public Accounts Committee and Members of the Legislative Assembly for the privilege of serving as the new Provincial Auditor of Saskatchewan.

Work does not stop when leadership changes, so I jumped onto a moving train filled with a team of 60 people. Upon joining the Office in April and working hand-in-hand with this team toward the finalization of this report, I quickly gained an appreciation of the talented, experienced and dedicated professionals in the Provincial Audit Office. This report is a product of their hard work in serving both the Members of the Legislative Assembly and the citizens of Saskatchewan.

The work in this report was initiated and executed under the leadership of my predecessor, Mr. Brian Atkinson, Acting Provincial Auditor. Mr. Atkinson served the people of Saskatchewan for over 35 years, including 11 years as Assistant Provincial Auditor and his last year as Acting Provincial Auditor following the retirement of Mr. Fred Wendel in April 2010. On behalf of the Office, I thank him for his many years of dedicated service to the citizens of Saskatchewan. We wish him a very happy retirement.

On behalf of the Office, I also thank the many individuals in the ministries, the crown corporations, school divisions, regional health authorities and other agencies for their cooperation with the Office. As well, thanks to the appointed auditor community who also worked cooperatively with our Office.

Report contents

As you will see, the chapters that follow span a broad range of the public sector—from health and justice to highways and education—and cover a variety of topics such as the granting of privileges to physicians and bridge maintenance. As well, this report contains our first public report on school divisions since *The Education Act, 1995* was amended and our Office became responsible to audit school divisions effective April 1, 2009. Our chapter on school divisions recognizes their significant

improvement in financial reporting for their stakeholders over the past year.

The chapters 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.

Work performed covered 137 government agencies, including crown corporations and school divisions. Other than school divisions, most had December 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 49 new recommendations that in many cases focus on the protection of people and infrastructure (as in the case of Corrections, Public Safety and Policing, Highways and Infrastructure, and the Regional Health Authorities) and improving information technology security and disaster recovery processes (as in the case of PA Parkland, school divisions, SaskTel, and SaskWater).

We conducted follow-up work on 46 recommendations from past audits. These are contained in a number of the chapters. Of those recommendations, 21 have been fully implemented, 16 have been partially implemented, and 9 have not yet been implemented.

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

The following section provides a synopsis of the contents of the chapters in this report.

Chapter highlights

Chapter 2 – Advanced Education, Employment and Immigration – Risk management processes

The Ministry is responsible for managing risks related to post-secondary education, student support programs, training and employment services, and immigration services. Our objective was to assess the adequacy of the Ministry's agency-wide risk management processes during September 1, 2010 to February 28, 2011.

We concluded that the Ministry had adequate processes for agency-wide risk management except for its processes to monitor risks.

Timely information is important to monitor risks. Monitoring outcomes could help the Ministry take prompt action to address significant changes in key risks.

Chapter 3 – Corrections, Public Safety and Policing – Rehabilitating adult offenders in the community

The Ministry is responsible for delivering programs and services to rehabilitate adult offenders in the community. Our objective was to assess whether the Ministry had adequate processes for the 12 months ended December 31, 2010 to rehabilitate adult offenders serving a community sentence.

We concluded that during 2010, the Ministry had adequate processes to rehabilitate adult offenders likely to repeat crimes (including serious or violent crimes) who were serving a community sentence in the Regina Qu'Appelle Region with the following exceptions:

♦   Policies were not consistently followed for the timely completion of risk assessments and integrated case management plans, for maintaining sufficient contact between high-risk adult offenders and probations officers or alternates, and for preparing regular progress reports for adult offenders

♦   Management did not monitor whether high-risk adult offenders had timely access to priority community rehabilitation programs

♦ A policy was not in place to evaluate rehabilitation programs for high-risk adult offenders

♦ Criteria were not in place to select rehabilitation services provided by other agencies and evaluate if high-risk adult offenders benefit from these services

The Ministry had designed many good processes to rehabilitate adult offenders in the community, but it did not consistently implement its processes for all high-risk adult offenders. If offenders do not receive rehabilitation services that meet their needs at the right time, they are more likely to commit further offences.

Chapter 4 – Education – School divisions

Because of changes to *The Education Act, 1995*, school divisions became part of the Government reporting entity and our Office became responsible to audit them.

For the year ended August 31, 2010, we audited school divisions' financial statements, processes to safeguard public resources, and compliance with authorities. We found that school divisions had made significant progress in improving the measurement, presentation and disclosure of their financial statements compared to the previous year.

In this chapter, we make 11 recommendations to assist school divisions in improving their practices and accountability. We encourage school divisions to review these recommendations and, where applicable, apply them in their operations.

Chapter 5 – Government Services

Processes to plan accommodation

The Ministry is responsible to provide accommodation for certain government agencies (clients) and to maintain its buildings. Our objective was to assess whether the Ministry had adequate processes for the year ended March 31, 2011 to plan accommodation for client agencies.

We concluded that the Ministry had adequate processes to plan accommodation for client agencies except that it needs to prepare an

overall accommodation plan, including a risk assessment and then monitor implementation of that plan.

The Ministry needs to analyze the combined needs of its clients to identify all opportunities and/or pressures that it will face in fulfilling its clients needs.

Processes to maintain buildings – A follow-up

We followed-up five recommendations from our 2009 audit of the Ministry's processes to maintain its buildings. The Ministry still has work to do in each of the five recommendations.

Chapter 6 – Highways and Infrastructure – Keeping bridges in good repair

The Ministry of Highways and Infrastructure is responsible for maintaining approximately 800 bridges that are a part of the provincial highway system. Our objective was to assess the adequacy of the Ministry's processes to keep bridges within the provincial highway system in good repair. We assessed the processes in place for the year ended March 31, 2010.

We concluded that while the Ministry had adequate processes to keep bridges within the provincial highway system in good repair, it needs to:

♦ Maintain up-to-date bridge management system records for use in making decisions about planned and required maintenance
♦ Document the key bridge maintenance planning processes and the overall bridge maintenance plan
♦ Set and use long-term service objectives to prioritize bridge maintenance activities
♦ Provide a report to help senior management monitor the results of bridge maintenance and inspection activities each year

Doing the right maintenance at the right time maintains safety and reduces long-term costs.

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Chapter 7 – Information Technology Office – Measuring benefits of IT consolidation – A follow-up

We followed up five recommendations made in our 2009 audit that examined whether the Information Technology Office improved information technology services through consolidation and provided those services at a lower cost. Action has been taken on all of the recommendations. Three have been fully implemented and more work needs to be done on the remaining two recommendations.

Chapter 8 – Justice and Attorney General

Regulating Credit Unions

The Registrar, appointed under *The Credit Union Act, 1998* is responsible for supervising the regulation of credit unions in Saskatchewan. Our objective was to assess whether the Registrar of credit unions had adequate processes for the year ended December 31, 2010 to fulfill its responsibilities to supervise the regulation of credit unions.

We concluded that the Registrar had adequate processes to supervise the regulation of credit unions during 2010. We made one recommendation to clarify whether the Registrar carries out its responsibilities as an individual or as a part of the Saskatchewan Financial Services Commission.

Superintendent of Pensions – A follow-up

We followed up two recommendations stemming from our 2004 audit that examined if the Superintendent had adequate processes to supervise pension plans. These recommendations have been implemented.

Chapter 9 – Municipal Affairs

As part of an annual audit, we recommended that the Northern Municipal Trust Account (NMTA)needs to follow its established procedure to prepare accurate and timely financial and performance reports. NMTA complied with its governing authorities and its 2010 financial statements are reliable.

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Chapter 10 – Prairie North Regional Health Authority – Granting medical privileges

The Regional Health Services Act makes regional health authorities responsible to grant medical privileges to physicians. Medical privileges give physicians access to equipment, staff, and other hospital resources. Medical privileges specify exactly which medical procedures the physician has the education, skill, and experience to perform safely.

Our objective was to assess whether the Prairie North Regional Health Authority had adequate processes to grant medical privileges to physicians during the 12 months ended January 31, 2011.

We concluded that the Prairie North Regional Health Authority did not have adequate processes to grant medical privileges to physicians in hospitals during this period. It did not:

♦ Set requirements for physicians doing special procedures or practicing as specialists
♦ Obtain all required documents before granting medical privileges
♦ Conduct reference checks for physicians applying for medical privileges in its hospitals for the first time
♦ Analyze physicians' compliance with medical privileges granted and revise as necessary
♦ Seek its Board's approval for all medical privileges
♦ Monitor whether its processes to grant medical privileges align with it bylaws
♦ Clarify responsibilities for granting medical privileges of the chief of medical staff and committees in each community

We made seven recommendations to improve Prairie North's processes. Granting medical privileges to physicians who are not adequately qualified could result in harm to patients. We encourage other regional health authorities to use the criteria described in this chapter to assess their own processes for granting medical privileges.

Chapter 11 – Prince Albert Parkland Regional Health Authority (PA Parkland) – Securing IT systems and data

PA Parkland uses information technology (IT) systems and data for admissions, treatment records, laboratory results, prescription

information, and finances. PA Parkland has two main service providers managing its systems and data.

Our objective was to assess whether PA Parkland had adequate processes to secure its IT systems and data for the period August 1, 2010 to January 31, 2011.

We concluded that PA Parkland had adequate processes to secure its IT systems and data except that it needs to restrict physical access to its systems and data, maintain its disaster recovery plan, and monitor whether its IT service providers meet its security requirements.

Physical access controls protect computers and network devices from unauthorized access and disaster recovery plans ensure systems and data are available when needed. Inadequate security of IT systems and data increases the risk that patients' medical records could be lost, inaccurate, compromised, or not available when needed, resulting in incorrect decisions and mistakes in patient care. Inadequate security could also lead to inappropriate disclosure of patients' medical records.

Chapter 12 – Public Service Commission (PSC)

Staffing out-of-scope positions – Classified division

PSC is responsible for representing the public interest in the administration of *The Public Service Act, 1998* (Act). One of the purposes of the Act is to maintain an independent and professional public service. The Act makes PSC responsible for staffing positions within the classified division.

Our objective was to assess whether out-of-scope positions within the classified division were staffed, during the 12 months ended August 31, 2010, in compliance with the Act and regulations.

We concluded that, during the 12 months ended August 31, 2010, out-of-scope classified positions were staffed in compliance with the Act and the regulations.

Human resource/payroll security audit

PSC is responsible for the Multi-informational Database Applications system - human resources and payroll (i.e., MIDAS HR/Payroll). User agencies rely on PSC, as a service provider, to have adequate central controls and carry them out properly. Therefore, we conduct this audit on an annual basis.

Our objective was to assess whether PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll for the 12 month period ended December 31, 2010.

We concluded that during 2010, PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll except that service level agreements with ministries need to assign responsibilities for key payroll activities. As well, PSC needs to consistently document its review of payroll reports and the resolution of matters resulting from this review. Clear understanding of responsibilities, and the review and follow-up of payroll reports would reduce the risk of potential payroll errors arising.

Chapter 13 – Saskatchewan Gaming Corporation (SaskGaming)

SaskGaming manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority.

Resulting from its annual audit, we concluded that SaskGaming complied with its governing authorities and its 2010 financial statements are reliable. In addition, SaskGaming had adequate rules and procedures to safeguard public resources and those of SGC Holdings except SaskGaming needs additional processes to ensure effective controls are in place over the provision of information under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations. Additional processes would reduce the risk of incomplete or inaccurate submissions of information.

Chapter 14 – Saskatchewan Power Corporation (SaskPower)

SaskPower is the principal supplier of electricity in Saskatchewan, operating primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's mission is to deliver power in a safe, reliable, and sustainable manner. Its consolidated financial statements include the financial results of SaskPower and its subsidiaries - NorthPoint Energy Solutions Inc. (Northpoint), Power Greenhouses Inc. and SaskPower International Inc. As well, SaskPower sponsors the Power Corporation Superannuation Plan.

We continue to recommend that NorthPoint establish a training program to provide its staff with ongoing training on market rules and on NorthPoint's processes to monitor compliance with those rules in order to reduce the risk of the contravention of market rules. As well, the Power Corporation Superannuation Plan needs to monitor the Public Employees Benefits Agency's fulfilment of its assigned administration responsibilities related to the Plan to ensure this service provider fulfills its responsibilities.

Chapter 15 – Saskatchewan Research Council (SRC)

The mission of SRC is to deliver "…smart science solutions, with unparalleled service to clients and colleagues, that grow and strengthen the economy." This chapter describes our conclusions about SRC Employee's Pension Plan (Plan) and our follow-up of management's actions to implement the two recommendations we made in 2009 about SRC's risk management processes. SRC had adequate rules and procedures for the Plan to safeguard public assets. The Plan's financial statements were reliable and it complied with its relevant authorities. SRC has implemented both of our 2009 recommendations.

Chapter 16 – Saskatchewan Telecommunications Holding Corporation (SaskTel)

SaskTel markets and supplies a range of voice, data, internet, wireless, text, image, security and entertainment products, systems and services.

This chapter discusses the results of our 2010 audits of SaskTel, the companies it owns, and its Pension Plan and our follow-up on SaskTel's wireless network security.

Overall, we concluded that SaskTel's financial statements are reliable, they complied with their governing authorities and they had adequate rules and procedures to safeguard public resources except that SaskTel needs to improve security over customer credit card information.

In 2009, during an audit of SaskTel's wireless network controls, we concluded that SaskTel did not have adequate wireless network security controls and made seven recommendations. In 2011, we followed-up on these recommendations. SaskTel has many actions planned or underway to improve wireless security, but it needs to complete these actions.

Chapter 17 – Saskatchewan Water Corporation (SaskWater)

SaskWater's mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under its Act.

We concluded SaskWater complied with its governing authorities and its 2010 financial statements are reliable. It had adequate rules and procedures to safeguard public resources except for the matters reflected in our six recommendations. We made these recommendations in our 2010 Report – Volume 1. SaskWater has made limited progress to address them.

SaskWater needs to:
♦ Approve an adequate IT security policy
♦ Sign an IT service agreement with its IT service provider
♦ Monitor the adequacy of the security controls used by its IT provider
♦ Periodically verify the existence and valuation of its physical assets
♦ Establish code of conduct policies
♦ Require criminal record checks for its employees in positions of trust

Implementing these recommendations would help reduce the risk to IT systems of unauthorized access, ensure properly valued assets exist, and would communicate human resource expectations.

Chapter 18 – Saskatoon Regional Health Authority (Saskatoon) – Maintaining medical equipment

Saskatoon is responsible for the overall quality of care for its patients. To be able to provide a high level of patient care, Saskatoon makes extensive use of medical equipment to help diagnose and treat patients.

Our objective was to assess whether Saskatoon had adequate processes to maintain its medical equipment in three Saskatoon hospitals and the Humboldt District Hospital during the 12 months ended February 28, 2011.

We concluded that Saskatoon had adequate processes to maintain its medical equipment in three Saskatoon hospitals and the Humboldt District Hospital except it needs to establish written policies and procedures for maintaining medical equipment. Doing so, will further contribute to ensuring that medical equipment is properly maintained.

Chapter 19 – Social Services – Saskatchewan Housing Corporation (SHC)

The Ministry of Social Services, through the Saskatchewan Housing Corporation (SHC), seeks to promote self-sufficiency and independence by providing housing and housing services for families, seniors, persons with disabilities and others who could not otherwise afford safe and secure shelter.

We concluded that SHC complied with its governing authorities and its financial statements are reliable. As well, SHC had adequate rules and procedures to safeguard public resources except that it needs to take steps to ensure its business continuity plan works.

Chapter 20 – Standing Committee on Crown and Central Agencies

Through its work and recommendations, this Standing Committee helps the Assembly hold the Government accountable for its management of

the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries. The Standing Committee asks our Office to assess and report on the status of the recommendations it makes because of our audit work.

The Government has implemented almost all of the Committee's recommendations related to the work of our Office. At March 31, 2011, the Committee had six recommendations outstanding.
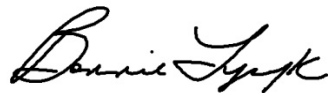
The Assembly permanently refers chapters of our reports related to CIC and its subsidiaries and subsidiary annual reports within its subject area to the Committee for its review. The Committee needs to review the chapters about CIC and its subsidiaries and annual reports within its subject area for the years 2008, 2009 and 2010.

Chapter 21 – Workers Compensation Board (WCB) – Injury prevention and safety – A follow-up

The WCB operates under *The Workers' Compensation Act, 1979* (Act). The Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for administration of the Act.

We followed up on management's progress to address our past five recommendations from our audit in the 2008 Report – Volume 3 that assessed WCB processes to ensure that recipients of money for injury, prevention and safety use the money for its intended purposes. WCB has implemented all of these recommendations.

As previously noted, this Office fulfills its responsibilities through the dedicated efforts of its staff. Their knowledge and commitment made this report possible. The following exhibit lists our team.

Bonnie Lysyk

Bonnie Lysyk, MBA, CA •CIA
Provincial Auditor

Exhibit

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

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

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