

Main points 182

Introduction 183

Audit conclusion and findings..... 183

 Information technology controls need improvement..... 184

 Periodic verification of physical assets required..... 185

 Reinforcing of appropriate staff conduct needed and criminal record checks
 required 186

**Status of other outstanding recommendations of the Standing Committee on
Crown and Central Agencies 187**

Main points

This chapter includes the results of our 2010 audit of the Saskatchewan Water Corporation (SaskWater). SaskWater has made limited progress to address the following six recommendations we made in our 2010 Report – Volume 1.

SaskWater needs to protect its information technology (IT) systems and data. SaskWater needs to approve an adequate IT security policy. Also, it needs to sign an IT service agreement with its IT service provider (Saskatchewan Watershed Authority), and monitor the adequacy of the security controls used by its IT service provider. SaskWater should periodically verify the existence and valuation of its physical assets. SaskWater should also establish code of conduct policies and require criminal record checks for its employees in positions of trust.

Introduction

The Saskatchewan Water Corporation (SaskWater) operates under *The Saskatchewan Water Corporation Act*. SaskWater's mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under the Act.

At December 31, 2010, SaskWater held assets of \$147.7 million, had operating revenue of \$24.3 million, and had net income of \$0.2 million. Each year, SaskWater gives its annual report including its audited financial statements to the Legislative Assembly.¹

Audit conclusion and findings

Our Office worked with Deloitte & Touche LLP, the appointed auditor, to carry out the audit of SaskWater. 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 December 31, 2010:

- ◆ **SaskWater had adequate rules and procedures to safeguard public resources except for the matters described in this chapter**
- ◆ **SaskWater complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ◆ **SaskWater's financial statements are reliable**

Also, the chapter provides an update on the status of outstanding recommendations made by the Standing Committee on Crown and Central Agencies that SaskWater has partially implemented.

¹ See www.saskwater.com.

Information technology controls need improvement

SaskWater needs to protect its information technology (IT) systems and data. We found three areas where IT systems and data were not properly protected.

We recommended that SaskWater establish an adequate information technology security policy. (2010 Report – Volume 1)

SaskWater does not have an adequate IT security policy. IT security policies help ensure the confidentiality, integrity, and availability of information systems and data. Without adequate IT security policies, SaskWater's systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

Status – We continue to make this recommendation.

SaskWater does not have an IT service agreement with its IT service provider (Saskatchewan Watershed Authority). In our 2010 Report – Volume 1, we made two recommendations in this area.

We recommended that SaskWater have an adequate information technology service agreement with its information technology security service provider. (2010 Report – Volume 1)

SaskWater needs a service agreement with the IT service provider setting out the roles and responsibilities of both the IT service provider and SaskWater. For example, the agreement would describe the services to be provided by the IT service provider (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 signed service agreement, there is risk that SaskWater's needs may not be met. For example, the IT service provider had limited incident and problem management procedures and did not monitor the security logs of network equipment, such as firewalls, to help keep SaskWater's

systems and data secure. Regular reviews of security logs enable staff to take corrective action on security incidents and reduce the risk of inappropriate access to systems and data. SaskWater should obtain adequate information about the security of its systems and data from its IT service provider.

Status – We continue to make this recommendation.

We recommended that SaskWater monitor the adequacy of the security controls its information technology service provider uses to protect the Corporation's systems and data. (2010 Report – Volume 1)

The IT service provider did not implement adequate network password complexity requirements, did not control access authorization requests appropriately, and did not have adequate processes to monitor the appropriateness of user access within the IT systems. This increases the risk of inappropriate access to SaskWater's systems and data.

SaskWater informally approved system development changes. The IT service provider kept inadequate documentation to support the changes made in the IT system. To protect the integrity of data and maintain an audit trail, all changes to SaskWater IT systems need to be formally documented and approved prior to implementation.

Status – We continue to make this recommendation.

Periodic verification of physical assets required

We recommended that SaskWater periodically verify the existence and valuation of its physical assets. (2010 Report – Volume 1)

SaskWater does not have adequate processes to periodically verify the existence and value of its physical assets. SaskWater is at risk that some physical assets may no longer exist or are not valued properly. At December 31, 2010, SaskWater held physical assets of \$107.5 million (net book value). SaskWater should periodically verify the existence and valuation of its physical assets.

Status – We continue to make this recommendation.

Reinforcing of appropriate staff conduct needed and criminal record checks required

We recommended that SaskWater establish code of conduct policies and communicate these policies to staff. (2010 Report–Volume 1)

SaskWater needs to provide staff with written guidance to help ensure appropriate staff conduct (i.e., code of conduct). To protect the public interest and maintain a respectful workplace, staff must understand the conduct expected of them. Policies and supporting guidance help staff understand and avoid situations of conflict. They also help staff provide services with integrity and impartially at all times. Supervisors must be provided with guidance to use appropriate discipline procedures and staff must be provided with opportunities to communicate inappropriate behaviour to their supervisors when situations occur.

Status – We continue to make this recommendation.

We recommended that SaskWater require criminal record checks for employees in positions of trust. (2010 Report – Volume 1)

SaskWater needs criminal record checks for employees in positions of trust (i.e., those responsible for the collection, receipt, disbursement, or expenditure of public money) to reduce the risk of loss of public money. Criminal record checks are part of a prudent employment process that would help SaskWater:

- ◆ Maintain public confidence in the public service
- ◆ Keep its employees, clients, and stakeholders safe
- ◆ Administer public funds securely

Status – We continue to make this recommendation.

Status of other outstanding recommendations of the Standing Committee on Crown and Central Agencies

The following table provides an update on recommendations previously made by the Standing Committee on Crown and Central Agencies that are not yet implemented and are not discussed earlier in this chapter.

For the outstanding recommendations, the table sets out the report year of the initial recommendations made by our Office, the Committee's decision on our recommendations, and to what extent the recommendations were implemented.

Report Year	Outstanding Recommendation	Status ²
Saskatchewan Water Corporation		
2006 Report Vol. 1	The Committee concurs: 12.1 Saskatchewan Water Corporation should compile reliable information detailing the water treatment and transmission infrastructure it owns and the condition of that infrastructure.	Partially implemented. (as at December 31, 2010) We plan to follow this up in 2012.
2006 Report Vol. 1	The Committee concurs: 12.2 Saskatchewan Water Corporation should develop and use a maintenance plan for its water treatment and transmission infrastructure.	Partially implemented. (as at December 31, 2010) We plan to follow this up in 2012.

² See Chapter 20 – Standing Committee on Crown and Central Agencies for explanation of terms used in this table.

This page left blank intentionally.