

## Chapter Highlights

### EDUCATION

#### Chapter 1 School Divisions

This is the second year that we have been actively involved in auditing school divisions' financial statements, processes to safeguard public resources, and compliance with authorities.

While the financial statements of school divisions are reliable and school divisions are complying with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, school divisions still have work to do in improving their internal controls. This chapter contains guidance in the form of nine generalized recommendations including one new recommendation for school divisions. These recommendations are based on situations in various school divisions.

We encourage all school divisions to review these recommendations and, where applicable, apply them in their operations. We also note that three recommendations we made in 2011 have been implemented by school divisions.

#### Chapter 2 Grade 12 Graduation Rates

The Ministry of Education (Ministry) is responsible for setting objectives and giving direction for early learning, elementary, and high school education. Our audit found that during 2011, the Ministry did not have effective processes to increase the Grade 12 graduation rate above the 2004-05 baseline rate. For students who entered Grade 10 between 2004-05 and 2008-09, the overall provincial Grade 12 graduation rate decreased 3.3% (from 75.6% to 72.3%). The Ministry had not sufficiently identified and analyzed the reason for the decrease. As well, it had not analyzed the most effective education strategies to use at critical learning points and did not give clear direction to the education sector as to how to improve Grade 12 graduation rates across Saskatchewan. We make ten recommendations to strengthen the Ministry's planning processes, analysis of effective strategies, and the direction it gives to school divisions to enhance student achievement and improve Grade 12 graduation rates.

#### Chapter 3 Teachers' Superannuation Commission

The 2011 financial statements for the Teachers' Superannuation Plan and the Teachers' Group Life Insurance Plan are reliable. Also, the Teachers' Superannuation Commission (Commission) complied with its governing authorities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The Commission has made some progress to improve its processes to adequately safeguard public resources. However, more work remains. The Commission needs to:



- › Implement processes to monitor its dental agreement with the insurance provider and have adequate support for dental payments
- › Establish guidance for preparing financial reports of the Dental Plan and include these financial statements in its annual report

The Ministry of Education (Ministry) pays the Government's share of the teachers' pension benefits of the Teachers' Superannuation Plan based on a formula set out in law. The Ministry follows policies set by Treasury Board to account for these payments. These policies are not in accordance with the Canadian public sector accounting principles. As a result, the Ministry understates the amount of teacher's pension and benefits reported in its estimates and in its annual report. For example, in the year ended March 31, 2011, the Ministry reported \$184 million for teacher's pension and benefits expense when it should have reported \$407 million. In addition, we continue to report that the General Revenue Fund financial statements understate the teacher's pension and benefits expense and do not report the \$4.1 billion owed for teacher's pension and benefits.

In this chapter, we make two new recommendations so legislators and the public will receive accurate information about the planned and actual costs of teacher's pensions and benefits.

## **Chapter 4** Child Care Facilities Follow Up

This chapter is a follow up of the recommendations from our 2010 Report – Volume 1, Chapter 5. The Ministry of Education (Ministry) has made significant progress in addressing our recommendations regarding its regulation of child care facilities.

The Ministry now provides additional guidance to employees to help them carry out unscheduled visits to child care facilities. Ministry senior management receives quarterly reports on non-compliance with child care regulations. The Ministry has not yet publicly reported trends in compliance with the regulations but plans to do so in its 2011-12 annual report.

## **ENERGY AND RESOURCES**

### **Chapter 5** Regulating Pipelines

The Ministry of Energy and Resources (Energy and Resources) is responsible for regulating pipeline construction and operations in the province. Industry continues to invest heavily in Saskatchewan's crude oil and natural gas resources. Pipelines are used to transport oil and gas to market. The crude oil and natural gas industries generated \$1.7 billion in revenues for the province in 2010-11 as compared to \$0.7 billion in 2001-02.

Our audit concluded that for the year ended October 31, 2011, the Ministry did not have effective processes to ensure full compliance with *The Pipelines Act, 1998* and *The Pipelines Regulations, 2000*. There are requirements under this legislation that are not being acted upon. Failure to regulate pipelines effectively could harm people or the environment.

To improve its processes the Ministry needs to:

- › Develop written policies and procedures to guide staff when assessing pipeline design, monitoring pipeline construction, and evaluating pipeline operations
- › Consistently document its assessments of pipeline license applications for compliance with the law prior to issuing pipeline licenses
- › Implement a risk-based assessment approach to monitor pipeline construction and verify pressure tests
- › Monitor pipeline operator compliance with integrity management and safety processes for existing pipelines
- › Assess the resources it requires to fulfill its legislative mandate and responsibilities under *The Pipelines Act, 1998*

Energy and Resources regulates oil and natural gas from wellheads and related sites under *The Oil and Gas Conservation Act* and related regulations. This legislation requires Energy and Resources to ensure any spills from wellheads and related sites are appropriately remediated. However the legislation does not apply to spills from pipelines that are reported in accordance with *The Pipelines Regulations, 2000*. The Ministry told us that when it becomes aware of spills, it checks to confirm that pipeline operators clean up contaminated sites. We recommend that the Ministry of Energy and Resources consider seeking responsibility in law to verify that pipeline operators clean up contaminated sites to an acceptable condition.

The law currently exempts Energy and Resources from regulating the construction of flowlines in the province. Flowlines are generally smaller and shorter pipelines that connect a wellhead to a storage or other facility. Flowlines pose the same type of environmental risks as larger pipelines but are located by the wellhead. Energy and Resources estimates there are currently 68,000 flowlines with an additional 3,000 to 4,000 being built annually. We recommend that Energy and Resources consider seeking responsibility in law to license flowlines.

## FINANCE

### Chapter 6 Special Purpose Funds

The Ministry of Finance (Finance) administers and is responsible for various special purpose funds and agencies. Each of those agencies with a year ended December 31, 2011 complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Their 2011 financial statements are reliable and each of them had adequate rules and procedures to safeguard public resources except the Extended Health Care Plan (Plan).

The Public Employees Benefits Agency (PEBA) manages the Plan for the Joint Board of Trustees. PEBA did not record a \$9 million arbitration settlement in the Plan's December 31, 2010 financial records. PEBA recorded the transaction as a prior period adjustment in the December 31, 2011 audited financial statements. PEBA and the Joint Board of Trustees for this



Plan need to improve their processes to identify and minute key financial decisions. Also, the Public Employees Benefits Agency should promptly record all financial transactions of this Plan.

## **Chapter 7** MIDAS Financials—Security

The Ministry of Finance (Finance) is responsible for administering the financial system used primarily by ministries and as the general ledger for Public Accounts called the Multi-Informational Database Applications System – financials (MIDAS Financials).

At December 2011, Finance had effective central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS Financials with one exception. Finance did not always remove user access from MIDAS Financials on a timely basis once a request from a user agency was received. Not removing user access promptly increases the risk of inappropriate access and unauthorized changes to MIDAS Financials. We make one recommendation on this point.

## **Chapter 8** Public Employees Benefits Agency Security Audit Follow Up

Public Employees Benefits Agency (PEBA) has implemented four out of five recommendations that we made in our 2010 audit of its processes to secure its information systems and data. With the implementation of these recommendations, PEBA has strengthened the security over the pension data it manages. PEBA has plans to implement the remaining recommendation in 2012-13 by testing the effectiveness of its IT security.

# HIGHWAYS AND INFRASTRUCTURE

## **Chapter 9** Highway Maintenance Follow Up

In our 2010 Report – Volume 1, we reported on the effectiveness of the processes that the Ministry of Highways and Infrastructure (Ministry) uses to maintain certain types of provincial highways. We made four recommendations.

The Ministry has implemented one recommendation and made significant progress towards implementing the remaining three recommendations. It needs to complete the development of its maintenance strategic plan including the setting of service objectives. Also, it needs to update its guidance about reporting on the results of its maintenance to senior management.

## JUSTICE AND ATTORNEY GENERAL

### Chapter 10 Maintenance Enforcement

The Ministry of Justice and Attorney General (Justice) administers the maintenance enforcement program under *The Enforcement of Maintenance Orders Act, 1997*. Justice monitors and collects support payments ordered by the courts or agreed to by the two parties.

This chapter reports the results of our audit of Justice's processes to enforce maintenance payments for the twelve-month period ended January 31, 2012. With a collection rate of 91.3% for the year ended March 31, 2011, Justice has the second highest annual collection rate in Canada.<sup>1</sup> We concluded that Justice had effective processes with the following exceptions.

Justice needs to:

- › Register clients for maintenance enforcement promptly
- › Keep maintenance enforcement client information up-to-date
- › Document timely review of information from maintenance enforcement clients
- › Respond to telephone inquiries from maintenance enforcement clients promptly
- › Generate and review reports that show who owes maintenance support payments, how much is owed, and how long amounts have been outstanding

Implementing these actions would improve Justice's processes for enforcing maintenance payments.

## MUNICIPAL AFFAIRS

### Chapter 11 Northern Municipal Trust Account

The Ministry of Municipal Affairs (Ministry) administers the Northern Municipal Trust Account (Account). In 2011, the Ministry complied with authorities governing the Account's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

In 2011, the Ministry had adequate rules and procedures for the Account to safeguard public resources except the Ministry did not reconcile the Account's bank account properly or record all of the Account's financial activities in its interim financial reports prepared each quarter. The 2011 audited year end financial statements of the Account are reliable.

<sup>1</sup> Information from the Canadian Centre for Justice Statistics' website.



## Chapter 12

### Provision of Safe Drinking Water to Saskatchewan's Northern Settlements

This audit identified problems with how the Ministry of Municipal Affairs (Ministry) provides drinking water to residents of Saskatchewan's northern settlements. We make a number of recommendations for the Ministry to improve its processes to provide safe drinking water.

Saskatchewan has many small to medium-sized communities that provide drinking water to their residents. These communities may find it useful to use the criteria and recommendations in this chapter to evaluate how they manage their drinking water.

Specifically, our audit found that the Ministry did not have effective processes to provide safe drinking water to the northern settlements for the period September 1, 2011 to March 31, 2012. To provide safe drinking water, the Ministry needs to:

- › Re-evaluate its overall processes and planning for providing safe drinking water
- › Ensure it carries out and reviews all required water quality testing
- › Ensure it operates water systems appropriately, including completing all required maintenance
- › Communicate about water quality and issues to residents and senior management
- › Take prompt action to address problems in providing safe drinking water

In addition, section 14(2) of *The Public Health Act, 1994* contains a legislative obligation for the Minister to ensure that there is a supply of safe water for the use of residents of northern settlements. The Ministry, in consultation with the Government, should decide if or when this provision should come into force.

## PUBLIC SERVICE COMMISSION

### Chapter 13

#### MIDAS HR/Payroll

The Public Service Commission (PSC) is the central human resource agency for staff primarily employed by government ministries.

PSC is responsible for administering the human resources and payroll system. PSC had effective central controls to protect the confidentiality, integrity, and availability of transactions on the system with two exceptions. PSC did not sign new service level agreements with all user agencies; therefore, responsibilities for key payroll activities between PSC and user agencies have not been clearly assigned. Also, staff did not always document their review of payroll reports and did not always review the reports on a timely basis. This increases the risk that employees could receive incorrect or inappropriate payroll amounts.

## SASKATCHEWAN GAMING CORPORATION

### Chapter 14 Saskatchewan Gaming Corporation

Saskatchewan Gaming Corporation (SaskGaming) had adequate rules and procedures to safeguard public resources and complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskGaming's 2011 financial statements are reliable.

In our 2011 Report – Volume 1, we had recommended that SaskGaming should have effective controls to maintain and report information required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations. This recommendation has been implemented.

### Chapter 15 Project Management Processes Follow Up

In our 2006 Report – Volume 3, we reported on SaskGaming's project management processes to implement its new casino management system and made three recommendations. At March 31, 2012, SaskGaming has implemented all three recommendations for its project management process.

## SASKATCHEWAN GOVERNMENT INSURANCE

### Chapter 16 Wireless Network Security Audit Follow Up

In our 2010 Report – Volume 2, we reported on wireless network security at Saskatchewan Government Insurance (SGI) and made three recommendations. At March 31, 2012, SGI has implemented the recommendations. It provides staff with training on the safe use of wireless-enabled laptop computers. Also, it promptly updates and appropriately configures these computers to protect against known security risks and to reduce the risk of inappropriate access.

## SASKATCHEWAN LIQUOR AND GAMING AUTHORITY

### Chapter 17 Liquor Procurement Processes

The Saskatchewan Liquor and Gaming Authority (SLGA) is responsible for the distribution, control, and regulation of liquor in Saskatchewan. In 2010-11, SLGA earned net income of \$442 million, of which \$215 million was from liquor sales. SLGA must achieve a balance among the elements of its mandate of generating revenue, promoting social responsibility, and



providing customers with selection of liquor products and value. Provincial governments traditionally use liquor profits to subsidize government programs.

This chapter covers the audit of the effectiveness of SLGA's liquor procurement processes for the year ended February 29, 2012. We concluded that SLGA's processes to procure liquor were effective with the following exceptions. SLGA needs to:

- › Document what it uses and how it uses the information it has to ensure the product selection meets its customer needs
- › Develop written procedures for staff to use to objectively select all liquor purchases
- › Keep minutes for its Listing Committee to support the Committee's decisions on product listings and delistings
- › Formally evaluate new liquor products and share written results of these evaluations with unsuccessful suppliers
- › Obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content
- › Develop and use written procedures for monitoring performance regarding sales targets, quotas, and product quality

Currently, Saskatchewan citizens do not have easily accessible information on the amount of markup and taxes included in the retail price of alcohol products. SLGA should make its pricing and procurement policies public to explain the retail price breakdown (e.g., cost, taxes, markup, etc.). In 2010-11, SLGA found that their retail prices were within the range of those set by other provinces.

## SASKATCHEWAN OPPORTUNITIES CORPORATION

### Chapter 18 Maintaining Facilities in a Sustainable Way

Saskatchewan Opportunities Corporation (SOCO) operates technology parks that provide companies with access to sophisticated facilities that are unavailable in the general real estate market (e.g., laboratories, greenhouses). We audited whether SOCO had effective processes during 2011 to maintain its facilities in a sustainable way at Innovation Place, Saskatoon. We found that SOCO is missing some critical information to effectively monitor what maintenance is required and when. We make three recommendations to strengthen SOCO's maintenance planning and reporting processes.



## SASKATCHEWAN POWER CORPORATION

### Chapter 19 Saskatchewan Power Corporation

The Saskatchewan Power Corporation (SaskPower), its subsidiaries, and the Power Corporation Superannuation Plan (Superannuation Plan) complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2011 financial statements of SaskPower, its subsidiaries, and the Superannuation Plan are reliable.

SaskPower, its subsidiaries, and the Superannuation Plan had adequate rules and procedures to safeguard public resources except that the Superannuation Plan needs to reconcile investment balances in a timely manner. Without timely reconciliations, management may not have complete and accurate financial information for plan management.

Also, the Superannuation Plan has implemented our previous recommendation and in 2011, appropriately monitored its service provider to ensure the service provider delivered the plan administration as expected.

NorthPoint Energy Solutions Inc. has implemented our previous recommendation and in 2011, completed the development and roll out of its training program for traders. This program will help ensure its traders have a sufficient understanding of market rules and processes and, in turn, will help decrease the risk of non-compliance with market rules.

## SASKATCHEWAN TELECOMMUNICATIONS HOLDING CORPORATION

### Chapter 20 Saskatchewan Telecommunications Holding Corporation

Saskatchewan Telecommunications Holding Corporation (SaskTel), the companies it owns, and its Pension Plan complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskTel's financial statements were reliable, as were those of its companies and Pension Plan.

SaskTel, its companies, and its Pension Plan had adequate rules and procedures to safeguard public resources except SaskTel needs to improve security over customer credit card information. Unauthorized access to customer credit card information could significantly damage the reputation of SaskTel. Management of SaskTel told us it plans to complete its strengthening of controls and implementation of standards required by the credit card industry by July 2012.



## SASKATCHEWAN WATER CORPORATION

### Chapter 21 Saskatchewan Water Corporation

The Saskatchewan Water Corporation (SaskWater) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskWater's financial statements are reliable.

SaskWater had adequate rules and procedures to safeguard public resources except it needs to implement and test a business continuity plan. During the year, SaskWater implemented six recommendations we made in 2010.

This chapter also contains the status of two previous recommendations agreed to by the Standing Committee on Crown and Central Agencies.

## SOCIAL SERVICES

### Chapter 22 Supervision of CBOs Providing Services to Intellectually Disabled People

The Ministry of Social Services (Ministry) uses 85 community-based organizations (CBOs) to deliver programs and services, costing approximately \$104 million, to about 3,900 individuals with intellectual disabilities. The Ministry needs to improve its processes to plan for, contract with, and monitor CBOs providing services to intellectually disabled people and their families. We make eight recommendations.

The Ministry needs to:

- › Improve its agreements with CBOs by establishing program objectives, outcome performance measures and targets
- › Document the rationale for CBO selection and the funding decisions associated with each CBO that provides services to individuals with intellectual disabilities
- › Develop and implement complete policies and procedures for addressing risks
- › Require staff to comply with the annual work plan to attend CBOs' annual general meetings or amend the annual work plan to incorporate a risk based focus for meeting attendance
- › Require staff to follow established policies to obtain from CBOs all required reports that are not submitted by the due date
- › Comply with established monitoring procedures
- › Analyze and document its review of serious incidents and incident trends
- › Take timely action to address service quality issues

Having effective processes in these areas reduces the risk that intellectually disabled people may not receive the needed services and increases the ability of the Ministry to confirm that the money paid to CBOs is achieving the results the Ministry had intended.

We encourage the Ministry to use the criteria in this chapter to assess its processes to plan for, contract with, and monitor all other CBOs providing services on its behalf. We also encourage all Ministries that provide services to citizens through CBOs to do the same.

## **Chapter 23** Saskatchewan Housing Corporation

The Saskatchewan Housing Corporation (SHC) provides housing and housing services to people who could not otherwise afford adequate, safe, and secure shelter. In 2011, SHC complied with authorities governing its activities related to financial reporting, safeguarding resources, revenue raising, spending, and investing.

In 2011, SHC had adequate rules and procedures to safeguard public resources except that it had not ensured that its service provider had tested its disaster recovery procedures. Testing disaster recovery procedures is necessary to ensure critical services can take place in the event of a disaster.

## **Chapter 24** Saskatchewan Housing Corporation—Housing Maintenance

The Saskatchewan Housing Corporation's maintenance of the 18,300 housing units it owns is essential to preserve good living conditions for current occupants and for those requiring housing in the future. Our audit found that during 2011, the Saskatchewan Housing Corporation (SHC) did not have effective processes to maintain its housing as it did not have comprehensive information about the condition of its housing to make informed decisions about its maintenance planning and reporting. We make four recommendations to improve SHC's information about the condition of its housing and to strengthen its maintenance planning and reporting processes.

## **Chapter 25** Saskatchewan Housing Corporation—Long-Term Capital Plan Follow Up

In 2004, we recommended that the Saskatchewan Housing Corporation (SHC) improve its capital asset plan. While some improvements have been made since then, at March 31, 2012 more work remains. SHC's capital asset plan should include key planning information related to the condition of the housing units it owns.



## STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

### Chapter 26 Standing Committee on Crown and Central Agencies

Through its work and recommendations, the Standing Committee on Crown and Central Agencies (Committee) helps the Legislative Assembly hold the Government accountable for its management of the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries. The Assembly refers portions of our reports related to CIC and its subsidiaries and annual reports within its subject area to the Committee for its review.

It asks our Office to assess and report on the status of the recommendations it makes as a result of our audit work.

The Government has implemented almost all of the Committee's recommendations arising from the work of our Office. At March 31, 2012, the Committee had four recommendations outstanding.

The Committee has not yet reviewed numerous chapters about CIC and its subsidiary corporations and various annual reports within its subject area that remain outstanding.