Chapter Highlights

PUBLIC ACCOUNTS– 2012 AUDITOR'S REPORTS

Chapter 1	Public Accounts—2012 Auditor's Reports

This chapter reports the results of our annual audit of the financial statements of the Government of Saskatchewan, the Summary Financial Statements, and our annual audit of the General Revenue Fund (GRF).

The 2012 Summary Financial Statements are reliable. The 2012 financial statements of the GRF are not reliable—they contain significant, material errors. When calculated in accordance with Canadian generally accepted accounting principles (Canadian GAAP), the GRF incurred a deficit of $46 million instead of a surplus of $352 million.

Saskatchewan is the only province in Canada to use the General Revenue Fund for communicating to the public about balanced budgets and for reporting on the financial results of the Government. As this continues to be an increasingly significant issue, we plan to issue a separate report early in 2013 on this matter.

ANNUAL INTEGRATED AUDITS

Chapter 2	Advanced Education

Effective May 25, 2012, the Ministry of Advanced Education, Employment and Immigration became the Ministry of Advanced Education (Advanced Education). On that date, the employment and immigration programs moved to the Ministry of the Economy.

Advanced Education and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2012 financial statements of Advanced Education's funds and agencies are reliable. Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for the following where Advanced Education needs to:

❯ Strengthen the governance and accountability of regional college boards to ensure they fulfill their responsibilities under *The Regional Colleges Act*

❯ Improve information technology (IT) processes to promptly remove user access, prepare an IT strategic plan, sign an adequate agreement with the Information Technology Office on disaster recovery of computer systems and data, and monitor the effectiveness of the Information Technology Office's security controls to protect Advanced Education's computer systems and data

› Sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety to avoid misunderstandings

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

Chapter 3 — Agriculture

The Ministry of Agriculture (Agriculture) and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, borrowing and investing. The 2011-12 financial statements of each agency are reliable.

During 2011-12, Agriculture and its agencies had adequate rules and procedures to safeguard public resources except for the recommendations described in this chapter. Most importantly, Agriculture needs to make further improvements in its processes used to make financial estimates for farm stability programs. Agriculture needs to base these financial estimates on the most current information available. Also, more work is required by Agriculture to ensure its key computer systems are available for use by implementing disaster recovery plans.

Chapter 4 — Corrections and Policing

Effective May 25, 2012, Corrections and Policing became part of the Ministry of Justice, and Public Safety became part of the Ministry of Government Relations.

The Ministry of Corrections, Public Safety and Policing (Ministry) and its related funds complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The financial statements of the Correctional Facilities Industries Revolving Fund and the Sask911 Account are reliable for the year ended March 31, 2012. The Ministry's related funds have effective rules and procedures, but the Ministry needs to improve its rules and procedures to safeguard public resources. The Ministry needs to:

› Follow its policies and procedures for paying amounts owed to employees

› Establish written policies and procedures for making timely payments to First Nations for policing services

› Adequately monitor the security of its information technology systems and data, and complete its business continuity plan

The chapter also provides an update on the status of recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 5 — Education

The Ministry of Education (Education), the Technology Supported Learning Revolving Fund, the School Division Tax Loss Compensation Fund, the Prince of Wales Scholarship Fund, the

Teachers' Superannuation Plan and the Teachers' Disability Plan, complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The financial statements of the Teachers' Superannuation Plan and Education's funds for the year ending 2012 are reliable.

Education, Teachers' Superannuation Plan, and Teachers' Disability Plan had effective rules and procedures to safeguard public resources except for the following:

❯ Education needs to enter into written agreements with school divisions setting out the terms and conditions of its capital grants and properly record them in its financial records

❯ Education needs to improve information technology (IT) processes to promptly remove user access, prepare an IT strategic plan, sign an adequate service level agreement with the Information Technology Office, and monitor the effectiveness of the Information Technology Office's security controls to protect Education's computer systems and data

In addition, in October 2012, we became aware that Education had provided at least $31 million in loan guarantees for capital projects to certain school divisions. For the year ended March 31, 2012, Education's and the General Revenue Fund's expenses and liabilities were understated by at least $31 million.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 6 — eHealth Saskatchewan

eHealth Saskatchewan's (eHealth's) 2012 financial statements are reliable, it complied with its governing authorities, and had effective controls to safeguard public resources except for the following.

eHealth needs to authorize all requests for changes to accounting records on a timely basis. Lack of review and approval increases the risk of fraud and errors without timely detection.

eHealth needs to improve its information technology security. Without strong security processes, eHealth cannot ensure the confidentiality, integrity, and availability of its own information technology systems and data, or systems and data that it operates and maintains for the regional health authorities.

Chapter 7 — Energy and Resources

The Ministry of Energy and Resources (Ministry) and its special purpose funds (the Oil and Gas Orphan Fund, the Institutional Control Monitoring and Maintenance Fund, and the Institutional Control Unforeseen Events Fund) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, the 2012 financial statements of its three special purpose funds are reliable.

The Ministry and its special purpose funds had effective rules and procedures to safeguard public resources except that the Ministry needs to follow its procedures for ensuring only authorized staff have access to its computer systems and data. See Chapter 7 for a further exception.

Effective May 25, 2012, the Ministry's activities continue within the Ministry of the Economy.

Chapter 8   Environment

The Ministry of Environment (Environment) and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2012 financial statements of Environment's agencies are reliable.

We made one new recommendation that Environment should comply with its policies for all purchases. It is important that employees understand the established policies and the importance of following those policies.

Environment has made some progress in addressing our past recommendations. However, Environment still needs to establish adequate processes to secure its systems and data, enter into an adequate agreement with the Information Technology Office, and prepare a complete business continuity plan.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 9   Finance

The Ministry of Finance (Finance) and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2012 financial statements of the agencies are reliable. Finance and its agencies had effective rules and procedures to safeguard public resources except for the items noted in this chapter.

Finance receives and records corporate income tax revenue for the Province. It also administers the corporate capital tax program including the resource surcharge revenues. Finance needs to improve the processes it uses to record both corporate income tax and resource surcharge revenues so that revenue is recorded in the proper period.

Finance did not receive sufficient information to monitor its information technology systems. It continued to work with the Information Technology Office to obtain better information. Also, Finance did not follow its processes to remove unneeded user access to its information technology systems and data.

Finance had not yet set market-based benchmarks for its sinking fund investments to help it evaluate whether it earned an effective return on these investments. It also had not yet completed the documentation of its treasury management procedures.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 10 — Health

This chapter reports the results of our annual audit of the Ministry of Health (Health) and some of its agencies. We report that Health and its agencies complied with authorities governing their activities relative to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing. Health agencies reported in this chapter had reliable 2012 financial statements. Health and its agencies had effective rules and procedures to safeguard public resources except Health needs to improve its processes in the following areas:

Health did not always comply with tendering processes required by the *Financial Administration Manual* when entering into contracts for services. The lack of documented due diligence and the lack of consideration of alternatives increases the risk that decision makers may not have all relevant information about other innovative and financially competitive proposals.

Health does not seek confirmation from patients receiving medical services from doctors. Verifying doctor services could help ensure that doctors bill Health correctly, and could help Health recover any incorrect billing.

Health uses third party agencies to deliver health services on its behalf. Health has a process to assess the risk that these agencies may not spend money for the intended purposes. Agencies assessed as high risk should be monitored more closely. Health has not made this risk assessment for a number of years.

Chapter 11 — Health Quality Council

The Health Quality Council (HQC) had effective rules and procedures to safeguard public resources except that it paid $91,049 for goods and services (LEAN-related initiatives) that it did not request and receive. HQC's 2012 financial statements are reliable and it complied with its governing authorities.

Chapter 12 — Highways and Infrastructure

During 2011-12, the Ministry of Highways and Infrastructure (Highways) and the Transportation Partnerships Fund (Fund) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2011-12 financial statements of the Fund are reliable.

Highways had effective rules and procedures to safeguard public resources except that it needs to follow its procedures to promptly remove access of former employees to its computer network. Following these procedures would help Highways ensure that only authorized individuals have access to its computer systems and data.

While Highways has addressed one of our past recommendations and improved its service level agreement with the service provider for the Highway Hotline, it continues to need a better agreement with the Information Technology Office (ITO). Without a better agreement, Highways does not know if its data is secure or whether ITO could restore its key systems and data in the event of a disaster.

Highways needs to follow its procedures for processing time cards of terminated employees. It is difficult to recover overpayments from individuals who have left the employment of the ministry. By not following these procedures, Highways is at a greater risk of making unrecoverable overpayments.

This chapter also contains a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 13 Information Technology Office

The Information Technology Office (ITO) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

ITO had effective rules and procedures to safeguard public resources except that it needs to:

❯ Follow its established procedures to ensure ITO user access is removed in a timely manner

❯ Sign adequate agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements

❯ Prepare accurate and complete year-end financial reports as required by the *Financial Administration Manual*

Effective May 25, 2012, ITO became part of the Ministry of Central Services. The Ministry of Central Services brings together a number of central service functions of government, including government services, the Information Technology Office, and the Public Service Commission.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 14 Labour Relations and Workplace Safety

The Ministry of Labour Relations and Workplace Safety (Ministry) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The Ministry has improved some of its processes to effectively safeguard public resources. However, more work remains. The Ministry needs to:

❯ Follow established procedures for removing user access to its computer systems and data in a timely manner

❯ Sign a shared service agreement with the Ministry of Advanced Education addressing various services provided to the Ministry

❱ Define requirements of the Information Technology Office (ITO) in regards to disaster recovery of computer systems and data, as well as the information required by the Ministry to assess the effectiveness of ITO's security controls protecting the Ministry's computer systems and data

Chapter 15   **Municipal Affairs**

Effective May 25, 2012, the Ministry of Municipal Affairs (Municipal Affairs) became part of the Ministry of Government Relations.

Municipal Affairs complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Municipal Affairs had effective rules and procedures to safeguard public resources except that Municipal Affairs did not make certain that user access to its information systems for its former employees was removed promptly. Promptly removing unneeded user access reduces the risk of unauthorized access to Municipal Affairs' information systems and data.

Chapter 16   **North Sask. Laundry & Support Services Ltd.**

We have not completed our audit work because North Sask. Laundry & Support Services Ltd. (NSL) has not yet prepared its financial statements for the year ended March 31, 2012. However, we have performed sufficient work to report the following matters relating to NSL's controls.

NSL needs to establish policies and procedures to ensure all amounts recorded in its accounting records are adequately supported. Also, NSL needs to approve all changes to its accounting records and reconcile bank balances to the accounting records on a timely basis. Reconciling bank balances helps ensure that all transactions have been recorded and that accounting records are accurate.

The Board needs to receive timely and reliable interim and year-end financial reports. Incorrect and incomplete financial information could result in incorrect and inappropriate decisions. The Board also needs to monitor whether senior management and staff follow established rules and procedures. We will report the final results of our audit in a future report.

Chapter 17   **Parks, Culture and Sport**

Effective May 25, 2012, the Ministry of Tourism, Parks, Culture and Sport became the Ministry of Parks, Culture and Sport (Parks) and some responsibilities were transferred to the Ministry of the Economy.

Parks and its agencies had effective controls to safeguard public resources and complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending borrowing, and investing. Parks' agencies' financial statements for the year ended March 31, 2012 are reliable.

Parks has not yet renewed its agreement with its lotteries marketing agent. Parks plans to amend the new agreement to require the lotteries marketing agent to make payee lists available to the Ministry.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 18   Regina Qu'Appelle Regional Health Authority

The Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Its financial statements for the year ended March 31, 2012 are reliable.

Regina Qu'Appelle had effective rules and procedures to safeguard public resources except that it needs to establish an internal audit function, strengthen its information technology security, establish and test a disaster recovery plan, improve its human resource planning, and develop a capital equipment plan.

Chapter 19   Regional Health Authorities

This chapter reports the results of our annual audits for 10 regional health authorities (RHAs). In Chapters 18 and 23, we report the results of our annual audits for Regina Qu'Appelle RHA and Saskatoon RHA respectively.

Heartland, Cypress, and Mamawetan Churchill RHAs continue to make progress towards strengthening their processes. Keewatin Yatthé, Prairie North, and Prince Albert Parkland RHAs have not yet addressed some of the recommendations we first made three years ago. These recommendations relate to controlling bank accounts and protecting information technology systems and data. Kelsey Trail, Five Hills, Sun Country and Sunrise RHAs have effective controls to safeguard public resources.

Most RHAs complied with authorities governing their activities and all RHAs had reliable 2012 financial statements.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 20   Saskatchewan Indian Gaming Authority Inc.

The Saskatchewan Indian Gaming Authority Inc. (SIGA) needs to better protect its information technology (IT) systems and data including: approving a complete IT strategic plan, preparing a complete disaster recovery plan and assessing the need for a business continuity plan. SIGA also needs to strengthen its human resource plan by including a projection of its future human resource needs. This information would allow SIGA to focus its efforts to carry out its strategic plan.

SIGA's 2012 financial statements are reliable and it complied with the authorities governing its activities.

This chapter includes a summary of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 21 Saskatchewan Liquor and Gaming Authority

The Saskatchewan Liquor and Gaming Authority's (Liquor & Gaming's) 2012 financial statements are reliable. Liquor & Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

This chapter includes two new recommendations for Liquor & Gaming to strengthen its rules and processes to safeguard public resources. First, Liquor & Gaming needs to implement an enterprise risk framework to help mitigate risks within the organization. Second, Liquor & Gaming needs to monitor the expenses of the Saskatchewan Indian Gaming Authority on a timely basis to ensure expenses were incurred for appropriate business purposes.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 22 Saskatchewan Watershed Authority

The Saskatchewan Watershed Authority (Authority) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, the Authority's 2012 financial statements are reliable.

The Authority had effective rules and procedures to safeguard public resources except it needs to implement and test a business continuity plan. During the year, the Authority implemented two recommendations we made in 2011.

This chapter also contains an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 23 Saskatoon Regional Health Authority

In this chapter, we report that Saskatoon Regional Health Authority's (Saskatoon RHA's) 2012 financial statements are reliable, it complied with its governing authorities, and had effective controls to safeguard public resources except for the following matters.

Saskatoon RHA needs to establish key security policies to reduce the risk of unauthorized access to or loss of systems and data. Also, Saskatoon RHA does not yet have a complete and tested disaster recovery plan.

Saskatoon does not have a comprehensive long-term capital equipment plan. Capital equipment plans help to reduce the risk that capital assets are not in good working order when required or are not being effectively utilized.

We also examined Saskatoon RHA's process for selecting the location of the new Children's Hospital of Saskatchewan (Hospital). We found that Saskatoon RHA used a reasonable process to select the site for the new Hospital. However, it did not have a transparent process to select members of the committee that helped its Board of Directors in making this decision.

Chapter 24 — Social Services

In this chapter, we report that the Ministry of Social Services' (Ministry's) special purpose funds had reliable 2012 financial statements. Also, the Ministry complied with authorities governing its activities and it had effective rules and procedures to safeguard public resources except it needs to improve its processes in the following areas.

The Ministry provided capital funds to a community-based organization (CBO) for the construction of a proposed foster home without thoroughly performing and documenting all necessary steps and decisions. The Ministry gave money to the CBO without ensuring that the CBO could provide the intended services. As a result, the Ministry lost public money totalling $416,610. The Ministry should improve its due diligence and documentation in the future.

Also, the Ministry did not record all payments to the CBO in its financial records. The Ministry needs to provide guidance to staff to ensure all transactions are recorded properly in the Ministry's financial records.

The Ministry must follow its processes to ensure all children who are the responsibility of the Minister receive proper care and protection. The Ministry needs to monitor quality assurance results, establish increasing and achievable targets for compliance with child protection standards, and work to achieve those targets. The Ministry also needs to continue to work with the First Nation Child and Family Services agencies to receive all of the information it needs to monitor the well-being of children in care. The Ministry should align frequency of reviews at the First Nation Child and Family Services agencies with the frequency of reviews conducted in its own service areas so that all children are afforded the same level of care.

The Ministry needs to improve its processes to ensure only eligible individuals receive social assistance and that they receive the correct amount of assistance. To help it do so, the Ministry should provide training and guidance to its employees so they understand the established policies and the reasons for those policies.

The Ministry also needs to perform timely reviews on all the performance information submitted by the CBOs to assess if they are achieving the Ministry's operational objectives. Also, it needs to sign an adequate agreement with the Information Technology Office (ITO), monitor the effectiveness of ITO's security, and complete the Ministry's business continuity planning and testing.

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts.

Chapter 25 **Teachers' Dental Plan**

The Teachers' Superannuation Commission (Commission) complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the need for adequate support for dental payments.

The Commission had effective rules and procedures to safeguard public resources except 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 Commission has made some progress to address these issues. However, more work remains.

In this chapter, we continue to make four recommendations so legislators and the public receive accurate information about the Plan.

Chapter 26 **University of Regina**

The University of Regina's (University's) accountability to the public is strengthened through our Office's reporting of its annual audit results.

The financial statements of the University, its Pension Plans, and its Master Trust for the years ended on or before April 30, 2012 are reliable. The University, its Pension Plans and Master Trust complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The University had effective rules and procedures to safeguard public resources.

PERFORMANCE AND INFORMATION TECHNOLOGY AUDITS

Chapter 27 **Control over Offender Information and Release Dates**

The Ministry of Justice (Justice) uses the Corrections Management Information System (CMIS) to track and manage offenders in provincial correctional facilities and in the communities. Provincial correctional facilities are used to hold offenders sentenced to periods in prison of less than two years and remanded offenders. This chapter describes our audit of Justice's controls to maintain its integrity of offender data in CMIS. Justice relies on offender information in CMIS being accurate and complete to ensure the safety of both the offenders and those charged with their care. CMIS is also used for allowing offenders to exit correctional facilities. If this information is not correct, offenders may be released from jail at incorrect times.

For the period January 1, 2012 to August 31, 2012, we found Justice did not have effective controls for maintaining the integrity of offender data in CMIS. The Ministry had not established security requirements for CMIS data, did not remove unnecessary user access to CMIS on a timely basis, and did not have all staff that access CMIS data sign confidentiality agreements. As a result, an unauthorized person could obtain confidential offender information or inappropriately modify offender data. Justice should also have processes to review the accuracy of all CMIS data entry and approve a risk-based plan for verifying that CMIS data is accurate. These process improvements are needed to mitigate the release of offenders from correctional facilities at the wrong time.

As of May 25, 2012, two ministers are jointly assigned the administration of *The Correctional Services Act*—the Minister responsible for Corrections and Policing, and the Minister of Justice and Attorney General.

Chapter 28 — Five Hills Regional Health Authority—Nourishing and Safe Food Services in Long-Term Care Facilities

Under *The Regional Health Services Act*, Five Hills Regional Health Authority (Five Hills) is responsible for the delivery of health care in its health region. This includes long-term care which is delivered in facilities either owned and operated by Five Hills or its affiliates who receive funding to provide services to Five Hills. There are currently 536 long-term care beds in Five Hills.

Our audit for the period January 1, 2012 to July 31, 2012, found that Five Hills' processes could not always ensure that nourishing and safe food services were provided to residents of its long-term care facilities. We made 11 recommendations. Five Hills did not have its menus reviewed to ensure compliance with Canada's Food Guide. It did not have a standard system for tracking individual dietary needs, or for periodically reviewing those needs. Meals were not always served at appropriate temperatures and textures, and records of meals served were not reviewed by registered dietitians. Also, Five Hills did not conduct quality assurance reviews of its long-term care food services.

Additionally, Five Hills can improve long-term care food services by updating its policy and procedures manual, providing timely mealtime assistance to residents, monitoring affiliate food costs, developing procedures for documenting and addressing complaints, and regularly surveying residents and their families for satisfaction relating to food services.

We encourage other regional health authorities to use the criteria described in this chapter to assess their own processes for providing nourishing and safe food services in their long-term care facilities.

Chapter 29 — Information Technology Office—Annual Security Audit

The Information Technology Office (ITO) provides IT services to over 30 clients. ITO has an agreement with a third party service provider to operate and maintain ITO's network and data centre. The data centre includes computers that host client systems and data. ITO needs to have effective controls and ensure its service provider follows effective security processes to protect client systems and data.

ITO needs to do more to protect client systems and data, such as:

> Complete IT security standards for its clients

> Monitor whether the service provider meets all security requirements

> Provide relevant and timely security reports to clients

> Adequately restrict user access to client systems and data

> Adequately configure and update its server and network equipment

> Have a complete and tested disaster recovery plan for the data centre and clients systems

Without effective central controls, there is greater risk of inappropriate access or changes to systems and data and greater risk that systems and data will not be available when needed.

Effective May 25, 2012, ITO became part of the Ministry of Central Services. As a result, the Ministry of Central Services became responsible for information technology for the Government of Saskatchewan.

Chapter 30 — Internal Audit in Ministries

Internal audit is an important component of sound governance for public sector organizations. Internal audit provides value to governing bodies and senior management by providing an objective source of independent advice.

The Government of Saskatchewan funds a minimum of 30 internal audit positions in six ministries at an estimated cost of $2 million. Government ministries in Saskatchewan are not legislatively required to have an internal audit function. The decision of whether to have an internal audit function is left to each ministry. The Ministry of Health and the Ministry of Education, which make up a significant portion of government spending, do not have their own internal audit function.

We evaluated whether six internal audit functions followed best practices—the Standards set by The Institute of Internal Auditors (IIA). We found that internal audit in ministries often focuses on financial transactions rather than on key ministry risks, financial or otherwise. While we observed some good practices, we found many areas where internal audit did not comply with the IIA Standards.

Based on the result of our assessments, we believe that improvements are needed to ensure that value for money is achieved through effective internal audit work. We note that many provinces have a centrally-coordinated internal audit function and we suggest that the Ministry of Finance evaluate centralization and other models for use in Saskatchewan. Our first recommendation on this point should be considered prior to the Ministry addressing the other recommendations. This chapter contains seven recommendations to improve internal audit.

Saskatchewan's oil and gas industry is a major contributor to the provincial economy. In 2011, it contributed $12.7 billion in oil and gas sales and employed 33,200 person years in direct and indirect employment.

Oil and gas development does not come without financial and environmental costs. The Ministry of the Economy (Ministry) currently estimates that the overall future environmental cleanup costs of existing oil and gas wells and facilities could total $3.6 billion. The owners of the wells and facilities (licensees) are responsible for the cleanup of their wells and facilities. The Ministry is responsible for ensuring licensees properly handle the cleanup. If the licensees fail to clean up their wells and facilities, the costs of the cleanup could potentially fall on Saskatchewan residents. As of July 31, 2012, Saskatchewan had 87,000 oil and gas wells and 5,300 facilities. The Ministry estimates that there are potentially 700 wells and facilities where the licensees have ceased to exist or no longer can be located. As well, over 5,800 wells have been inactive for over 10 years or more.

The Ministry's mandate includes both promoting the development of the oil and gas industry and regulating the industry on environmental matters. Accordingly, there is a potential risk of an imbalance between the Ministry's two roles. For example, there is a risk that the Ministry's efforts to develop the industry may override its efforts to protect the environment. In the 2011-12 year, the Ministry collected $1.7 billion from oil and gas sales and land rights sales.

The objective of our audit was to assess whether the Ministry had effective processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities. We concluded that, as of September 30, 2012, the Ministry did not have effective processes.

To effectively manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and facilities, the Ministry needs to:

❯ Assess and allocate the resources and skills needed to manage the future cleanup

❯ Use current trend analysis and estimates to monitor, assess and report on the financial and associated environmental risks

❯ Manage the financial and associated environmental risks related to the timely cleanup of inactive wells and facilities

❯ Estimate and record its liability for cleaning up orphaned wells and facilities in its financial records for inclusion in the Government's financial statements

❯ Report on its effectiveness to the Legislative Assembly and the public in managing the financial and associated environmental risks

❯ Assess the need for extending its sample of independent audits on the cleanup of well sites and facilities

❯ Complete its assessment of the financial and associated environmental risks of legacy well sites, assess its liability, and develop a plan to clean up contaminated legacy well sites

In addition, the Ministry needs to:

❯ Actively mitigate the risks resulting from the Ministry being responsible for both the promotion of the development of the oil and gas industry and for the protection of the environment, property, and the safety of the public

Chapter 32 — Prevention of Diabetes Related Health Complications

In Saskatchewan, the Ministry of Health (Ministry) is ultimately responsible for ensuring that people with chronic diseases, such as diabetes, receive appropriate care. Diabetes is a chronic condition where the body does not produce enough insulin or cannot effectively use insulin to regulate blood glucose (sugar) levels.

The Canadian Diabetes Association estimates that there are currently 75,000 Saskatchewan people living with diabetes, and that this number will increase to 111,000 by 2020. It also estimates that the economic burden of diabetes in Saskatchewan was $257 million in 2000, $419 million in 2010 and will increase to $532 million by 2020. Diabetes-related health complications account for over 80% of diabetes costs. People with diabetes are three times more likely than people without diabetes to be hospitalized at least once during a year, and remain hospitalized five times as many days as people without diabetes. The number of people with diabetes is increasing in the province.

We audited the Ministry's strategies for preventing diabetes-related health complications in the province. As well, we examined how well two regional health authorities (Saskatoon Regional Health Authority and Kelsey Trail Regional Health Authority) translated Ministry strategies into programs for services.

This chapter does not report on the Ministry's efforts to prevent people from developing a chronic disease such as diabetes; rather, it focuses on the Ministry's efforts to help people with diabetes reduce or delay development of serious complications that often result from the disease. The Ministry's target is to reduce the hospitalization rate for treatment of complications from chronic diseases [including diabetes] by 50% by 2017.

With education, support and monitoring, most people with diabetes can manage their condition themselves. Oversight for the delivery of education and support services to people with diabetes should be provided by physicians. Physicians often work in conjunction with either Primary Health Care or Chronic Disease Management branches of the regional health authorities to deliver the services needed.

The Ministry has adopted recognized standards for good diabetes care but has not yet developed and implemented strategies to ensure these standards are achieved. Strategies should have goals, objectives, targets and performance indicators to clearly define performance expectations.

The Ministry does not collect sufficient information related to diabetes. We found the Ministry does not know:

❯ Who has diabetes in the province

❯ The full cost of health care for people with diabetes in the province

❯ If people with diabetes receive all the recommended care that could reduce their risk of developing diabetes-related health complications

❯ Whether the recommended care is delivered effectively and consistently across the province

Without sufficient information, it is difficult for the Ministry to set strategies or to assess if its strategies will be effective in reducing diabetes-related health complications. Investing in information will enable a better quality of life for people with diabetes and long term savings from effective diabetes management and the prevention or reduction of diabetes-related health complications. The Ministry should make its information about diabetes available to regional health authorities to help them assess the effectiveness of regional program delivery and hold them accountable for their performance.

In addition, the Ministry should periodically report progress in developing and implementing its strategies and achieving its goals and objectives.

We provided the Ministry with 12 recommendations that, if implemented, may contribute to the achievement of the Ministry's target to reduce avoidable hospitalizations for the treatment of chronic diseases.

Overall, we found the two regional health authorities followed best practice standards, delivered programs to reduce diabetes-related health complications and collected some information on their programs. They cannot know, however, if their programs are effective because of two things. First, they have not received current strategic direction from the Ministry and second, there is no centralized information system to collect needed data related to diabetes. Once the Ministry has clarified its strategies and provided a system for analysis of information, regional health authorities may be able to evaluate their progress and assess their alignment with Ministry strategies. They could then provide better, consistent and effective service to people with diabetes.

Chapter 33 — Regulating Meat Safety

Saskatchewan laws allow the sale of meat to customers without the meat being inspected. Almost all Canadian provinces require mandatory inspections of meat as well as of slaughter plants. Also, Saskatchewan is the only Province where the responsibility for meat safety is handled by more than one ministry. Saskatchewan's approach to regulating the slaughter of animals to produce meat for human consumption might be outdated. We recommend that the Government assess the risks related to uninspected meat and consider updating its regulations.

In general, slaughter plants that handle larger volumes of meat choose to have the meat they produce inspected in provincial or federal programs. As a result, much of the meat for sale in Saskatchewan is inspected. Fourteen of Saskatchewan's 90 slaughter plants have an in-depth provincial or federal inspection. These in-depth regular inspections aim to ensure that the meat is safe for human consumption. In-depth inspections examine the animal, the slaughter process, the carcass, the plant including the equipment, and the meat. Farmers voluntarily choose to have their animals slaughtered at plants that are provincially or federally inspected because large retail customers require this inspection before they purchase meat.

The Ministry of Health (Health) oversees regional health authorities whose public health inspectors annually inspect whether or not 76 slaughter plants are sanitary – this slaughter plant

inspection is mandatory (with the exception of farmgate operations). This inspection is of the slaughter plant only and does not include meat.

We found that Health needs to improve its processes to oversee the work of regional health authorities that inspect and license the 76 slaughter plants subject to its inspections. Health does not monitor the number of animals slaughtered at these plants, review follow-up reports about slaughter plants assessed as medium to high risk of producing unsafe meat, or verify that regional health authorities promptly re-inspect high-risk plants to ensure deficiencies are corrected promptly.

The Ministry of Agriculture (Agriculture) oversees in-depth inspections in 11 slaughter plants that sell meat more widely within the Province – this in-depth meat and slaughter plant inspection is voluntary. We found that Agriculture had good processes to oversee the safety of meat from the 11 slaughter plants it inspects. We did not examine the processes used at the three plants that the Federal Government inspects.

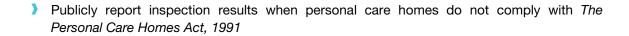We make 10 recommendations to strengthen the processes that help keep meat safe in Saskatchewan.

Chapter 34 — Regulating Personal Care Homes for Resident Health and Safety

The Ministry of Health (Ministry) is responsible for regulating personal care homes in the province. This requires licensing and inspecting of personal care homes. Personal care homes are privately-owned facilities that provide accommodation, meals, and personal care to senior residents. Saskatchewan has about 245 licensed personal care homes.

For the period April 1, 2011 to August 31, 2012, we found the Ministry did not have fully effective processes to regulate personal care homes. The Ministry did not have a formal process for identifying and inspecting high-risk personal care homes more frequently. During April 2011 to April 2012, the Ministry inspected personal care homes about every two years. As a result, the Ministry issued licenses without recently inspecting personal care homes. After April 2012, the Ministry began inspecting or visiting personal care homes every year.

The Ministry documented inspection results but did not have a good system for tracking and following up problems identified during inspections. When problems are identified through inspections, the Ministry needs to follow up with the identified personal care home to ensure that the problems have been sufficiently addressed. We noted instances where problems identified through inspections continued for more than two years. We provided the Ministry with five recommendations, for the Ministry to:

❯ Use a risk-based approach to inspect high-risk personal care homes more frequently

❯ Provide guidance for its staff to assist in determining when to conduct unannounced inspections of high-risk personal care homes

❯ Provide written guidance to staff for consistent and prompt follow-up of personal care homes that do not comply with actions required after inspections

❯ Use a system to track personal care home inspection dates, non-compliance issues, required actions, and dates that personal care homes complete these actions

> Publicly report inspection results when personal care homes do not comply with *The Personal Care Homes Act, 1991*

 Chapter 35 **Saskatchewan Indian Gaming Authority Inc.—Information Technology Threat and Risk Assessment Processes**

The Saskatchewan Indian Gaming Authority Inc. (SIGA) has a significant investment in information technology (IT). SIGA is responsible for ensuring that its IT systems are secure. One aspect of IT security is assessing threats and risks to IT systems and responding appropriately to those threats and risks. We audited SIGA's IT threat and risk assessment processes and found that SIGA needs to:

> Fully document its IT threat and risk assessment plan

> Carry out its documented plan including analyzing the threats and risks, and developing a risk response

> Report the results of the assessment to management

> Review the effectiveness of the assessment process and conduct on-going monitoring

 Chapter 36 **Transporting Students Safely**

The Ministry of Education (Ministry) is responsible for leadership and oversight in the education sector. *The Education Act, 1995* gives responsibility to school divisions to administer student transportation and expects school boards to supervise student transportation. We audited the safety of student transportation processes in six school divisions and the related processes at the Ministry of Education for the period September 1, 2011 to August 31, 2012.

In this chapter, we describe the key findings of our audit of student transportation and make 14 recommendations to the Ministry and to school divisions.

Our audit concluded that student transportation requires Ministry coordination and oversight. Ministry oversight would help school divisions to comply with all the relevant legislation and consistently use strategies that would help keep students safe while they are transported. For example, the Ministry should require school divisions to use key strategies related to the condition of vehicles, the performance of drivers, the behaviour of students on the bus, and collision risks.

Our audit also concluded that, in general, school divisions had effective processes to transport students safely except in three areas. First, school divisions should consistently align their practices with legislation. Second, school divisions should manage transportation risks more consistently. For example, school divisions took different approaches to transporting students who lived near their school, transporting pre-schoolers, driver training, driver performance appraisal, and the use of 15-passenger vans. Third, school divisions that contract with private companies to provide some or all of their transportation services should require their contractors to report on how they comply with laws and the strategies they use to keep students safe while they are being transported to and from school.

These findings may help other school divisions in the province when assessing their own student transportation processes. As well, we outline some of the best practices we observed in school divisions.

AUDIT FOLLOW UPS

Chapter 37   **Pesticide Regulation**

This chapter is a follow-up of the recommendations from our 2007 Report – Volume 1, Chapter 3. The Ministry of Agriculture (Ministry) has implemented our recommendations regarding its processes to regulate pesticides. As of September 2012, the Ministry has formally analyzed the risks associated with licensees and exempt persons not following pesticide control laws, and has documented its strategy to address these risks.

Chapter 38   **Saskatchewan Crop Insurance Corporation—Security Awareness**

This chapter describes our follow-up of management's actions on the four recommendations we made in 2010 related to the Saskatchewan Crop Insurance Corporation (SCIC)'s security awareness processes. We recommended that SCIC needed to:

❯ Document in its policies its requirement for a formal security awareness program

❯ Specify who is responsible for the security awareness program

❯ Document its plan for delivery of security awareness training and carry out the plan

❯ Monitor the effectiveness of its security awareness program

SCIC has implemented all of our recommendations.

Chapter 39   **Public Service Commission—Developing Leaders**

The Public Service Commission (PSC) is the Government's central agency for human resources. This chapter describes management's actions on the recommendations we made in 2009. In 2009, we assessed PSC's processes to develop employees in various ministries for leadership positions. We made three recommendations calling for a mentorship program, developmental experiences to build leadership capacity, and a reporting progress of deputy ministers. As of August 31, 2012, PSC had implemented all three recommendations.

Effective May 2012, PSC is under the responsibility of the Ministry of Central Services.

Chapter 40   **Public Service Commission—Out-of-Scope Staffing**

The Public Service Act, 1998 requires the Public Service Commission (PSC) to make appointments to positions in the classified division on the basis of merit. In 2010, we audited

PSC's processes to staff out-of-scope permanent positions. This chapter describes our follow-up of management's actions up to August 31, 2012 on two recommendations in our 2011 Report – Volume 1.

As of August 31, 2012, PSC had implemented one of our two recommendations. Our follow-up work found that PSC requires staff to keep specific essential documents that demonstrate that positions are staffed based on merit, but it did not verify that the essential documents were kept. Less than half of the files we examined contained the required essential documents such as references and interview assessments.

Effective May 2012, PSC is under the responsibility of the Ministry of Central Services.

Chapter 41   Saskatchewan Watershed Authority—Dam Safety

This chapter presents our follow up work on our 2005 Report – Volume 1 on dam safety. The Saskatchewan Watershed Authority (Authority) is responsible for the safety of dams that help to preserve a sustainable water supply for the province. Our 2005 Report – Volume 1 explained our audit of the processes used to ensure the safety of four major dams and provided four recommendations. We previously completed follow-ups in 2007 and 2010. As of July 31, 2012, management has not taken action on two recommendations that remain outstanding after six years. These recommendations pertain to dam emergency preparedness plans and safety manuals.

It is important that the Authority have an up-to-date and tested emergency preparedness plan for the Qu'Appelle River dam. The Authority intends to complete this emergency preparedness plan by March 31, 2013. The Authority needs to test the emergency preparedness plan for each of its four major dams (Gardiner, Qu'Appelle River, Rafferty and Alameda) to ensure that the plans are sufficient to protect people and property. The Authority also needs to complete 11 dam safety manuals documenting procedures for operations, maintenance, and surveillance of dam safety.

Chapter 42   3sHealth Security of Payroll Transactions

Effective April 17, 2012, Saskatchewan Association of Health Organizations (SAHO) became 3sHealth.

3sHealth has addressed the one outstanding recommendation that continued from our 2009 follow up of then SAHO's controls to secure transactions on its payroll system. 3sHealth has implemented procedures to monitor the security of its payroll service provider.

Chapter 43   Cypress Regional Health Authority IT Security

In this chapter, we report that Cypress Regional Health Authority (Cypress) has implemented four of the seven recommendations that we made in 2008. In our 2008 Report – Volume 3, we reported that Cypress needed to strengthen its controls to secure its information technology systems and data. Cypress has more work to do on the remaining three recommendations. It

still does not have a complete, approved and tested disaster recovery plan and it needs to configure its systems to protect them from external threats.

Chapter 44 — eHealth Saskatchewan—Buying IT Services Follow Up

Beginning in 2011, eHealth is responsible for the procurement of health-related information technology (IT) services. This was previously handled by the Ministry of Health.

In 2010, we assessed the adequacy of the Ministry of Health's processes to buy IT services (including IT consultation, oversight, and development and testing of programs and processes). We concluded that the Ministry did not have adequate processes to buy IT services and made eight recommendations to help the Ministry of Health strengthen its processes.

Since 2010, the Ministry of Health, through eHealth Saskatchewan, has made significant improvements and fully addressed six of the eight recommendations. It needs to continue its current work in implementing a system to assess and track the performance of IT service vendors.

Chapter 45 — eHealth Saskatchewan—Electronic Health Record

In 2009, we audited the Ministry of Health's processes to guide, monitor, and report on the implementation of its electronic health record systems (EHR). We made four recommendations.

In 2010-11, eHealth Saskatchewan (eHealth) became responsible for leading the planning and implementation of EHR. We followed up the status of our four recommendations with eHealth as of September 30, 2012. We found that neither the Ministry of Health nor eHealth have addressed our recommendations. eHealth needs to develop strategic and operational plans to guide the development and implementation of EHR. eHealth also needs to monitor its overall costs and timelines compared to its plans and develop performance measures to allow it to assess and report its progress.

The development and implementation of Saskatchewan's EHR started in 1997. In 2009, the Ministry of Health's goal was to make EHR available for all Saskatchewan residents by 2014 at a cost of $600 million. By March 31, 2012, $415 million has been spent on EHR and eHealth estimates that it is 30% complete. Therefore, completing EHR may cost substantially more than the $600 million previously estimated.

Public money continues to be spent despite the lack of multi-year strategic and operating plans. eHealth needs a complete EHR plan that includes an estimated total cost to complete and sets a timeline for implementation. Without this information, the Legislative Assembly and the public are unable to assess whether EHR will achieve its intended outcomes and whether public money is being spent effectively.

Chapter 46   Heartland Regional Health Authority—Disposal of IT and Communication Equipment

We conducted a follow-up of our 2009 Report – Volume 3 where we assessed Heartland Regional Health Authority's (Heartland's) processes to secure electronic information during the disposal of information technology and communication equipment.

Heartland has made progress in addressing our three recommendations on IT and communication equipment. It has implemented one recommendation and has more work to do on the remaining two.

Heartland has a policy for its disposal of information technology and communications equipment. However, Heartland has not yet documented specific methods for disposing of different types of equipment or verified that the methods are effective in removing sensitive data.

Chapter 47   Kelsey Trail Regional Health Authority—Medical Equipment Maintenance

In our 2010 Report – Volume 2, we made seven recommendations for Kelsey Trail Regional Health Authority (Kelsey Trail) to help improve its processes to maintain its medical equipment. Kelsey Trail has implemented three of the seven recommendations we made in 2010. One recommendation is no longer relevant because Kelsey Trail cancelled the arrangements with its earlier service provider. Kelsey Trail needs to do more work to implement the remaining three recommendations. It needs to maintain a complete list of equipment, maintain that equipment in accordance with required standards, and report maintenance results to senior management.

Chapter 48   Prince Albert Parkland Regional Health Authority—IT Security

In this chapter, we report the results of our follow-up on the recommendations from our 2011 Report – Volume 1 where we audited Prince Albert Parkland Regional Health Authority's (PA Parkland's) controls to secure its information technology (IT) systems and data.

PA Parkland needs to do more to fully address two outstanding recommendations from our 2011 IT security audit. PA Parkland needs to monitor its data centre, secure wiring closets and encrypt portable computers, and test its disaster recovery plan.

Chapter 49   Saskatoon Regional Health Authority—Protecting IT Infrastructure

In 2010, we made six recommendations to help strengthen Saskatoon Regional Health Authority (Saskatoon RHA)'s processes to protect its information technology systems and data. In this chapter, we report that Saskatoon RHA has implemented one of the six recommendations we made in 2010. Saskatoon RHA is now providing reports to the Board of Directors and senior management on the state of its information technology infrastructure. Saskatoon RHA needs to do more work to address our remaining five recommendations. Saskatoon RHA needs to implement adequate information technology policies, effectively restrict access to systems and data, securely configure its computers and network equipment, and monitor the security of its

information technology infrastructure. Saskatoon RHA also needs a complete, approved and tested disaster recovery plan.

Chapter 50 — Financial and Consumer Affairs Authority—Processes to Investigate Complaints

Effective October 1, 2012, the Saskatchewan Financial Services Commission (Commission) became the Financial and Consumer Affairs Authority of Saskatchewan.

In 2007, we audited the Commission's processes to investigate complaints from the investing public. Investigating complaints from the investing public is a key mechanism for the Commission to detect breaches of securities law. We reported the results of our audit in Chapter 15 of our 2007 Report – Volume 3 and made five recommendations for the Commission to help improve its processes.

Our first follow-up in 2010 (2010 Report – Volume 2, Chapter 14) concluded that the Commission had implemented three recommendations but needed to do more to address the remaining two recommendations.

The Commission has addressed the remaining two recommendations.

Chapter 51 — Justice—Security Awareness Processes

Effective May 25, 2012, the Ministry of Justice and Attorney General became the Ministry of Justice and is now also responsible for Corrections and Policing. Recommendations previously directed at the Ministry of Justice and Attorney General are now directed at the Ministry of Justice consistent with the new legislative mandate of the Ministry of Justice. The Ministry of Justice and Attorney General (Justice) uses information systems that are critical to its operations. Justice must keep its information systems secure. A key part of security for Justice is having an effective security awareness program for its employees.

This chapter describes our follow-up of management's actions on the recommendations we made in 2010 relating to Justice's security awareness processes. Justice has made some progress in addressing our recommendations but has more work to do. It needs to complete its plan for security awareness and monitor the effectiveness of its program for security awareness.

Chapter 52 — Monitoring Provincial Policing Services Delivered by the RCMP

Effective May 25, 2012, Corrections and Policing became part of the Ministry of Justice (Ministry).

The Ministry is responsible for provincial policing. To meet its policing objectives, the Ministry contracts for the services of the Royal Canadian Mounted Police (RCMP). Our 2009 Report – Volume 1 contained the results of our audit of the processes to monitor provincial policing services delivered by the RCMP including five recommendations. As of October 9, 2012, management has taken action on four recommendations. The remaining recommendation relates to verifying the accuracy of costs charged by the RCMP.

Chapter 53 ▷ Monitoring Charitable Gaming on Reserves

Saskatchewan Liquor & Gaming Authority (Liquor & Gaming) is responsible for regulating gaming in the Province. In 2010, we assessed Liquor & Gaming's processes to monitor regulatory compliance for charitable gaming on reserves. We found that Liquor & Gaming needed to identify key risks to charitable gaming and use them to evaluate compliance, provide written reports of its evaluation of Indigenous Gaming Regulators Inc.'s compliance to senior management, and keep a written record of revised actions and proposed changes to its Licensing agreement.

This chapter describes our follow up of management's actions on the recommendations we made in 2010. We made three recommendations (2010 Report – Volume 2). Liquor & Gaming has implemented all three recommendations as of August 31, 2012.

Chapter 54 ▷ Social Services—Securing Physical Information

In this chapter, we followed up on the recommendations made in our 2010 Report – Volume 2, Chapter 20 to improve the Ministry of Social Services' (Social Services') processes to secure physical information. Social Services has implemented all three of our recommendations. It provides regular security awareness training to employees, removes access to information for terminated and transferred employees, and tracks the movement of confidential information and files.

Chapter 55 ▷ Standing Committee on Public Accounts

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee). It briefly describes what the Committee does, how it is structured, and how it works.

The Committee is a key agent of change for improving the Government's management of public resources. It helps the Legislative Assembly hold the Government accountable for its management of public resources.

The Committee reviews the activities, performance, and reports of government ministries, agencies, and certain Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. The Committee's discussions include broader issues such as strategic plans, key risks to achieving goals and objectives, and performance measurement.

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's Third Report to the 26th Legislature. The Committee presented this report to the Assembly on September 6, 2011.

The Committee's reports during the previous five years contained 539 recommendations.

The Government has fully implemented 72% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 70% are partially implemented.