

Reflections



When people think of the work of the Provincial Auditor's Office, I suspect some may think that our work only involves checking the books and accounting records of the Government and agencies in the public sector. While this is true for our audit of the Public Accounts ([Chapter 1](#)) and for a large part of our work where we conduct financial statement audits, our work for the Legislative Assembly takes us beyond just numbers. As part of our integrated audit work, we also look at internal controls, information technology (IT) controls, and compliance with financial-related legislation ([Chapters 2 to 26](#)).

As well, our Office works throughout the public sector reviewing selected processes and programs to see how well they are working and assessing whether a better level of service can be provided for the money spent. We highlight potential risks and identify where improvements are needed. We also comment on whether agencies' work is aligned with their plans, strategies, legislation, regulations, and policies. Performing this work and reporting the results to the Legislative Assembly and the people of Saskatchewan is an important part of our mandate. Last, but not least, we conduct specific "IT-focused" audits ([Chapters 27 to 54](#)).

Since our last public report in June 2012, we have completed audits of many agencies covering many subjects. I would like to highlight some of our observations under four themes:

1. Protecting Saskatchewan Residents
2. Protecting the Environment
3. Financial Oversight and Accountability
4. Protecting Information Technology

Protecting Saskatchewan Residents

› **Much of the Meat for Sale in Saskatchewan is Inspected. However, Meat from 76 Slaughter Plants is Not Inspected Before Sale to the Public ([Chapter 33](#))** - Unlike all other provinces in Canada, responsibility for meat safety is split between two ministries. The Ministry of Health is responsible for overseeing the annual inspections of 76 slaughter plants conducted by regional health authorities. It needs to do a better job setting out detailed sanitation standards, following up on plants that are at increased risk of producing unsafe meat, and verifying that problems identified in these plants are fixed in a timely manner. While the plant itself is inspected, the meat from these 76 slaughter plants is not inspected before it is sold to the public and the Ministry does not track the volume of meat handled by these plants. We recommended that the Government assess the risks involving meat in the food supply and consider updating its regulations accordingly.

Slaughter plants that handle larger volumes of meat may choose to be under the Ministry of Agriculture's more in-depth voluntary inspection program. Agriculture's inspections include the meat itself as well as the slaughter process and the plant. Overall, we found that Agriculture has good processes to oversee the safety of meat from the 11 plants that it



inspects. Agriculture relies on inspectors contracted from the Federal Government to carry out ongoing inspections in these 11 plants. In June 2011, the Federal Government announced that, after December 2013, it will no longer provide these services. Agriculture needs to ensure that it has appropriate processes in place for regulating these plants after December 2013.

If a slaughter plant produces meat for interprovincial or international trade, it must be inspected under a federal program. There are three (major) plants in Saskatchewan that will continue to be federally inspected.

- › **The Ministry of Education Needs to Provide More Coordination and Oversight to Support School Divisions in Transporting Students Safely – School Divisions Need to Monitor the Performance of Contractors (Chapter 36)** – The primary goal of school transportation is to transport students safely. Saskatchewan’s 28 school divisions transport as many as 74,000 students every day, using about 3,400 school buses and 50 school vans. The Ministry provides grants to school divisions of about \$110 million annually to transport students and is responsible for overseeing school divisions.

We assessed school divisions’ processes for transporting students and the Ministry’s related processes. The Ministry needs to oversee that school divisions transport students safely and use money efficiently and effectively. It also needs to provide school divisions with guidance on what the law requires and on managing transportation risks including driver performance. Most school divisions we examined did not have complete strategies to address risks for safely transporting students. As well, school divisions using contractors did not monitor those contractors’ compliance with current legislation and regulations. The Ministry also needs to address inconsistencies across school divisions in the following areas: the use of 15-seat passenger vans, transportation of pre-school age children, and the minimum busing distance for children. We recommended that the Ministry work with school divisions and provide them with guidance on the type of reporting that school boards should receive to help them supervise the safe transportation of students.

- › **The Ministry of Health Needs to Monitor Whether Personal Care Homes Act Promptly to Correct Problems Identified During Ministry Inspections (Chapter 34)** – Saskatchewan has about 245 licensed personal care homes. These are privately-owned facilities providing accommodation, meals, and personal care to approximately 3,200 elderly residents. The Ministry of Health needs to perform more frequent and unannounced inspections of high-risk personal care homes. When problems are identified through inspections, the Ministry needs to follow up sufficiently to ensure these problems are addressed. Some personal care homes repeatedly do not fix problems on a timely basis. We noted instances where problems identified through inspections continued for more than two years. The Ministry needs a tracking system to effectively monitor inspection dates, non-compliance, required actions, and deadlines for when owners/operators need to complete their required actions. We recommended that the Ministry publicly report inspection results when personal care homes do not comply with *The Personal Care Homes Act, 1991*.
- › **Five Hills Regional Health Authority Needs to Improve its Processes to Ensure that Nourishing and Safe Food Services are Provided to Residents of its Long-term Care Facilities (Chapter 28)** – Nutrition in long-term care facilities has a significant impact on the quality of life for residents and on health care costs. We assessed whether Five Hills provided nourishing and safe food services in its seven owned and three affiliated long-term care facilities. We found that Five Hills could not always ensure that residents receive nourishing and safe food services. It needs to ensure that its menus follow Canada’s Food Guide and

are reviewed by a registered dietician. It also needs to track and review residents' dietary needs on an ongoing basis, and ensure that meals are served on time and at the appropriate texture and temperature. In addition, Five Hills needs to update its regional dietary policy manual, provide timely meal-time assistance to residents, monitor affiliate food costs, develop procedures for documenting and addressing complaints, and regularly survey residents and their families for satisfaction with food services.

- › **The Ministry of Health Lacks Substantial Information to Know Whether People with Diabetes Receive Care Consistent With Provincial Standards - It Needs an Actionable Workplan to Address Diabetes Management and Diabetes Related Health Complications (Chapter 32)** - Diabetes is a chronic disease that has a huge impact on people's lives. The Canadian Diabetes Association estimates that there are currently 75,000 Saskatchewan people living with diabetes and that this number will increase to 110,000 by 2020. How well the Ministry of Health and regional health authorities manage care for people with diabetes influences the very serious health complications that diabetes can cause. Early detection and management of the disease's progression reduces the risk of developing serious complications.

Although the Ministry has adopted appropriate standards for good diabetes care, it does not have a strategy for how it will achieve compliance with those standards. The Ministry has been engaged in diabetes prevention planning for over 15 years. Now the Ministry needs to implement an actionable work plan for the management of diabetes and diabetes-related health complications. It has set an improvement target that 80% of people with chronic disease (including diabetes) should be receiving care consistent with provincial standards by 2017. However, the Ministry lacks crucial information. The Ministry does not know if people with diabetes are aware of and receive the recommended care that could reduce their risk of complications, and it does not know if recommended care is delivered effectively and consistently across the province. As well, it does not track the full cost of healthcare for people with diabetes. Two regional health authorities that we examined do not know if their programs are effective because of the absence of an overall provincial strategy for diabetes management and the lack of adequate information about people with diabetes.

Protecting the Environment

- › **The Ministry of the Economy Needs to Do a Better Job of Managing Risks Associated with Cleaning Up Oil and Gas Wells (Chapter 31)** - Saskatchewan's oil and gas industry is a major contributor to the provincial economy. In the 2011-12 fiscal year, the Ministry of the Economy collected \$1.7 billion from oil and gas royalties and land rights sales. Oil and gas development does not come without financial and environmental costs. Protection of the environment for future generations is also important.

The Ministry currently estimates that the future environmental cleanup costs of existing oil and gas wells and their associated facilities could total \$3.6 billion. While owners of wells and facilities are responsible for their cleanup, there is a risk that taxpayers will end up paying for some of these cleanup costs.

The Ministry has established a number of programs to help manage the financial and environmental risks related to well and facilities cleanup; however, more needs to be done to effectively manage these risks. The Ministry needs to improve its planning and estimate the resources and skills it will require to effectively deliver its programs. It needs to use more up-



to-date data and analysis to manage, monitor, assess, and report the financial and associated environmental risks related to the future cleanup of orphan, legacy and inactive oil and gas wells and related facilities. It also needs to improve public reporting on the effectiveness of its programs in this area. Only 10 orphaned wells (the Ministry estimates there could be 700 orphaned wells in Saskatchewan) have been cleaned up in the last two years. As well, the number of inactive wells in Saskatchewan is growing. The Ministry needs to assess what steps are needed to encourage timely clean up of inactive wells and facilities by licensees. Also, the Ministry needs to improve the estimate of its costs to clean up orphan wells and facilities and legacy wells. It currently estimates its costs for the cleanup of orphan wells and facilities to be \$26 million.

Because the Ministry is responsible for both promoting development of oil and gas, and protecting the environment and the public from the impact of this development, it needs to actively mitigate the risks that result from its dual, potentially conflicting, roles.

- › **Emergency Preparedness Plans for Major Dams Need Testing (Gardiner, Qu'Appelle River, Rafferty and Alameda) (Chapter 41)** - Two recommendations remain outstanding from our 2005 audit on Dam Safety. We found that the Saskatchewan Watershed Authority still needs to complete an emergency preparedness plan for the Qu'Appelle River dam. The Authority intends to complete this plan by March 31, 2013. The Authority still needs to test the emergency preparedness plans for each of its four major dams to ensure that each plan is sufficient to protect people and property. As well, the Authority needs to complete a number of dam safety manuals documenting procedures for operations, maintenance, and surveillance of dam safety.

Financial Oversight and Accountability

- › **Government Uses Two Sets of Books - Auditor's Opinion Qualified on the General Revenue Fund (GRF) (Chapter 1)** - While citizens in the rest of Canada hear their government's finances discussed in their provinces in much the same way (based on Summary Financial Statements), the Saskatchewan Government continues to speak to "two sets of books"—the GRF Financial Statements and the Summary Financial Statements—to people in Saskatchewan. The Government refers to either one or the other depending on the message it wants to send to the public regarding the state of its finances. Unfortunately, the Government most often refers to the GRF Financial Statements when discussing balancing the budget and debt.

My audit opinion on the GRF Financial Statements is "qualified". This means that these statements are materially wrong and misleading because they are not prepared following generally accepted accounting principles used in Canada. Instead, they are calculated using "creative accounting rules" that are embedded in outdated legislation, in comparison to other provinces. When the Government refers to the GRF Financial Statements, it does not discuss the qualifications. Pension liabilities of \$6.12 billion are not included in these statements. This omission would be similar to a private sector company not including in its financial statements all relevant information for its shareholders such as the financial results of a mine it owns that is losing money.

Proper accounting is an important way in which Government can make its decision making more transparent. As well, a focus on the Summary Financial Statements—and budgets

prepared on the same basis—would enable the public to see the impact of the Government’s decisions on the whole of Government.

The technical aspects of Saskatchewan’s Public Accounts are not easy to write about in a clear and concise way. However, my Office will strive to provide the Legislative Assembly and the public with a clear understanding of why the Government’s use of the GRF to explain its finances is both poor practice and misleading. Early next year, we plan to issue a separate report focused on the importance of clear and transparent provincial financial statement budgeting and reporting.

- › **School Division Loans Need to Be Recorded in Government’s GRF Financial Statements and the Ministry of Education’s Annual Report (Chapter 5)** - In October 2012, we became aware that the Ministry of Education had provided at least \$31 million in loan guarantees for capital projects to certain school divisions. For the year ended March 31, 2012, the Ministry of Education’s and the Government’s General Revenue Fund’s expenses and liabilities were understated by at least \$31 million. During the next six months, we will be reviewing the substance of school division loans to determine if additional promises exist and if additional liabilities should be recorded. School division loans were \$74.5 million as of March 31, 2012.
- › **Public Money Continues to be Spent without a Proper Plan in Place for the Electronic Health Record System (Chapter 45)** - eHealth Saskatchewan is responsible for planning and implementing a provincial electronic health record system (EHR). EHR consists of individuals’ health records designed to be accessed on-line by users from separate, comparable systems. In 2009, the Ministry of Health planned to have the EHR available for use by 2014 at a cost of \$600 million. By March 31, 2012, eHealth had spent \$415 million on the EHR system and estimated it to be only about 30% complete. eHealth needs to establish a plan that provides an updated estimate of the total cost to complete the EHR, as well as a timeline for when it will be ready for use. Development of the EHR began back in 1997. Without a proper plan in place, it is impossible to determine whether money being spent on the EHR system is being used effectively.

Protecting Information Technology (IT)

- › **The Ministry of Justice (Justice) Needs to Improve its Controls Over Offender Data in the Corrections Management Information System (CMIS) (Chapter 27)** – CMIS tracks offenders in provincial correctional facilities and within the community. As of June 2012, the Saskatchewan correctional system was responsible for 8,160 offenders: 1,623 in custody and 6,537 under community supervision. Provincial correctional facilities hold offenders sentenced to periods in prison of less than two years, and remanded offenders. CMIS is critical for the management and transporting of offenders. It tracks release dates for offenders. If this information is not accurate, offenders may be released from prison at the wrong time.

We found that Justice needs to improve its controls for maintaining the integrity of offender data in CMIS. It needs to establish security requirements for CMIS data, remove unnecessary user access to CMIS on a timely basis, and have staff who access CMIS sign confidentiality agreements. Justice also needs processes to review the accuracy of all CMIS data entry and approve a risk-based plan for verifying that CMIS data is accurate. Our recommendations should also be considered for the new system that Justice plans to implement in 2014.



- › **Progress Being Made on Recurring IT Audit Recommendations (Chapters 2 to 26)** - During our annual integrated audits, a considerable amount of our work involves reviewing IT controls in various agencies. Over the past number of years, there have been recurring IT weaknesses. This year is no exception. However, we see progress being made in addressing them. Recommendations are contained within various agency chapters in this report.
- › **IT Improvements Needed by the Information Technology Office (ITO) and the Saskatchewan Indian Gaming Authority Inc. (SIGA)** – We also carried out detailed examinations of IT: **Chapter 29** – ITO Annual Security Audit and **Chapter 35** - SIGA IT Threat and Risk Assessment Processes. The ITO needs to do more work to protect client systems and data. SIGA needs to strengthen its IT threat and risk assessment processes.

Audit Follow Up Work

We follow up past recommendations, agreed upon by the Standing Committee on Public Accounts or the Standing Committee on Crown and Central Agencies, to ensure that proper action is taken to address issues. For this report, we conducted follow-up work on recommendations from 18 previous performance and information technology (IT) audits (**Chapters 37 to 54**).

The following agencies implemented all of their recommendations in the following subject areas:

- › Ministry of Agriculture–Pesticide Regulation (**Chapter 37**)
- › Saskatchewan Crop Insurance Corporation–Security Awareness (**Chapter 38**)
- › Ministry of the Economy (Public Service Commission)–Developing Leaders (**Chapter 39**)
- › Financial and Consumers Affairs Authority–Processes to Investigate Complaints (**Chapter 50**)
- › Saskatchewan Liquor and Gaming–Monitoring Charitable Gaming on Reserves (**Chapter 53**)
- › Ministry of Social Services–Securing Physical Information (**Chapter 54**)

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Finally, I would like to thank my staff for their professionalism and hard work that went into this report. I appreciate their dedication and belief in the work of our independent Office. Their names follow this acknowledgement.

As an Office, we remain focused on serving the Members of the Legislative Assembly, the Members of the Standing Committee on Public Accounts and the people of Saskatchewan.

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Exhibit

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