

Overview by the Acting Provincial Auditor

1.0 REPORT OVERVIEW

Through *The Provincial Auditor Act* (Act), the Legislative Assembly has made the Provincial Auditor its auditor. It has given the Provincial Auditor responsibility for auditing the Government of Saskatchewan, including all of its agencies. These agencies include ministries, Crown corporations, boards, commissions, and funds. Under the Act, the Provincial Auditor is required to report to the Legislative Assembly on the results of all examinations, and highlight matters that require the attention of legislators.

Our Office typically reports the results of its examinations in two volumes. We aim to release Volume 1 in June, and Volume 2 in December each year.

This Report (Volume 2) includes the results of our examinations completed by October 31, 2013. We have organized the results of our examinations into six sections.

The following provides an overview of each section of the Report other than the section on the Standing Committee on Public Accounts (Committee).

The Committee has asked our Office to assess and report on the status of its recommendations. In this Report, we note that by October 31, 2013, the Government has fully implemented 78% of the Committee's recommendations and partially implemented 81% of the Committee's remaining recommendations. The high acceptance rate of the Committee's recommendations indicates that it provides an important role in improving management practices in government.

Public Accounts—Volume 1—Overview

2012-13 Public Accounts – Volume 1 is a key accountability document in that it contains the Government's audited 2012-13 financial statements called the Summary Financial Statements. These are truly the Government's main financial statements. Only these statements provide an accounting of the full nature and extent of the financial affairs and resources controlled by the Government. We are pleased to report that we have issued an "unqualified" audit report on these financial statements—this means that they are prepared in accordance with Canadian generally accepted accounting principles for the public sector (Canadian GAAP), and are reliable.

2012-13 Public Accounts – Volume 1 also contain a second set of audited financial statements—the 2012-13 financial statements of the General Revenue Fund (GRF). The GRF is a special purpose fund that includes the spending of government ministries and revenues not directed by legislation to go elsewhere. We are disappointed to report that we have issued, for the first time, an "adverse" opinion on these financial statements—this means that they are **not** prepared in accordance with Canadian GAAP and are **not** reliable. The GRF reported a 2012-13 annual surplus of \$58.0 million. In our opinion, this is overstated by \$648 million—it should be an annual deficit of \$590 million. We are also disappointed that the Government continues to regard the GRF financial statements as one of its main financial statements.



Annual Integrated Audits—Overview

We use the term “**integrated audits**” to describe our annual audits of agencies that examine:

- › The effectiveness of their financial-related rules and procedures to safeguard public resources with which they are entrusted
- › Their compliance with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- › For those agencies that prepare financial statements, the reliability of those statements

In this Report, we report the results of annual integrated audits for agencies with July 2013 or earlier fiscal years. For the most part, those agencies had effective financial-related processes, complied with related authorities, and prepared reliable financial statements (see **Appendix 1**). The 25 annual integrated audit chapters contain 26 new recommendations and report reasonable progress of various agencies on addressing most of our prior recommendations.

About one-half of the new recommendations reflect our concern that ministries did not follow Canadian GAAP when accounting for certain activities (e.g., shared ownership agreements at the Ministries of Education and Health), or that

processes they used to account for certain activities need improvement (e.g., estimates for the provincial disaster assistance program at the Ministry of Government Relations). About one-third of the new recommendations relate to concerns about the controls agencies used to administer certain programs (e.g., controlling overtime costs at Mamawetan Churchill River Regional Health Authority, board remuneration at 3sHealth).

Performance Audits—Overview

We use the term “**performance audits**” to describe audits that take a more in-depth look at management issues related to management of public resources or compliance with legislative authorities.

In this Report, we report the results of six performance audits in five chapters.

In two audits, we assessed the effectiveness of key regulatory processes that are essential to monitoring and protecting groundwater. Clean groundwater is essential for both human and

environmental health. We found that:

- › The Ministry of Agriculture had effective processes to regulate waste generated from intensive livestock operations (ILOs) with the following key exceptions. Agriculture needs to confirm that sufficient controls to keep water safe are in place for ILOs it approved prior to 1996, determine the frequency of its ILO inspections based on risk, and conduct inspections in accordance with its policy. We made three recommendations for improvement.
- › The Ministry of Environment did not have effective processes to regulate landfills. Environment needs to strengthen its requirements for landfill construction, better monitor operating landfills and oversee landfill closures, and ensure non-compliance issues are addressed consistently. Improved landfill regulation will help prevent

groundwater contamination from occurring. We made nine recommendations for improvement.

In two other audits, we assessed the effectiveness of processes used to provide certain healthcare services—triaging emergency department patients and managing medications within hospitals. Effective triaging means patients are appropriately and quickly prioritized so that they receive timely medical attention and care. Effective management of medication means patients receive, as prescribed, the proper amounts of the right medication at the correct times. If processes for either of these areas are not effective, the health of patients can be adversely affected with potentially fatal consequences. We found that:

- ▶ Saskatoon Regional Health Authority did not have effective processes to triage patients in its three city hospital emergency departments. It needs to give better directions to emergency patients, follow established standards and processes when triaging emergency patients, and periodically review the triage process for emergency patients. We made eight recommendations for improvement.
- ▶ Sun Country Regional Health Authority had effective processes to manage and administer medications in its district hospitals with the following exceptions. It needs to follow its established policies to gain access to the pharmacy after hours and to properly dispose of medications, use its approved form to document patient medication history and weight, analyze medication errors and contributing factors, and use that analysis to develop actions plans to address any identified issues. We made five recommendations for improvement.

At the University of Regina, we assessed its processes for the procurement of goods and services, and for the disposal of surplus assets (e.g., computers, equipment). We found that the University had effective processes for the procurement of goods and services and for the disposal of surplus assets except as follows:

- ▶ For its procurement and disposal processes, the University needs to regularly review, update, approve, and enforce its related policies; improve its contract requirements; and require sufficient reporting to senior management and the Board of Governors about related activities.
- ▶ With respect to its procurement processes, the University needs to require, in policy, adequate approval and justification for single- and sole-source procurement decisions including the mitigation of conflicts of interest and commitment, consistently retain documentation of its analysis and decisions for awarding tenders, and coordinate its departments responsible for procurement to efficiently manage procurement in accordance with its policies.
- ▶ With respect to its disposal processes, the University needs to ensure computer assets are properly decommissioned prior to their disposal.

We made 18 recommendations for improvement. We expect that the results of these audits will assist the University with its ongoing review of its administrative policies and procedures.



Audit Follow Ups—Overview

We use the term “**audit follow-ups**” to describe our assessments of whether government agencies have taken actions to address recommendations that we made in our past performance audits. We carry out an initial follow-up either two or three years after our original audit, and subsequent follow-ups every two or three years thereafter until the recommendations are implemented.

As shown in **3.0 Exhibit**, for this Report, we followed up 48 recommendations made in 17 previous audits.

Those agencies implemented 60% of the 48 recommendations; they implemented over half of them within either two or three years (i.e., 21 of the 36 recommendations in our initial follow ups). We are pleased with the progress of those agencies in implementing our recommendations.

Studies—Overview

From time-to-time, we carry out studies to look at matters in more depth to enable us to provide the Assembly with our views and advice on these matters. This Report includes two studies.

First, effective board governance helps boards operate efficiently and effectively. In our *2013 Report – Volume 1*, we reported the results of our survey of board governance of regional health authorities. In this Report, we report the results of our survey of board governance of school divisions. We found that board members and executives agree, to a significant extent, on many of the issues raised in the survey. However, divergent views and uncertainty exist regarding the roles and responsibilities of board members, executives, and the Ministry of Education (Ministry). The results point to a desire for improved communication between school boards and the Ministry. Boards have also indicated that they do not think the public understands their role and the issues they face. The full results of this survey are available on our website at www.auditor.sk.ca. We encourage the use of those results as a resource for constructive dialogue.

Second, understanding the Government’s Summary Financial Statements is important to evaluate the Government’s financial affairs. To provide legislators and the public with insight into how Saskatchewan is positioned relative to other provinces, our study compared Saskatchewan against other provinces. We found that, considering five key financial indicators, Saskatchewan’s financial condition was favorable as compared to other provinces. We also found that Saskatchewan’s financial statement discussion and analysis that accompanies its Summary Financial Statements is average as compared to other provinces. We note that the current content of the Government’s Summary Budget limits its ability to provide meaningful comparisons of planned versus actual results.

2.0 ACKNOWLEDGMENTS

We appreciate and thank the staff and management of all government agencies along with their appointed auditors (if any) for the cooperation we received in the completion of the work included in this Report.

The content of this Report was largely completed under the leadership of Bonnie Lysyk. During her tenure, Bonnie provided our Office with strong leadership and was a strong advocate for using only the Summary Financial Statements to report on the Government's finances. At the end of August, Bonnie Lysyk left our Office to become the Auditor General of Ontario. We wish her well in her new position.

As Acting Provincial Auditor, I thank the dedicated professionals in the Office for their diligence and commitment (see below). Only through their hard work can we fulfill our mission—to *serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.*

Provincial Auditor Team		
Ahmad, Mobashar	Anderson, Mark	Bachelu, Gaylene
Borys, Angèle	Clemett, Tara	Deis, Kelly
Dickin, Deann	Dressler, Nicole	Drotar, Charlene
Duran, Jason	Fink, Diana	Galecki, Stephanie
Halladeen, Aaron	Harasymchuk, Bill	Heebner, Melanie
Iles, Amanda	King, Mark	Klassen, Linda
Kress, Jeff	Lefebvre, Jennifer	Lindenbach, Michelle
Lowe, Kim	McIntyre, Mitchell	McKillop, Steven
Montgomery, Ed	Neher, Kendra	Novakovski, Jade
Nyhus, Glen	Ochieng, Jennifer	O'Quinn, Carolyn
Ortman, Matt	Pattullo, Candice	Pituley, Jonathan
Rau, Brent	Robertson, Jennifer	Rowe, Marisa
Russell, Stephanie	Rybchuk, Corrine	Schwab, Victor
Scott, Doug	Shaw, Jason	Shorten, Karen
Sommerfeld, Regan	St. John, Trevor	Stroh, Evan
Sych, Larissa	Taylor, Linda	Tomlin, Heather
Trivedi, Devanshi	Volk, Rosemarie	Wandy, Jason
Watkins, Dawn	Wolfond, Josh	Yanyu, Melissa
Yee, Ken	Zerr, Jennifer	



3.0 EXHIBIT—SUMMARY OF RESULTS OF AUDIT FOLLOW UP

Chapter Name	Related Initial Report *	Number of Recommendations	Status of Recommendations		
			Implemented	Partially Implemented	Not Implemented
Initial Follow ups					
Advanced Education—Risk Management Processes	2011 Report – V1	3	3	-	-
Crown Investments Corporation of Saskatchewan—Reliable Performance Information	2010 Report – V2	2	2	-	-
Economy—Project Management Processes	2011 Report – V2	3	2	1	-
Financial and Consumer Affairs Authority of Saskatchewan—Regulating Saskatchewan Credit Unions	2011 Report – V1	1	1	-	-
Justice—Monitoring Municipal Policing	2011 Report – V2	6	2	4	-
Justice and Information Technology Office—Protecting Saskatchewan Data	2011 Report – V2	2	1	-	1
Prairie North Regional Health Authority—Hospital-Acquired Infections	2011 Report – V2	6	4	2	-
Saskatchewan Liquor and Gaming Authority—Liquor Procurement Process	2012 Report – V1	7	2	-	5
Water Security Agency—Identifying Risks to the Water Supply	2010 Report – V2	6	4	2	-
Initial Follow ups Subtotal		36	21	9	6
Subsequent Follow ups		**			
Central Services—Fleet Maintenance	2008 Report – V1	3	-	2	1
Education—Child Care Facilities	2010 Report – V1	1	1	-	-
Information Technology Office—Measuring Benefits of IT Consolidation	2009 Report – V1	2	2	-	-
Saskatchewan Institute of Applied Science and Technology—Human Resources Capacity	2006 Report – V1	1	1	-	-
Saskatchewan Institute of Applied Science and Technology—Risk Management	2008 Report – V3	2	2	-	-
Saskatchewan Liquor and Gaming Authority—Encouraging Responsible Use of Beverage Alcohol	2006 Report – V1	1	-	1	-
Saskatchewan Telecommunications Holding Corporation—Wireless Network Security Controls	2009 Report – V1	1	1	-	-
Saskatoon Regional Health Authority—Maintaining Medical Equipment	2011 Report – V1	1	1	-	-
Subsequent Follow ups Subtotal		12	8	3	1
Overall Total		48	29	12	7

* V – means Volume

** For Subsequent Follow ups, the “number of recommendations” is the number of recommendations that remained not implemented after the previous follow up.