

ANNUAL INTEGRATED AUDITS

Chapter 1

Municipal Employees' Pension Plan

This chapter contains the results of our 2013 audit of the Municipal Employees' Pension Plan (Plan). The Plan's 2013 financial statements are reliable and it complied with its governing authorities. The Plan also had effective controls to safeguard public resources except that additional financial reporting controls are required to ensure accurate reporting and appropriate disclosure of investment risks in its financial statements.

Chapter 2

Saskatchewan Housing Corporation

Saskatchewan Housing Corporation's (SHC) financial statements for the year ended December 31, 2013 are reliable and it complied with authorities governing its activities related to financial reporting, safeguarding resources, revenue raising, spending, and investing. In 2013, SHC had effective rules and procedures to safeguard public resources except that it did not ensure that its information technology (IT) service provider had tested its disaster recovery procedures. Testing disaster recovery procedures is necessary to ensure that delivery of critical services can continue in the event of a disaster.

Chapter 3

Saskatchewan Telecommunications Holding Corporation

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

SaskTel, its companies, and its Pension Plan had effective rules and procedures to safeguard public resources except that the Board of Saskatchewan Telecommunications International, Inc. (SaskTel International) needs to more actively oversee its management to better identify and address risks of management override and circumvention of controls. Management override and deliberate misrepresentation of revenues to the auditor were found during 2013. These signal a significant breakdown of controls. Management has established and implemented a revised accounting policy and internal control procedures related to recording of revenue. Key senior management personnel subsequently changed.

Chapter 4

Saskatchewan Water Corporation

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



rules and procedures to safeguard public resources except it needs to implement and test a business continuity plan.

Chapter 5 **School Divisions**

This chapter reports the results of the annual audits of the 28 school divisions for the year ended August 31, 2013.

The 2012-13 financial statements of each of these school divisions were reliable and each complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Also, each school division had effective rules and procedures to safeguard public resources except for the matters related to seven school divisions. These school divisions need to better segregate incompatible duties, follow existing policies (such as those for making purchases), establish adequate information technology (IT) security policies, have approved and tested IT disaster recovery plans, and evaluate management's performance.

In 2012-13, several school divisions improved their internal controls from the prior year. They followed their policies or implemented better ones, approved and tested their IT disaster recovery plans, and better monitored their capital assets.

Chapter 6 **Summary of Implemented Recommendations**

This chapter provides an update on a recommendation that was implemented but is not discussed elsewhere in this Report.

ANNUAL INFORMATION TECHNOLOGY AUDITS

Chapter 7 **Central Services—Information Technology Division—Data Centre**

The Information Technology Division of Central Services (formerly called and described in this chapter as the Information Technology Office or ITO) delivers information technology (IT) services to 26 ministries and agencies (clients). Even though ITO uses a third-party service provider to provide data centre services, it remains responsible for security of the data centre.

While ITO made some improvements to its security processes during April to December 2013, ITO has not fully addressed the recommendations we made in prior years. ITO needs to:

- › Follow its risk management processes to help ensure risks to the data centre are appropriately managed
- › Obtain complete and timely information to determine whether the service provider is meeting ITO's security requirements

- › Adequately restrict user access to all IT equipment and systems
- › Fully secure all key servers and network equipment
- › Have an approved and tested plan to recover systems and data in the event of a disaster
- › Adequately inform its clients whether ITO is effectively securing their systems and data, including consequences of any issues
- › Complete security policies that set a minimum IT security standard for clients to follow

As a result, there is continued risk that systems and data will not be available when required, of inappropriate modification of systems or data, and of unauthorized access. For example, in 2013, ITO provided an individual employed by another government agency with inappropriate access to the data centre. This individual gained unauthorized access to servers that housed client data. While ITO removed this access after its third-party service provider's security processes detected the unauthorized access, the intrusion highlights the need for ITO to take prompt action to resolve the above-noted security weaknesses.

Chapter 8

Public Service Commission—MIDAS HR/Payroll

The Public Service Commission (PSC) is the central human resource agency for staff employed primarily by government ministries. PSC is responsible for administering the human resources and payroll information system – MIDAS HR/Payroll. This system contains confidential personnel and payroll information of staff employed primarily in Government ministries.

In 2013, PSC had effective central controls to manage and secure MIDAS HR/Payroll and its data with two exceptions. First, PSC staff did not always perform the review of key payroll reports in a timely manner. This increases the risk of incorrect payroll amounts. Second, PSC did not remove unnecessary privileged user access on a timely basis. This increases the risk of inappropriate access and unauthorized changes to MIDAS HR/Payroll and its data.

PERFORMANCE AUDITS

Chapter 9

eHealth Saskatchewan—Provincial Electronic Health Records

Patients use health services at many different venues: doctors' offices, pharmacies, labs, hospitals, etc. In some cases, patients use these health services at different places and at different health regions in the province. Because of this, patient data is fragmented across venues and regions, and it is also often not standardized. Some patients take it upon themselves to collect all of their health information from their healthcare professionals because a comprehensive, standardized, readily-accessible record of their health information does not exist.

eHealth Saskatchewan (eHealth) is responsible for creating a system for comprehensive electronic health records for patients (called the provincial EHR) and providing healthcare professionals access to those records. eHealth is creating the provincial EHR by trying to



compile and standardize patient data from different regions and healthcare providers into provincial data repositories. It is providing healthcare professionals access to the data in these repositories.

For the 11-month period ending February 28, 2014, eHealth had effective processes to share patient data among healthcare professionals except for the following. eHealth Saskatchewan needs to:

- › Obtain responsibility for managing and maintaining all provincial data repositories
- › Establish standard data requirements for all provincial data repositories
- › Define strategies to identify and collect data needed for the provincial EHR

Also, the Ministry of Health needs to allocate its capital funding for information technology based on a provincial strategy for electronic health records.

Chapter 10

Justice—Management of Provincial Court Workloads

The Ministry of Justice (Ministry) supports the Provincial Court of Saskatchewan (Provincial Court) in managing court workloads. The Supreme Court of Canada has identified the key aspects of independence necessary to maintain a separation between the judiciary¹ and other branches of government. A Chief Judge is responsible for the sittings of the Provincial Court and provides the administrative link to the Ministry of Justice while preserving judicial independence.

The Ministry provides the Chief Judge with administrative support to manage the Provincial Court's workloads. Lack of effective support to manage these workloads could affect timely scheduling of the Provincial Court's hearings resulting in delays in delivery of justice. Such delays could also result in additional costs to hold the accused in detention centres and loss of public faith in our justice system.

For the twelve-month period ended December 31, 2013, the Ministry had effective processes to support the Provincial Court in managing court workloads except that it needs to:

- › Define clear and appropriate performance measures and targets for managing court workloads
- › Develop and implement a complete process to forecast budgetary resources needed to help manage court workloads
- › Develop and consistently use complete administrative procedures to manage court workloads
- › Complete a human resources plan that includes standardized training processes for staff to support the management of court workloads
- › Improve its collection, monitoring, analyzing and public reporting of information related to management of court workloads

¹ The judiciary, also known as the judicial or court system, is a system of courts that interprets and applies the law with judges overseeing the system.

We make six recommendations to help the Ministry improve its processes to support the Provincial Court in managing workloads.

Chapter 11

Saskatchewan Apprenticeship and Trade Certification Commission—Enabling Apprentices to Achieve Certification

Training apprentices is important because the shortage of workers in skilled trades continues to be one of the critical issues facing Saskatchewan. The Saskatchewan Apprenticeship and Trade Certification Commission's (Commission) apprenticeship and trade certification program is key to addressing these shortages.

We audited the effectiveness of the Commission's processes to enable apprentices to achieve Interprovincial Standards Red Seal certifications that meet market demand² for the twelve-month period ended December 31, 2013. The audit focused on the processes for the electrician, carpentry, and plumbing trades.

Our audit concluded the Commission had effective processes except that it needs to:

- › Develop specific, measurable, relevant, and reasonable targets for all performance measures and document methodologies for determining the results of the program
- › Develop requirements for regular, formal reporting of interim progress
- › Formally require regular reporting of apprentices' on-the-job trade hours
- › Implement a formal policy for industry inspections that requires the use of a risk assessment to decide which employers to inspect and how often
- › Verify that employers receive an industry inspection as required
- › Develop a formal process to ensure employers comply with *The Apprenticeship and Trade Certification Act, 1999* and *The Apprenticeship and Trade Certification Regulations, 2003*
- › Follow its policy regarding timely completion of issue-driven inspections

Chapter 12

Saskatchewan Immigrant Investor Fund Inc.—Meeting “HeadStart on a Home” Program Objectives

The Saskatchewan Immigrant Investor Fund Inc. (SIIF) receives funding from the federal Immigrant Investor Program. SIIF uses this funding to operate a financing program called the “HeadStart on a Home” program (HeadStart). HeadStart provides loans to homebuilders and developers to construct entry-level housing in Saskatchewan.

For the year ended December 31, 2013, SIIF had effective processes to operate HeadStart to meet program objectives except that it needs to clearly define its performance measures and document its methods of calculating these measures.

² Market demand is defined as the employer training demand.

**Chapter 13****Sunrise Regional Health Authority—Infection Prevention and Control in Long-Term Care Facilities**

The Regional Health Services Act makes each Regional Health Authority (RHA) responsible for the operation of long-term care facilities and the services provided in those facilities. Their responsibilities include preventing and controlling the spread of infections in all of their facilities. If systems are not in place to effectively prevent and control infections in long-term care facilities, residents, staff, and visitors could be exposed to a higher risk of infection, which leads to poor health and increased healthcare costs. RHAs must have effective infection prevention and control processes to reduce the incidence of infections, improve healthcare quality, and make the best use of available resources.

This chapter reports that Sunrise Regional Health Authority (Sunrise) had effective processes to prevent and control infections in its long-term care facilities other than it needs to:

- › Expand its infection prevention and control plan to include goals, actions, and targets related to long-term care facilities, and have the plan approved
- › Use consistent practices related to communication, hand hygiene, cleaning, and laundry in all long-term care facilities
- › Develop a training plan to give formal updates on infection prevention and control practices for long-term care facility staff
- › Develop a system to collect, analyze, and routinely report infection rates and trends in long-term care facilities on key types of infections that affect residents in long-term care facilities

We encourage other regional health authorities to use the information in this chapter to assess their processes for infection prevention and control in long-term care facilities.

Chapter 14**Technical Safety Authority of Saskatchewan—Boiler and Pressure Vessel Inspection Processes**

The Technical Safety Authority of Saskatchewan (TSASK) is assigned with the responsibility of administering and enforcing *The Boiler and Pressure Vessel Act, 1999* and *The Boiler and Pressure Vessel Regulations* (Regulations). These Regulations require that TSASK perform periodic inspections on boilers and pressure vessels. Regular inspection of boilers and pressure vessels is important to help prevent equipment malfunction because, in the event of a boiler or pressure vessel malfunction, there could be significant harm to facilities, the environment, employees, and the general public.

Our audit for the twelve-month period ended December 31, 2013 found that TSASK had effective processes for inspecting boilers and pressure vessels, except that TSASK needs to:

- › Identify and formally assess risks, and use and periodically re-evaluate a risk-informed strategy for inspection selection
- › Establish written policies and procedures for handling incidents and complaints and for follow up of inspection deficiencies

- › Formalize the process to clear its backlog of outstanding inspections for boilers and pressure vessels within a reasonable amount of time
- › Establish processes to ensure the accuracy and completeness of its electronic inspection records
- › Provide its Board and the Ministry responsible for the Safety Standards Agreement with written analysis of trends for regulated sectors, and measures implemented to monitor trends and mitigate risks
- › Establish processes to track and monitor completion of inspections by Quality Management System operators

We make nine recommendations to help TSASK improve its processes for inspecting boilers and pressure vessels.

Chapter 15 Water Security Agency—Regulating Wastewater Systems

Effectively regulating public wastewater systems³ is essential to protecting our environment and in turn, the health and safety of residents. Wastewater systems treat wastewater⁴ so that it can be safely discharged, limiting the negative impacts on the environment and human health. Without proper treatment, effluent⁵ released directly into water bodies or onto land can contaminate the environment. As removing these contaminants takes time and financial resources, it is preferable to prevent contamination from happening in the first place.

The Water Security Agency (Agency) is responsible for regulating public wastewater system owners⁶ who are ultimately responsible for ensuring that wastewater is adequately treated before being released into the environment.

For the period of April 1, 2013 to March 31, 2014, the Agency had effective processes to regulate public wastewater systems, except for the following areas. The Agency should:

- › Update its wastewater system design requirements and regulations to reflect upcoming stricter effluent standards
- › Address non-compliance of wastewater system owners that do not upgrade wastewater systems for subdivision expansions
- › Require and review that mechanical wastewater system owners are meeting effluent sampling requirements throughout the year
- › Report wastewater system non-compliance to the public

³ Public wastewater systems consist of all municipal wastewater systems and any system that has a design flow of effluent that is 18 cubic meters or more in a 24-hour period.

⁴ Wastewater is water contaminated by waste from residential, commercial, and industrial processes.

⁵ Effluent is wastewater that has gone through a treatment process.

⁶ The Agency does not regulate wastewater systems on First Nations or other federal lands, smaller semi-public systems, or private on-site wastewater disposal systems at farms, ranches, or acreages.



FOLLOW UPS

Chapter 16 Agriculture—Irrigation Infrastructure Maintenance

As of February 28, 2014, the Ministry of Agriculture (Ministry) had implemented three recommendations and made some progress on two recommendations from our 2011 audit of its processes to maintain irrigation infrastructure at Lake Diefenbaker.

The Ministry needs to complete its long-term maintenance plan and provide regular reports on the results of maintenance activities to senior management for their review.

Chapter 17 Central Services—Building Maintenance

The Ministry of Central Services (formerly the Ministry of Government Services) provides centralized support services to Government ministries and agencies, and manages an extensive portfolio of property.

In this chapter, we report that the Ministry has addressed all five of the recommendations we made in our *2009 Report – Volume 1*, Chapter 6. These recommendations related to improvements to the Ministry's processes to maintain its buildings.

Chapter 18 Central Services—Planning Accommodation

The Ministry of Central Services (formerly the Ministry of Government Services) provides centralized support services to Government ministries and agencies, and manages an extensive portfolio of property.

Our *2011 Report – Volume 1*, Chapter 5, included six recommendations related to improving the Ministry's processes to plan accommodations for its client agencies (e.g., ministries). By January 2014, the Ministry had implemented two recommendations, made progress on two recommendations, and did not make progress on the other two. The Ministry needs to complete its gap analysis between existing and future accommodation needs so that it can develop an overall accommodation plan. Once a plan is developed, it will then be able to monitor and report on its implementation. The gap analysis will help the Ministry ensure it can appropriately meet the accommodation needs of its clients in a timely and economical manner.

Chapter 19**Education—Grade 12 Graduation Rates**

The Ministry of Education (Ministry) is responsible for setting objectives and providing direction for early learning, elementary, and high school education. In our *2012 Report – Volume 1*, Chapter 2, we concluded that the Ministry did not have effective processes to increase Grade 12 graduation rates above the 2004-05 baselines. For students entering Grade 10 between 2004-05 and 2009-10, the overall provincial Grade 12 graduation rate decreased 1.9% (from 75.6% to 73.7%).

In this chapter, we report by January 31, 2014, the Ministry has partially implemented three of the ten recommendations, and although it is working on the remaining seven, it has not yet implemented them. The Ministry, collaboratively with school divisions, is working towards finalizing and implementing an Education Sector Strategic Plan. It expects this will be a multi-year plan focused on specific outcomes and achievement of goals, including improving Grade 12 graduation rates across Saskatchewan. The Ministry has not yet identified and analyzed the reasons for changes in graduation rates, nor has it identified the most effective education strategies that could influence student achievement and Grade 12 graduation rates.

Chapter 20**Education—Instruction Time**

In our *2009 Report – Volume 3*, we reported on the Ministry of Education's (Ministry) processes to achieve school division compliance in delivering student instruction time as required by the Minister, and made four recommendations. We reported our first follow-up of this audit in our *2011 Report – Volume 2* and found that the Ministry still had work to do to meet our recommendations. This chapter reports our second follow-up of actions taken by the Ministry on the four outstanding recommendations.

As of January 31, 2014, the Ministry had implemented one recommendation. The Ministry has set a definition of "instruction time" that will help to clarify expectations for delivery of the core curriculum. The Ministry still needs to monitor whether school divisions meet the Ministry's requirement for instruction time, require school divisions to report publicly on their related performance, and take necessary corrective actions.

Chapter 21**Environment—Regulating Reforestation**

Since 2012, the Ministry of Environment (Ministry) has addressed three recommendations originally made in our 2009 audit of its processes to regulate reforestation and has made progress towards implementing the remaining three recommendations.

The Ministry has a plan to guide its reforestation and is reporting on its reforestation activities both internally and externally. In addition, it is better monitoring forestry operators' compliance with reforestation requirements. However, by March 2014, the Ministry had not yet streamlined its process for adjusting the forest management fees for areas outside of Forest Management Agreements to ensure that the fee rate is adequate to cover the cost of reforestation. Also, the Ministry needs to complete its processes to monitor operators' compliance with reforestation requirements for 2011 and 2012.



Chapter 22

Highways and Infrastructure—Bridge Maintenance

The Ministry of Highways and Infrastructure (Ministry) has worked towards addressing all four recommendations that we made in our 2011 audit of its processes to maintain bridges on provincial highways.

The Ministry has implemented two recommendations, and has more work to do on the remaining two. The Ministry needs to complete the process of entering bridge inspection information into the Bridge Management System and keep it up to date, and ensure that it receives and reviews reports on the results of bridge inspection and maintenance activities.

Chapter 23

Justice—Maintenance Enforcement

This chapter reports the results of our first follow-up of five outstanding recommendations from our *2012 Report – Volume 1*, Chapter 10 regarding the Ministry of Justice's (formerly the Ministry of Justice and Attorney General) processes to enforce maintenance payments.

At March 27, 2014, the Ministry of Justice (Justice) had implemented two of the five recommendations. Justice plans to implement the remaining three recommendations related to monitoring and reporting when its new computer system is operational in the spring of 2015.

Justice is developing a new computer system because the system it currently uses to track key information on maintenance enforcement clients is no longer supported (i.e., the software provider no longer provides security updates or accepts change requests).

Chapter 24

Labour Relations and Workplace Safety—Addressing Workplace Non-Compliance

By March 31, 2014, the Ministry of Labour Relations and Workplace Safety (Ministry) had implemented all five recommendations we made in our *2011 Report – Volume 2* to improve its processes to address workplace non-compliance with *The Occupational Health and Safety Act, 1993*.

The Ministry is using a targeted intervention model to focus its efforts on employers with the highest rate of employee injury. It has identified primary reasons for non-compliance and has adapted its training and monitoring accordingly. It has also increased its overall monitoring efforts.

Chapter 25

Public Employees Benefits Agency—Information Technology Security

This is the second follow-up of the recommendations from our *2010 Report – Volume 2*, Chapter 8, regarding the Public Employees Benefits Agency's (PEBA) processes to secure its information systems and data. By January 31, 2014, PEBA had partially implemented the recommendation that was outstanding at March 31, 2012. It needs to formalize its process for testing information

technology (IT) security. Testing IT security will help keep pension and benefit data confidential, reliable, and available.

Chapter 26

Saskatchewan Housing Corporation—Housing Maintenance

Since our 2012 audit of Saskatchewan Housing Corporation's (SHC) processes to maintain the housing units it owns, SHC has made progress in addressing one of our four recommendations. SHC is currently entering information about its housing units into an asset management software system. SHC plans to work on the other three recommendations after it has entered all of the housing unit information into this system.

Chapter 27

Saskatchewan Water Corporation—Maintaining Infrastructure

At December 2013, while Saskatchewan Water Corporation (SaskWater) had made some progress, it had not fully implemented the two recommendations from our 2006 audit of its processes to maintain its water treatment and transmission infrastructure.

SaskWater needs to complete its assessments of the condition of its water treatment and transmission infrastructure as well as its development of maintenance plans for this infrastructure.

Chapter 28

SaskPower—Gas and Electrical Installation Inspection

This chapter reports our first follow-up on the actions taken by SaskPower to address seven recommendations we made in our *2011 Report – Volume 2* on its processes for inspecting gas and electrical installations. By March 31, 2014, SaskPower had implemented five recommendations and had work to do to implement the other two.

Since our 2011 audit, SaskPower has established strategies and requirements for installation inspections and a process to clear uninspected permits. Starting in late 2013, senior management began receiving quarterly reports on results of its installation inspection activities.

While SaskPower required management to review the rationale inspectors used to decide which permits to inspect, management did not leave evidence of such reviews. Leaving evidence shows they carried out these reviews and agreed with the inspectors' decisions. Also by March 2014, SaskPower had not started reporting its key inspection and installation activities to its Board. It plans to start this reporting in mid-2014.

Chapter 29

SaskPower—Procurement

By February 28, 2014, Saskatchewan Power Corporation (SaskPower) had made some progress in implementing the remaining two recommendations from our 2007 audit of its processes to buy goods and services valued at under \$100,000.



SaskPower must ensure staff follow its purchasing policies and procedures, as well as collect and document supplier performance information in a coordinated and accessible format.

Chapter 30 Water Security Agency—Dam Safety

At December 2013, the Water Security Agency (Agency) had not yet fully addressed two of the four recommendations that we made in our 2005 audit of the Agency's processes to ensure its four largest dams were safe. These recommendations pertain to dam emergency preparedness plans and safety manuals.

The Agency still needs to have up-to-date, tested emergency preparedness plans for each of its four major dams. Emergency preparedness plans can safeguard lives and reduce property damage. As well, the Agency needs to ensure the manuals for those major dams include complete procedures to operate, maintain, and monitor them safely. Up-to-date manuals support the safe operation of the dams.

STUDIES

Chapter 31 Managing Risks of Public-Private Partnerships

Public-private partnerships (P3s) are a type of public sector procurement. They include a broad range of arrangements where a government works with the private sector to deliver infrastructure and provide related services. The use of P3s involves risks that must be managed. These include risks related to:

- › Accountability and transparency
- › Capacity
- › Assessment
- › Meeting government and user needs
- › Risk transfer to private sector
- › Innovation
- › Sustained monitoring

If a government does not effectively manage these risks, it may pursue a P3 in an area unsuited for its use, make a bad contract with its private sector partners, not achieve its objectives, or not obtain value for money. This chapter presents best practices for managing these risks. We encourage government agencies to consider these best practices when looking at the use of P3s and entering into P3 arrangements.

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Chapter 32 Standing Committee on Crown and Central Agencies

Through its work and recommendations, the Standing Committee on Crown and Central Agencies (Committee) helps the Legislative Assembly (Assembly) hold the Government accountable for its management of the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiary corporations. The Committee does this by reviewing the annual reports of agencies within its subject area and portions of our reports. It reports to the Assembly the results of its review. These reports may contain recommendations resulting from our audit work.

The Committee's last report to the Assembly that contained recommendations resulting from our audit work was in 2007. By March 31, 2014, the Government had implemented all of the Committee's recommendations.

During 2013-14, the Committee made reasonable progress in catching up on its review of annual reports of CIC and its subsidiary corporations. However, it had yet to consider the 2012 reports of those agencies.

In March 2014, it made good progress in reviewing chapters from our reports that were referred to the Committee. At March 31, 2014, the Committee still has to consider 23 chapters from seven reports. These chapters relate to six agencies and the Committee itself.