

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 independent 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 1) includes the results of our examinations completed by April 24, 2015. We have organized the results of our examinations into four sections. The following provides a brief overview of each section of the Report, with the exception of the section on the Standing Committee on Crown and Central Agencies.

Annual Integrated and Information Technology 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 related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- › The reliability of those statements for those agencies that prepare financial statements

This section of the Report includes the results of annual integrated audits for school divisions with fiscal year-ends of August 31, 2014, and other agencies (including numerous Crown corporations, and pension and benefit plans) with fiscal year-ends of primarily December 31, 2014. See **Appendix 1**.

Effective controls reduce the risk of loss of public money. Effective controls also help ensure government agencies provide complete and accurate financial information, prepare reliable financial statements, and comply with applicable laws and regulations. In addition, effective controls help agencies achieve their objectives, and sustain and improve performance.

Almost all of the agencies included in this Report had effective financial-related controls, complied with related authorities, and had reliable financial statements. Only 12 of those agencies need to improve some of their financial-related controls. These agencies include the Municipal Employees’ Pension Plan, Northern Municipal Trust Account (administered by the Ministry of Government Relations), SaskWater, and nine of the 28 school divisions.



Strong financial reporting controls include active monitoring to help ensure controls operate as intended – unmonitored controls tend to deteriorate over time. This Report notes a few agencies that need to better supervise staff responsible for financial reporting functions to ensure they follow established policies and procedures properly. Also, similar to our past findings for other agencies, a few school divisions need to either establish or improve their information technology (IT) policies including developing and testing their IT disaster recovery plans.

In addition, we are pleased to report that SaskTel, Saskatchewan Housing Corporation, and three school divisions (Living Sky, North East, Prince Albert Roman Catholic Separate) rectified previously-reported problems with their financial-related controls.

We use the term “**annual information technology audits**” to describe our audits of three central agencies that provide key information technology (IT) services to other government agencies. In these audits, we assess the effectiveness of the central agency’s processes and controls to secure IT systems and data. These audits support our annual integrated audits of government agencies that use the services of these central agencies.

This section of the Report also includes the results of three annual IT audits: Ministry of Finance – MIDAS Financials, the Public Service Commission (PSC) – MIDAS HR/Payroll, and the Ministry of Central Services – Data Centre.

MIDAS¹ is a ministry-wide IT application used to account for the financial activity of core government, and to administer employee, payroll and benefits of the 10,945 full-time equivalent staff² employed within the core government. The Ministry of Finance is responsible for MIDAS Financials, and PSC is

responsible for MIDAS HR/Payroll. We found that the Ministry of Finance and PSC had effective central controls to manage and secure MIDAS Financials and MIDAS HR/Payroll, respectively.

The Ministry of Central Services provides ministries (e.g., Highways and Transportation and the Economy), and 11 other government agencies with IT services. To provide these services, it uses a data centre (i.e., a central location) to store computer network hardware and software. Ministries and government agencies rely on the systems and data stored at the data centre. Stored data includes information essential for their operations along with confidential and personal information.

This Report notes that while in 2014, the **Ministry of Central Services** implemented two of our past seven recommendations, more work remains. Until the Ministry fully implements the remaining five areas (e.g., restricting access to IT equipment and systems, having an approved and tested disaster recovery plan), the risk that systems and data may not be available to ministries and government agencies using its services continues to exist. We initially made these five recommendations from three to nine years ago.

¹ MIDAS is short for Multi-Informational Database Application System.

² Restated estimated 2014-15 full-time equivalent staff in government ministries taken from *Government of Saskatchewan 2015-15 Estimates*, p. 152.

Performance Audits–Overview

This section of the Report includes the results of 12 performance audits. Below is a quick recap of each of those audits.

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.

Discharging Patients: Because the Government spends about \$5.5 billion on health annually, our Office continues to examine health-related matters each year.

- › In this Report, we looked at processes that **Regina Qu’Appelle Regional Health Authority** used to discharge hospital patients from its two largest hospitals (Regina General and Pasqua) safely and in a timely manner. Remaining in a hospital longer than medically needed can be detrimental to a patient’s health. The timing of patient discharge impacts the management of hospital beds. To improve its processes for the timely and safe discharge of patients, Regina Qu’Appelle needs to do the following. It must follow its own policies; for example, always complete patient admissions within 24 hours of admission, document and discuss discharge instructions with patients before their discharge, and complete discharge summary information on a timely basis. Also, it must prepare comprehensive, multi-disciplinary patient care plans. In addition, when patients are discharged to another facility, it should always give those facilities complete and timely transfer information. We encourage other regional health authorities to assess their processes in this area.

Coordinating Emergency Preparedness: From 2011-12 to 2013-14, the government spent between \$46.8 million and \$157.1 million each year on the provincial disaster assistance program. During this same period, Saskatchewan municipalities have declared between nine to 67 local emergencies each year. Being prepared for emergencies can reduce the human and financial impact, and help those affected recover.

- › The **Ministry of Government Relations** is responsible for coordinating emergency preparedness in the province. We looked at these processes, and found it had effective processes to do so other than in a few areas. For example, the Ministry must follow its own process to work with key provincial government agencies to keep risk assessments of emergencies requiring provincial assistance up to date. Also, it needs to periodically and formally confirm that key emergency management plans align with the *Provincial Emergency Management Plan*.

Coordinating English-Language Programs for Recent Immigrants: From 2001 to 2011, Saskatchewan’s immigrant population increased from 0.85% to 2.7% of our total population with the majority of the recent immigrants settling in major cities. The Ministry of the Economy coordinates provincial English-language programs designed to help immigrants secure employment and settle into Saskatchewan. Each year, it spends about \$2.4 million on language programming delivered by community-based organizations, and regional colleges.

- › We looked at the processes the **Ministry of the Economy** used to coordinate English-language programs for recent immigrants over the age of 18; we made five



recommendations. For example, the Ministry needs to formally assess the demand for its programs, and obtain better information to enable decisions about the nature, extent, and location of its programs.

Regulating to Keep People and the Environment Safe: The government puts laws into place to keep people and the environment safe. For these laws to be effective, the government must check that they are being followed. In two audits, we assessed two key regulatory processes – the provincial vehicle inspection program administered by Saskatchewan Government Insurance (SGI), and the Ministry of Environment’s processes for regulating industrial wastewater systems.

- At December 2014, Saskatchewan had 923 vehicle inspection stations certified under the provincial vehicle inspection program. **SGI** has given these facilities the authority to verify whether vehicles meet minimum standards for vehicle safety (i.e., decide if vehicles are in safe operating condition). We looked at the processes SGI used in 2014 to monitor these facilities. We found SGI must better document its key monitoring activities – specifically, its station audits and inspections. In many cases, it did not completely document the results of its audits and inspections. Without complete and consistent documentation, SGI cannot be sure it carries out its audits and inspections as expected. In turn, this increases the risk that unsafe vehicles are operating on Saskatchewan roads. In addition, SGI needs to develop a risk-based monitoring plan to help ensure its vehicle inspection program focuses sufficiently on higher risk areas.
- At December 2014, 165 industrial sites operated in Saskatchewan. **The Ministry of Environment** is responsible for regulating industrial wastewater systems to reduce the risk of negative impacts of industrial wastewater on the environment. We looked at the processes the Ministry used in 2014 to regulate industrial wastewater. We found that some of those processes need improvements. Like SGI, the Ministry uses inspections as its key monitoring activity. The Ministry must document its inspection results clearly, and prepare environmental compliance reports for high-risk industrial sites. These improvements will help it make certain its regulatory activities are sufficient to keep the environment safe. Also, the Ministry needs to keep up-to-date records on the frequency of its inspections of industrial wastewater systems so that it can determine whether it conducts inspections in a timely manner.

Working with the Private Sector: In two audits, we looked at how the government is working with or is planning to work with the private sector – SaskPower through buying power from independent power producers, and SaskBuilds through determining whether a public-private-partnership (P3) approach is best for advancing infrastructure projects.

- As part of its electrical generation diversification strategy and to meet short- and mid-term power needs, **SaskPower** buys power from individuals and corporations who produce power. At December 2014, about 20% of SaskPower’s total generation capacity was from power from these independent power producers. We looked at SaskPower’s processes to buy power from them. In most cases, SaskPower uses a competitive procurement process to buy this power. We found it had not updated its policies to reflect a number of key practices it used to make its buying process fair and equitable. We further found that it did not use a consistent evaluation process when assessing unsolicited proposals. SaskPower needs equally rigorous processes to evaluate all types of proposals. This will help ensure it handles all potential independent power producers fairly and equitably. It will also help

ensure it only selects independent power producers who can deliver power when and as needed.

- By January 2015, the government had tasked **SaskBuilds** with determining whether a P3 approach is best for four large infrastructure projects. We looked at its processes to make this determination. Given the timing of our work, we focused only on SaskBuild's business-case development stage. We found that, while SaskBuilds followed accepted practice in many areas, two key areas require improvement. First, to reduce the risk of proceeding with a P3 approach where projected savings are only minimally better than a conventional approach and the risk of those savings not materializing, it needs to set a required minimum estimated savings. This would reflect an amount of savings that the P3 approach must demonstrate before SaskBuilds makes its final recommendation on the use of this approach. Second, to facilitate better evaluation of project risks and allocation of costs to those risks, and to provide clearer support for decisions, SaskBuilds needs to make key empirical data available to those assessing risks and allocating costs. Also, we think the government must make a concerted effort to identify and address barriers, in its use of conventional procurement approaches, to gaining efficiencies attributed to P3s.

Planning for Education: Each year, the Government spends about \$3.6 billion on education and advanced education. The success of these sectors directly impacts Saskatchewan's future success. In two audits, we looked at key aspects of planning within these sectors. The many agencies in these sectors (e.g., two ministries, 28 school divisions, and over 25 post-secondary education and training institutions) makes planning complex. Effective coordination of plans is necessary to prevent duplication of effort and to ensure plans that involve multiple agencies support one another.

- In 2013, the **Ministry of Education** and the 28 school divisions finalized the *Education Sector Strategic Plan*. This Plan includes five outcomes related to improving student achievement and operations. We looked at the processes the Ministry used to put this Plan into operation. We noted two areas for improvement. To reduce the risk of duplication of effort and to ensure coordination of plans across the sector, the Ministry needs to review school division action plans. To be clear as to when action plans must be fully developed (complete), the Ministry needs to set deadlines. At January 2015, we found the action plans for the overall sector, Ministry, and school division were often incomplete – even for areas identified as short-term priorities.
- The **Ministry of Advanced Education** depends on the cooperation of post-secondary institutions to achieve its strategies (e.g., support growth by ensuring an educated and skilled workforce to meet existing and future labour market demand). We looked at the Ministry's processes to work with the advanced education sector to achieve its 2014-15 strategies. We identified two key areas for improvement. First, it needs to complete its development of performance indicators and targets. Without these, the Ministry is hindered in analyzing and reporting progress towards achieving its strategies. Second, it needs to use an analysis of gaps in achieving its strategies to determine how to best engage post-secondary institutions. Without a review and analysis of gaps, the Ministry may not capitalize on potential opportunities to engage post-secondary institutions.



Other Performance Audits: The Government and its agencies increasingly rely on IT systems to deliver services to the public. As part of their operations, they collect and manage sensitive and confidential information. This Report includes the results of two audits that look at protecting systems and data – how well **SaskPower** manages the risk of cyber incidents, and how well **eHealth** keeps laboratory results held in the provincial electronic health records safe from unauthorized or inappropriate access.

The majority of respondents to our 2013 board governance survey, included in our *2013 Report – Volume 1*, indicated there should be greater governance training or capacity building opportunities for elected school board trustees. This Report includes our look at the processes that **Prairie South School Division** used to equip its board members with the necessary knowledge and competencies to govern. We encourage other boards of education to assess their processes in this area.

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.

In this section of the Report, we provide the results of our follow-up of 98 recommendations we made in previous audits at 14 agencies. In **Figure 1—Summary of Results of Audit Follow Ups**, we provide a list of the agencies and the status of recommendations.

On an overall basis, we are pleased with the progress of most agencies in implementing our recommendations.

For nine agencies, we report the results of our first follow-up of recommendations. Four of these agencies made impressive progress in implementing our recommendations—the Five Hills Regional Health Authority (Food Services in Long-Term Care Facilities), Regina Qu’Appelle Regional Health Authority (Surgical Facilities), SaskEnergy (SCADA), and the University of Regina (Research Interests). The remaining agencies were making good progress in implementing our recommendations, or had plans underway to implement them.

For five agencies, we report the results of a subsequent follow-up. Three of these agencies had fully implemented our recommendations. While the other two agencies (Ministry of Finance and Ministry of Parks, Culture and Sport) each made some progress, more work remained. We found:

- › The Ministry of Finance makes extensive use of IT to operate (e.g., for revenue-raising, investing, and borrowing activities) and, in 2013-14, spent \$7.4 million on IT. By December 2014, it had not fully implemented two recommendations we made in 2009 related to developing and using a strategic IT plan. It had not yet completed an IT risk plan, or implemented an IT strategic plan. It expected to do so later in 2015.
- › The Ministry of Parks, Culture and Sport is responsible for the capital assets used to support the Saskatchewan park system (e.g., 140 recreation sites and parks). By January 31, 2015, it had not fully implemented three recommendations we made in 2009 related to planning for its long-term capital needs. It was developing a new

computer system to assist in its capital planning for park assets. It expects this system to be available later in 2015.

Figure 1 – Summary of Results of Audit Follow Ups

Chapter Name	Related Initial Report ^a	Number of Recommendations	Status of Recommendations			
			Implemented	Partially Implemented	Not Implemented	No Longer Relevant
Initial Follow-Ups						
Economy—Managing Oil and Gas Wells	2012 Report – V2	7	1	6	-	-
Education—Capital Asset Planning for Schools	2013 Report – V1	8	3	2	3	-
Five Hills Regional Health Authority—Provision of Nourishing and Safe Food Services in Long-Term Care Facilities	2012 Report – V2	11	7	4	-	-
Health—Preventing Diabetes-Related Health Complications	2012 Report – V2	12	4	5	3	-
Regina Qu'Appelle Regional Health Authority—Use of Surgical Facilities	2013 Report – V1	9	8	1	-	-
Saskatchewan Opportunities Corporation—Maintaining Facilities	2012 Report – V1	3	1	2	-	-
SaskEnergy Incorporated—Securing its SCADA System	2013 Report – V1	7	5	2	-	-
Social Services—Placing Minister's Wards in Permanent Homes	2013 Report – V1	7	4	1	2	-
University of Regina—Protecting Interests in Research	2013 Report – V1	26	13	11	2	-
Initial Follow-Ups Subtotal		90	46	34	10	-
Subsequent Follow-Ups						
Finance—Governance of Information Technology	2009 Report – V3; 2011 Report – V2; & 2013 Report – V1	2	-	2	-	-
Parks, Culture and Sport—Provincial Parks Capital Asset Planning	2009 Report – V3; 2011 Report – V2	3	-	3	-	-
Public Service Commission—Out-of-Scope Staffing	2011 Report – V1; 2012 Report – V2	1	1	-	-	-
Saskatchewan Housing Corporation—Long-Term Capital Planning	2004 Report – V1; 2007 Report – V2; 2010 Report – V1 & 2012 Report – V1	1	1	-	-	-
Saskatchewan Liquor and Gaming Authority—Encouraging Responsible Use of Beverage Alcohol	2006 Report – V1; 2009 Report – V1; 2011 Report – V2; & 2013 Report – V2	1	1	-	-	-
Subsequent Follow-Ups Subtotal		8	3	5	-	-
Overall Total		98	49	39	10	-

Source: Compiled by Provincial Auditor of Saskatchewan.

^a V – means Volume.

^b For "Subsequent Follow-Ups", the "Number of Recommendations" is the number of recommendations that remained not implemented after the previous follow-up.

^c In this follow-up, we assessed the status of recommendations made in two different but related audits.



2.0 ERRATUM

Chapter 1 of our *2014 Report – Volume 2* (Advanced Education) contains an error. It incorrectly noted that the Standing Committee on Public Accounts had not yet considered the four recommendations reported in **Section 4.3.2** (pages 17 and 18). In fact, the Standing Committee on Public Accounts had considered and accepted these recommendations at its May 14, 2014 meeting. Since April 21, 2015, the chapter on our website (www.auditor.sk.ca) contains the correct information with the changes identified in **red font**.

3.0 ACKNOWLEDGMENTS

The Office appreciates and thanks 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.

Also, as Acting Provincial Auditor, I thank the dedicated professionals in the Office (see below) for their diligence and commitment. 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.*

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