

Overview by the 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 reports to the Legislative Assembly on the results of all examinations, and highlights matters that require the attention of legislators.

This Report (Volume 2) includes the results of our examinations completed by October 30, 2015. We have organized the results of our examinations into three sections. The following provides a brief overview of each section of the Report.

Annual Integrated Audits

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

- › The effectiveness of their financial-related controls 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 the financial statements for those agencies that prepare them

Financial-related controls (financial rules and procedures) include processes to plan, evaluate, and coordinate the financial activities of an agency. Effective controls help agencies achieve their objectives, and sustain and improve performance.

This section of the Report includes the results of the annual integrated audits for ministries and agencies (agencies) with July 31, 2015 or earlier fiscal year-ends. For the most part, they had effective financial-related controls, complied with related authorities, and had reliable financial statements (see **Appendix 1**).

This Report notes 80 concerns about financial-related controls in 30 different agencies. Approximately one-third of these concerns relate to the need for improved information technology (IT) controls (e.g., need for disaster recovery plans, more robust or complete IT policies, or prompt removal of unneeded user access). While there has been progress addressing these concerns, it is relatively slow. Government agencies increasingly rely on IT systems to deliver their services; in addition, they often gather and maintain confidential data. Greater attention is necessary to ensure critical IT systems are always available when needed and sufficient safeguards are taken to protect confidential data.

Supervisory processes help ensure staff carry out their duties as and when expected. This Report highlights the need for several agencies to improve their supervisory processes over key financial activities. For example, Mamawetan Regional Health Authority, eHealth Saskatchewan, and Creative Saskatchewan each need better controls for preparing and reviewing journal entries. For another example, Creative Saskatchewan and Saskatchewan Apprenticeship and Trade Certification Commission each need to strengthen their processes over preparing and approving bank



reconciliations. Controls over journal entries and bank reconciliations are key to ensuring the accuracy of financial reporting, reducing the risk of fraud and error, and protecting public resources.

Since 2003, our Office has reiterated the need for the Ministry of Health to develop a capital plan for the over \$1 billion of capital assets used in Saskatchewan's healthcare system. In September 2015, the Ministry advised the Standing Committee on Public Accounts that it was in the process of developing such a multi-year capital plan with an expected completion date of mid-2016. A sector-wide capital plan would facilitate a coordinated approach to funding and renewal of capital assets within the health sector. Its use will help ensure healthcare agencies, like regional health authorities, have the assets they need to deliver services to clients.

Since 2008, our Office has highlighted the need for the Regina Qu'Appelle Regional Health Authority (Authority) to establish an internal audit function. The Authority agrees that there is need for such a function, but it has not set one up citing financial pressures. Even though an internal audit function would not directly deliver services like health care, it can be of great value to an organization, particularly one as large and as complex as the Authority. Internal audit functions can provide insights into improving management processes, help identify cost efficiencies, and help organizations focus on risks that really matter. Both Saskatoon and Prince Albert regional health authorities have internal audit functions.

We are also pleased to note improved financial-related controls made by about 20 agencies (e.g., ministries of Agriculture and Education, Regina Qu'Appelle Regional Health Authority, Saskatchewan Indian Gaming Authority).

Performance Audits

This section of the Report includes the results of 10 performance audits. Below provides a quick recap of some of them.

Minimizing Employee Absenteeism: Excessive employee absenteeism increases the costs of delivering services and can cause disruption or decline in the quality of service.

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

In 2014-15, the average sick leave usage across ministries within the Saskatchewan government was 9.82 days. This is lower than the Canadian public sector 2012 average of 12.4 days but higher than the Canadian private sector 2012 average of 8.3 days. The **Ministry of Social Services** had the second highest sick leave usage of ministries at 10.7 days. Its sick leave pay equated to an estimated \$5.6 million.

Our audit of the Ministry's processes to minimize absenteeism found they needed significant improvements. The Ministry needs to train staff on attendance management to increase staff's knowledge of attendance management policies and strategies. It needs to determine the causes for employee absenteeism to enable it to develop targeted strategies to address them. Also, senior management needs reports on how

well its attendance management strategies are working. At August 2015, the Ministry was starting to develop plans to address these areas.

Preventing Resident Falls Within Long-Term Care Facilities: Fall-related incidents are the leading cause of injury for Canadian seniors. In Saskatchewan, about 1 in 10 of Saskatchewan's long-term care residents were considered at a high risk of falling, and about 1 in 15 at a medium risk of falling.

Prairie North Regional Health Authority established a falls prevention program in 2010 and, in August 2015, was in the process of renewing this program. Our audit of how well its processes prevented resident falls within its 14 facilities with long-term care services found its processes were generally effective with the following exceptions.

Prairie North needs to regularly carry out and document fall prevention safety checks; 5 of 7 facilities we visited did not do so. It needs to clarify when it expects staff to reassess fall risks for residents, and to investigate resident falls. For almost one-half of the files we tested, residents were not assessed for fall risk on a quarterly basis as required, and almost one-third of residents who experienced a fall did not have a fall reassessment done. Out-dated assessments of resident fall risks and uninvestigated falls increase the risk that appropriate interventions are not considered or taken to minimize risks of future falls.

Also, while Prairie North collects some information on fall-related injuries, capturing additional information such as the percentage of falls causing injury or severity of falls would enable better monitoring of how well its fall prevention program works.

Managing the Use of Social Media: Government agencies are starting to use social media (like Facebook, YouTube, and Twitter) to communicate with the public. Typical concerns around its use include loss of control of content, diminished reputation from poor or inaccurate content, and social media being used as a means to criticize an organization.

Tourism Saskatchewan uses social media to market Saskatchewan as a tourism destination. Our audit of the processes that it uses to manage social media found Tourism Saskatchewan needs to formalize several of its processes to decrease the possibility of inappropriate content on its social media channels. Specifically, Tourism Saskatchewan needs a formal social media strategy, comprehensive social media policies, and terms of use posted on its social media channels. Also, it must periodically determine and assess the value gained from its use of social media.

Promoting Good Student Health and Physical Fitness: Students who are physically active and properly nourished are better learners. **St. Paul's Roman Catholic Separate School Division No. 20** (known as Greater Saskatoon Catholic Schools, GSCS) is Saskatchewan's largest Catholic school division with about 17,000 students at 45 schools. Our audit of its processes to promote good student health and physical fitness found GSCS needs to make improvements in a few key areas.

School principals select, for their schools, student health and physical fitness initiatives without clear expectations for promoting student physical activity, or the benefit of division guidance on assessing and selecting these initiatives. Clear expectations and guidance would help ensure school initiatives align with the Division's priorities and meet student needs.



Although the GSCS and its schools partner extensively with private sector and not-for-profit organizations on nutrition and physical activity initiatives, it does not monitor these partnerships or community relationships. Without monitoring, it risks missed coordination opportunities, unnecessary competition amongst schools for partners, and duplication of efforts. In addition, it did not have a process to track and report to its Board on the performance of its student health and physical fitness initiatives.

Addressing Road Safety Concerns on Existing Highways: Saskatchewan has one of the highest fatality rates resulting from vehicle collisions in Canada. For 93% of collisions, human factors (like distracted driving) are either the primary or a contributing cause. For 34% of them, roadway factors (like the condition of the road surface) are a contributing cause. Being aware of and addressing road safety concerns is critical to keep the driving public safe.

We audited how well the **Ministry of Highways and Infrastructure** (Ministry) addresses safety concerns raised on existing highways. We focused on safety concerns related to design features such as turning lanes, lighting, guardrails; we did not examine concerns related to winter maintenance and construction work zones. We found the Ministry has a systematic process to log most of the road safety concerns raised, propose projects to address those concerns, and prioritize the importance of those projects (e.g., assigning a score). It uses a database to do this. However, we found that not all of the 15 projects selected for its 2015-16 annual work plan aligned with projects it had scored as being the highest priority. For example, the annual work plan included two projects not listed in the database, and 6 projects with lower priority scores than 53 other projects listed in the database. We found the Ministry did not have documented criteria to guide its selection of projects, and did not document the basis for its selection decisions. Having clear criteria and maintaining documented rationale for safety improvement decisions would increase the transparency of the Ministry's decisions; it would also enable the Ministry to show that it focuses its efforts on projects that address the most serious safety concerns.

Managing Risks to Service Delivery from Unsupported Critical IT Systems: Some government agencies keep their IT systems longer than related IT vendors (such as Microsoft or Oracle) are willing to provide technical support or updates to fix known security problems or vulnerabilities. Such systems are commonly referred to as "unsupported IT systems".

The **Ministry of Advanced Education** and several other government agencies (e.g., Saskatchewan Apprenticeship and Trade Certification Commission and regional colleges) rely on an unsupported IT system called *One Client Service Model* (OCSM system). Since 1999, they have used the OCSM system to support the delivery of various post-secondary programs (like apprenticeship training allowances, student class registration, and provincial training allowances). Vendor support for this system ended in 2008. Unsupported IT systems are at greater risk of availability and security issues that could adversely affect their operations. Timely identification and careful management minimizes the risks posed by unsupported IT systems.

We found the Ministry had, with the following exceptions, effective processes to manage the risks to service delivery from the unsupported OCSM system. It did not have sufficient information (e.g., expected costs to upgrade to a vendor supported system, current cost of manual fixes) to enable it to plan for or make decisions about the future of the OSCM system. Also, at August 2015, it was unclear whether the Ministry or the

Ministry of Central Services (who hosts the OCSM system) was responsible for determining when to upgrade and patch the OCSM system. Since 2011, the OCSM system has had issues (e.g., did not work properly, or was not available when needed).

Buying Goods and Services: The public expects government agencies to buy goods and services in a fair and transparent way, and obtain the best value for public money. For two agencies, we audited their processes to buy goods and services.

› **Saskatchewan Polytechnic** spends almost \$70 million each year to buy goods and services. We found it had generally effective processes to buy goods and services with a few areas requiring improvement. We made 13 recommendations. For example, so that it has consistent buying processes and expectations, it must extend the application of its procurement policy to all types of purchases. At June 2015, the policy did not apply to almost \$8 million of library, bookstore, or cafeteria purchases. Also, it must consistently document the basis for key decisions, and obtain required approvals before making purchases. For single- or sole-source procurements we tested, 27% did not document the reason for using this method, and 20% made the purchase before they obtained the required approval. Also, to reduce the risk of inappropriate purchases, Saskatchewan Polytechnic must prohibit managers from approving payments for purchases made on their behalf. For example, we found one senior manager approved about \$23,000 for purchases a subordinate made on the manager's behalf.

› **3sHealth** facilitates volume-based and standardized purchases of goods and services on behalf of regional health authorities and their affiliates, and the Saskatchewan Cancer Agency (member agencies). In 2014-15, member agencies bought \$221 million of goods and services through 3sHealth. 3sHealth directly facilitated about one-half of these purchases, and a national group purchasing organization (GPO), contracted by 3sHealth, facilitated the other half.

Our audit of 3sHealth processes to buy goods and services on behalf of member agencies found it needed to make improvements in a number of key areas.

For example, 3sHealth did not have sufficient processes to know whether the GPO followed its procurement policies or if the GPO's policies aligned with 3sHealth's policies. Even though its agreement requires the GPO to comply with 3sHealth's procurement policies, 3sHealth did not share its policies with the GPO. Rather it relied solely on 3sHealth's staff involvement on various GPO committees or purchasing activities to identify any concerns with the GPO's purchasing processes, and did not formally collect or report such information. Also, in a few cases, 3sHealth staff did not follow 3sHealth's procurement policies (e.g., documenting reasons for sole-source decisions and evaluations of tender proposals for purchases 3sHealth facilitated). Non-compliance with procurement policies may expose 3sHealth to financial, legal, or reputational risks.

In addition, 3sHealth did not have a process to obtain and explicitly consider, when facilitating purchases, conflicts of interest that procurement staff of member agencies and the GPO may have identified.

Furthermore, it collected limited information on supplier performance, and did not share collected information with those with procurement responsibilities. This increases the risk of member agencies buying goods or services from suppliers with known problems.



Other Performance Audits: This Report also includes the results of the following two audits: coordination processes over the use of Lean across government ministries and certain other agencies, and Saskatchewan Liquor and Gaming Authority's project management processes for projects with significant IT components.

Audit Follow-Ups

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 on 71 recommendations we made in 15 previous audits. In **Figure 1—Summary of Results of Audit Follow-Ups**, we provide a list of the audits (noting the related agency) and the status of recommendations.

On an overall basis, almost all agencies are making or have made good progress in implementing our recommendations. We are particularly impressed with the pace that a few agencies have made improvements—Water

Security Agency, Sun Country Regional Health Authority, and Ministry of Agriculture. Each, in just over two years since our initial audit, had implemented either all or almost all of the recommendations we made.

Progress is slower than we expected only at a couple of agencies—Ministry of Justice and Saskatchewan Liquor and Gaming Authority.

In 2011, we recommended that the Ministry of Justice consider the benefits, in consultation with Saskatchewan's Information and Privacy Commissioner, of changes to Saskatchewan legislation to mitigate risks related to laws in the United States (*USA Patriot Act*). By September 2015, the Ministry had not done so. This recommendation arose because of the Standing Committee of Public Accounts' concerns. It was concerned about the accessibility of Saskatchewan government data that travels electronically through the United States (US), or that may reside on computers in the US or on service provider computers in Saskatchewan but is accessible to US parent companies given provisions of US laws.

By March 31, 2015, Saskatchewan Liquor and Gaming Authority had implemented two recommendations we initially made in our 2012 audit of its processes to procure liquor. Also, it had made progress on our recommendation to develop and use written procedures for monitoring product performance. However, Liquor & Gaming needs to document information used in making procurement decisions, and obtain formal assurance about the safety and alcohol content of liquor products sold in Saskatchewan.

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 | Unable to Assess |
| Initial Follow-Ups | | | | | | |
| Agriculture—Livestock Waste Regulation | 2013 Report – V2 | 3 | 2 | 1 | - | - |
| Environment—Landfills Regulation | 2013 Report – V2 | 9 | 2 | 4 | 1 | 2 |
| Justice—Maintaining the Integrity of Offender Data | 2012 Report – V2 | 6 | 4 | 2 | - | - |
| Regina Public and Regina Separate School Divisions—Physical Safety of Students | 2013 Report – V1 | 17 | 4 | 7 | 6 | - |
| Saskatchewan Crop Insurance Corporation—AgriStability Benefits | 2013 Report – V1 | 5 | 3 | 2 | - | - |
| Sun Country Regional Health Authority—Managing Medications | 2013 Report – V2 | 5 | 4 | - | 1 | - |
| Water Security Agency—Drinking Water Regulation | 2013 Report – V1 | 6 | 6 | - | - | - |
| Initial Follow-Ups Subtotal | | 51 | 25 | 16 | 8 | 2 |
| Subsequent Follow-Ups | | | | | | |
| | | ^b | | | | |
| Central Services—Fleet Maintenance | 2008 Report – V1 2010 Report – V2 2013 Report – V2 | 3 | 3 | - | - | - |
| Economy—Project Management Processes over PRIME | 2011 Report – V1 2013 Report – V2 | 1 | - | 1 | - | - |
| Heartland Regional Health Authority—Disposing IT and Communication Equipment | 2009 Report – V3 2012 Report – V2 | 2 | 2 | - | - | - |
| Justice—Adult Inmate Rehabilitation | 2008 Report – V1 2010 Report – V1 2011 Report – V2 | 3 | - | 3 | - | - |
| Justice—Managing Labour Costs Related to Absenteeism | 2010 Report – V1 2013 Report – V1 | 2 | 2 | - | - | - |
| Justice—Protecting Saskatchewan Data | 2011 Report – V2 2013 Report – V2 | 1 | - | - | 1 | - |
| Kelsey Trail Regional Health Authority—Medical Equipment Maintenance | 2010 Report—V2 2012 Report—V2 | 3 | - | 3 | - | - |
| Saskatchewan Liquor and Gaming Authority—Liquor Procurement | 2012 Report – V1 2013 Report – V2 | 5 | 2 | 2 | 1 | - |
| Subsequent Follow-Ups Subtotal | | 20 | 9 | 9 | 2 | - |
| Overall Total | | 71 | 34 | 25 | 10 | 2 |

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.



2.0 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 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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