



PROVINCIAL AUDITOR  
*of Saskatchewan*

## **2017 Report - Volume 2**

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Report of the Provincial Auditor to the  
Legislative Assembly of Saskatchewan

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November 28, 2017

The Honourable C. Tochor  
Speaker of the Legislative Assembly  
Room 129, Legislative Building  
REGINA, Saskatchewan  
S4S 0B3

Dear Sir:

I have the honour of submitting my *2017 Report – Volume 2*, to be laid before the Legislative Assembly in accordance with the provisions of section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

A handwritten signature in black ink that reads "Judy Ferguson".

Judy Ferguson, FCPA, FCA  
Provincial Auditor

/gb



**2017 Report - Volume 2**





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## Overview by the Provincial Auditor

### 1.0 REPORT OVERVIEW

Through *The Provincial Auditor Act*, the Legislative Assembly has made the Provincial Auditor its independent auditor. It makes the Provincial Auditor responsible for auditing the Government of Saskatchewan, including all of its agencies. This includes examining how well the Government managed its affairs and implemented its policies.

The work of the Office of the Provincial Auditor reinforces the Government's responsibility for being accountable to legislators and the public for its management and use of public money. Furthermore, its work provides legislators and the public with objective information, advice, and assurance to help them hold the Government to account.

This Report (Volume 2) includes the results of our examinations completed by October 30, 2017. **Appendix 1** lists agencies subject to audit under the Act. These include ministries, regional health authorities, school divisions, Crown corporations, commissions, benefit plans, and funds.

Consistent with past reports, we have organized the Report into sections. The following provides an overview of the first three sections of the Report.

The fourth section of the Report highlights the responsibilities and activities of two key legislative committees as they relate to the work of the Provincial Auditor—the Standing Committees on Public Accounts, and on Crown and Central Agencies. The Assembly has tasked these two committees with reviewing the Provincial Auditor reports. Each committee plays a key role in holding the Government to account.

#### Annual Integrated Audits

**Integrated audits** are 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 Report includes the results of annual integrated audits of about 170 agencies with fiscal year-ends between January and July 2017. **Appendix 1** lists each agency along with its year-end date, and whether any significant matters are reported.

This section of the Report highlights concerns at 20 agencies. The bulk of these concerns relate to agencies not having sufficient disaster recovery plans for critical IT systems, and/or not removing user access to IT systems and data promptly.



Up-to-date and tested disaster recovery plans reduce the risk of critical IT systems and data not being available when needed. Promptly removing unneeded user IT access reduces the risk of unauthorized access and changes to data.

The Government relies on IT systems to deliver its services (e.g., personal health registration, water quality monitoring and inspection). In addition, the Government collects sensitive and confidential data in its delivery of some programs and services (e.g., banking information and social insurance numbers of post-secondary students).

While several agencies are doing better at removing unneeded user access promptly (e.g., ministries of Agriculture, Environment, and Social Services; and Saskatchewan Liquor and Gaming Authority), concerns continue at others (e.g., ministries of Finance, Government Relations, Health, Highways, and Justice for user access; and Ministry of Advanced Education, eHealth Saskatchewan, Regina Qu'Appelle Regional Health Authority, and SaskWater for disaster recovery). The Office strongly encourages these agencies to make sure they are giving IT security sufficient attention.

The Report raises only a few new concerns. They include the following:

- The Ministry of **Advanced Education** did not follow Canadian public sector accounting standards to account for certain transfers—overstating both its revenues and expenses by almost \$41 million. Adhering to accounting standards instills public confidence in the Government's financial reporting.
- The Ministry of **Finance** did not publicly report incidents of losses of public money and property over \$500 due to known or suspected theft by external parties. Other government agencies responsible for publicly reporting losses do so (e.g., Ministry of Health for regional health authorities). Public reporting of all known or suspected losses demonstrates Government transparency and can motivate agencies to maintain effective controls to prevent and detect such losses. In addition, it provides legislators and the public with insight into the strength of these controls.
- **Regina Qu'Appelle Regional Health Authority** and the **Saskatchewan Arts Board** did not consistently follow their policies when making over \$2 million of purchases and issuing grants of \$280 thousand, respectively. The Report notes instances where they made payments without appropriate approval and/or did not review the planned purchases as required. Following purchasing policies helps ensure payments are appropriate, and the Government buys goods and services from reliable and reputable suppliers at fair prices.
- **Saskatchewan Liquor and Gaming Authority** reconciled some of its many bank accounts later than its policies require, and for one month, its review did not identify significant errors in the bank reconciliation. At March 31, 2017, it had cash of over \$51 million. Proper and timely reconciliations of bank accounts check the accuracy and reliability of accounting records and can identify errors. Accurate accounting records provide a foundation for financial decisions.

## Performance Audits

**Performance audits** take a more in-depth look at processes related to management of public resources or compliance with legislative authorities.

This section of the Report includes the results of eight performance audits on a range of topics. The following provides an overview of each of them.

- **Minimizing Employee Absenteeism—Chapter 25: Heartland Regional Health Authority and Chapter 26: Saskatchewan Gaming Corporation:** While organizations will always have some employee absenteeism, excessive employee absenteeism is expensive. It can affect workplace environments, and the ability of organizations to deliver quality cost-effective services. In addition, it increases direct costs for wages paid to absent workers, costs to replace workers, and administrative costs to manage such absenteeism. Addressing and reducing employee absenteeism can help control costs.

This Report includes the results of our examinations of two agencies' processes to manage employee absenteeism—Heartland Regional Health Authority and Saskatchewan Gaming Corporation.

**Heartland Regional Health Authority:** The Authority had a large number of employees with excessive absenteeism. In 2016-17, it had the 7<sup>th</sup> highest sick leave usage among the 12 regional health authorities, with an average of about 10.5 sick days per full-time equivalent position.

The Authority operates in a rural, largely unionized health care environment. It has staff in over 1,100 full-time equivalent positions working in 16 communities. Each year, it spends about \$84 million on salaries and benefits, which account for three-quarters of its spending. In 2017, it was transitioning into the Saskatchewan Health Authority.

The Authority had clear expectations about employee attendance and managing employee leaves and absences. It had attendance support programs available. However, managers were not applying the policies and programs as intended.

The Authority was not successful, to date, in reducing its employee absenteeism. The Authority needs to improve the following key areas:

- Better support supervising managers. Supervising managers we interviewed expressed concern about not having sufficient time to manage assigned staff with excessive absenteeism. Not actively monitoring these staff increases the risk of not taking appropriate and timely steps to resolve reasons for employee absences, or sufficiently promoting a culture of supporting employee attendance at work. Involving human resource personnel differently may help reduce the workload of supervising managers.
- Analyze the significant root causes of employee absenteeism. The Authority tracked but did not analyze causes for absences. Without sufficient analysis on absenteeism causes, the Authority cannot develop targeted-attendance-



management strategies to address the causes identified or know whether its existing programs are sufficient.

- Show its Board how the Authority is reducing employee absenteeism and associated costs. The Authority had not met its annual sick leave targets from 2012 to 2017. Its March 2017 reports showed the Authority had not met its sick leave targets in 90% of its facilities.

Giving the Board information on causes of absenteeism and actions to address them would help it understand whether the Authority's actions and strategies effectively reduce employee absenteeism, and changes are necessary.

**SaskGaming:** SaskGaming views employee absenteeism as a continuing challenge. The cost of absenteeism reduces its profits. These profits support Indigenous and other communities, as well as other government priorities such as education and health care in Saskatchewan.

SaskGaming operates two casinos located in Regina and Moose Jaw. It employs over 800 staff of which three quarters is unionized. Each year, it spends about \$37 million on salaries and benefits.

Like the Authority, SaskGaming had clear expectations about employee attendance and managing employee leaves and absences, and made attendance support programs available. It trained and supported its managers. For the most part, managers applied the policies and programs as intended.

SaskGaming was successful in reducing its employee absenteeism, albeit not to the extent it desired. From 2014 to 2017, it has not met its annual sick leave targets, although its actual employee absenteeism gradually decreased. It declined from 9.5% to 8.3% from 2014 to 2017. To achieve its targets, SaskGaming needs to improve the following areas.

- Identify root causes of absenteeism. Our analysis identified four departments that accounted for about one-half of employee absences even though those departments employed less than one-half of SaskGaming's employees. Without year-over-year analysis of types of absences by department and overall, SaskGaming may not identify or confirm root causes and appropriately focus its absenteeism strategies in the right areas.
- Give managers guidance for analyzing patterns and trends in staff absences, and for documenting reasons for not referring eligible employees to attendance support programs. Guidance would help managers focus absenteeism efforts in the right places. Documenting reasons would enable SaskGaming to determine whether it sufficiently supported staff to minimize absenteeism.

- **Chapter 20: Agriculture—Mitigating Risk of Livestock Diseases:** The livestock sector in Saskatchewan had average annual revenues around \$2 billion for the last three years. Disease outbreaks can impose significant effects on production, price, and value of livestock products.

The Ministry of Agriculture had generally effective processes to minimize the risk of the occurrence and spread of diseases of farmed animals in Saskatchewan. For



example, it required producers and veterinarians to report potential instances for 14 diseases. It considered instances of these diseases in Saskatchewan could significantly threaten the livestock industry or humans. For 3 of the 14 diseases, the Ministry takes a more active role in responding to positive cases in order to prevent further spread of the disease. For the remaining diseases, it monitors the sufficiency of actions taken by others to treat diseased animals. Furthermore, the Ministry actively gives producers information to increase their awareness of disease risks, and disease prevention and control techniques.

However, the Ministry needs to better show how it decided which diseases require provincial reporting, which diseases warrant surveillance, and the extent of its involvement in reported cases of livestock diseases. In addition, the Ministry needs to summarize key information about all positive cases to better show sufficient actions to limit the spread of the disease were taken.

- **Chapter 21: Education—Managing the Construction of P3 Joint-use Schools:** In August 2015, the Ministry of Education entered into two 32-year Project Agreements with one private sector partner to finance, build, and operate 18 joint-use elementary schools. The agreements have a combined cost of about \$731 million. Six schools are located in Regina in two school divisions, and twelve schools are located in Saskatoon, Martensville, and Warman in three school divisions. The school divisions are to own the schools located in their division at the end of the agreement.

The Ministry of Education did a good job of managing the construction phase of the 18 schools built using a P3 (private-public-partnership) approach. Each of the schools were constructed by June 30, 2017, the expected deadline.

- **Chapter 22: Education—Monitoring Kindergarten Students' Readiness to Learn in the Primary Grades:** By June 2020, the Saskatchewan education sector aims to have 90% of students exiting kindergarten ready to learn in Grades 1 to 3. As of June 2017, about 80% of kindergarten students were ready. The Ministry of Education monitors the percentage of kindergarten students ready to learn, and works with school divisions in improving readiness of kindergarten students.

The Ministry needs to improve its monitoring processes in the following areas.

- Analyze data to identify school divisions whose students are most at risk of not being ready to learn in the primary grades when exiting kindergarten, and coordinate its analysis of those divisions' action plans. Our analysis found eight school divisions accounted for almost two-thirds of students who were assessed as not ready to learn upon exiting kindergarten.

Analysis would help school divisions and the Ministry determine and understand the reasons for kindergarten students not being ready including understanding the effectiveness of kindergarten environments and programs. Also, determining whether divisions with students most at risk have adequate plans to improve student performance would help address reasons for lower than desired student performance, and avoid delays in putting appropriate actions in place.

- Actively monitor the kindergarten programs and assist school divisions whose students are most at risk of not being ready to learn in the primary grades when exiting kindergarten. Focusing the Ministry's efforts on school divisions struggling



to improve kindergarten students' readiness to learn would help improve the chances of future students in those divisions being ready to learn in the primary grades.

- **Chapter 23: Environment—Detecting Wildfires:** Costs in managing wildfires can vary significantly from year-to-year (e.g., \$123 million in 2015-16 and \$48 million in 2016-17). Detecting these wildfires quickly can reduce the impact on people, the environment, and the economy.

With respect to processes to detect wildfires, while the Ministry of Environment was doing a number of things well, it needs to improve two key areas.

- Obtain up-to-date information on values (e.g., human life, communities, significant public and industrial infrastructure) that are at risk from wildfires
- Actively obtain legally required wildfire prevention and preparedness information (e.g., location of operations and personnel) from industrial and commercial operators

Not having complete and up-to-date information about values-at-risk increases the risk of the Ministry not prioritizing its wildfire detection activities appropriately and not developing suitable fire suppression strategies.

- **Chapter 24: Government Relations—Proposing Education Property Tax Mill Rates:** The Government uses revenues from education property taxes to help pay for the delivery of Pre-kindergarten to Grade 12 education. From 2009-10 to 2015-16, the proportion of education property taxes compared to total school division revenues declined from 32% in 2009-10 to 27% in 2015-16. In 2015-16, education property tax revenues were \$651 million.

The Ministry of Government Relations is tasked with proposing options for education property tax mill rates for Cabinet's consideration. Mill rates are the basis on which education property taxes are levied.

The Ministry had reasonable processes to propose education property tax mill rates for Cabinet approval with some improvements needed. For example, the Ministry, in its proposals to Cabinet, needs to better explain the implications of potential changes in key assumptions it makes, and the economic and social impact of its proposals. Providing robust analysis helps ensure Cabinet has sufficient information to make informed decisions regarding education property tax mill rates.

- **Chapter 27: Saskatchewan Housing Corporation—Providing Social Housing to Eligible Clients:** SaskHousing uses the Social Housing Program to provide subsidized rental housing through over 18,000 units located in over 300 communities. Its 260 local housing authorities locally manage and administer this Program and the units.

SaskHousing supports the local housing authorities in delivery of social housing through various ways (e.g., policies, templates, worksheets, making IT databases available to track key data). It provides them with clear direction other than setting timelines in which authorities should process applications and notify applicants of

decisions regarding program eligibility. Setting such timelines would reduce the risk of applicants living in unsuitable housing longer than necessary.

In addition, not all local housing authorities follow its applicant prioritization process. SaskHousing needs to have its housing authorities:

- Consistently follow its applicant prioritization policies and procedures, that is, calculate point scores before placing applicants in suitable social housing, and record point scores in its provincial database. The point score provides an objective numerical priority rating based on the applicant's core housing needs.
- Keep documentation that shows authorities appropriately assigned applicants into social housing units.

Consistent use of the point score would reduce the risk of biased decision-making; it would make sure applicants with the highest need are placed in social housing units on a priority basis.

## Audit Follow Ups

**Audit follow-ups** are assessments of the sufficiency of actions taken to address recommendations made in our past performance audits, and those made by standing committees on Public Accounts and on Crown and Central Agencies from their review of our reports. We do the first follow-up either two or three years after our initial audit, and then every two or three years thereafter until the recommendations are implemented.

This section of the Report includes the results of 22 follow-ups. The Office systematically assesses the status of outstanding audit recommendations to determine whether agencies have made recommended improvements. The following table summarizes the status of recommendations by agency by follow-up.

The Office is generally pleased with the progress of agencies in making improvements. For this Report, agencies had implemented almost two-thirds of the 129 recommendations the Office followed up, and most were making good progress on implementing the remaining.

The pace of implementation of the recommendations was impressive at three agencies.

- **Saskatchewan Polytechnic** significantly improved its processes to buy goods and services; it implemented all 13 recommendations made in our 2015 audit. Strong procurement processes help ensure public money is used wisely, and suppliers are treated fairly.
- **SaskBuilds** improved its processes for evaluating infrastructure projects to determine whether projects should use a P3 approach. It implemented four of five recommendations made in our 2015 audit of this area. For example, it gives the public better and more timely reports when it plans to use a P3 approach, and more clearly recognized the uncertainty inherent in its P3 evaluation process before recommending a P3 approach.



While SaskBuilds had made good progress on the remaining recommendation related to leveraging feasible benefits and efficiencies of its P3 approach into future public sector conventional procurement approaches, it had not yet fully implemented it. Identifying best practices and applying them to projects using conventional procurement approaches would improve the planning and management of those projects, and help make the best use of public money.

- **Heartland Regional Health Authority** was actively improving its processes for maintaining medication plans for long-term care residents. It had implemented over one-half of the 17 recommendations made in our 2014 audit and was actively working on the remaining recommendations.

The Authority needs to consistently document multi-disciplinary reviews, key medication activities and consent for medication changes, as its policies require; and identify trends and issues to help ensure medication regimes of residents are appropriate. At August 2017, the number of the Authority's long-term care residents on 13 or more medications was increasing. Appropriate management of medication is key to providing long-term care residents with quality of life.

The pace of improvement was slow and to some extent disappointing at a few agencies.

- The Ministry of **Justice** had implemented less than one-half of recommendations initially made in our 2011 audit of its processes to rehabilitate adult offenders in the community—the audit focused on the Regina Qu'Appelle Region of the Ministry.

At October 2017, the Ministry continued not to consistently follow its policies related to case management and supervision of those adult offenders. About one-half of the cases files examined lacked risk assessments and complete case plans; about one-quarter of them did not show sufficient contact with offenders about rehabilitation; and about three-quarters of them did not have regular progress reports completed. The Ministry cited staff workload as affecting its ability to meet its policy requirements. It had various initiatives underway to improve its compliance. Saskatchewan's correctional facilities are operating at near or over capacity. Effective rehabilitation of adult offenders helps reduce the likelihood of them repeating crimes.

- The Ministry of **Health** had implemented three of eight recommendations initially made in our 2012 audit of its strategies to prevent diabetes-related health complications. It is estimated close to 10% of Saskatchewan's population will be diagnosed with diabetes by 2020. The Ministry needs to do more to foster the use of best practice care. Preventative measures and better disease management can reduce its prevalence, and impact on quality of life and health costs.
- The Government and Ministry of **Health** had implemented about one-half of recommendations initially made in our 2012 audit of meat safety. While the Ministry of Health had done some preliminary work (e.g., drafting slaughter plant sanitation standards), it was awaiting the Government's decision on whether one ministry would regulate all provincially licensed slaughter plants before it made further improvements.

At the time of this follow-up, Saskatchewan was the only province that assigns the responsibility of regulating meat safety to two ministries—the Ministry of Agriculture and the Ministry of Health. Standards for inspecting agriculture-licensed plants are more rigorous than health-licensed plants. In addition, unlike a few other jurisdictions,

Saskatchewan does not regulate meat sold by farmers for human consumption. Further improvements are needed to reduce the risk of the sale of unsafe meat.

- While **Saskatchewan Liquor and Gaming Authority** had implemented two of three recommendations initially made in our 2012 audit of its processes to buy liquor for distribution and resale, it was not confirming liquor products sold in Saskatchewan are safe to consume (e.g., contain their stated alcohol content). Its draft policies planned to rely on testing of other Canadian liquor boards without requiring the Authority to know the nature and extent of that testing or formally obtaining the results of those tests. It estimates other Canadian liquor boards test about 70% of the liquor products it distributes.

Not confirming the safety of liquor products distributed to stores (both the Authority and the private sector's) increases the risk of those products not being safe to consume. This in turn exposes the Authority to litigation in the occurrence of adverse events resulting from consumption of unsafe alcohol. As the Ontario May 2017 recall of Bombay Sapphire London Dry Gin showed, on occasion, the stated alcohol content on the products may be incorrect to the extent they are unsafe to consume.

| Chapter Number (Ch.) and Name Grouped by Follow Up  | Related Report <sup>A,B</sup>        | Number of Recommendations Outstanding | Status of Recommendations |                       |                 |                    |
|---|--------------------------------------|---------------------------------------|---------------------------|-----------------------|-----------------|--------------------|
|   |                                      |                                       | Implemented               | Partially Implemented | Not Implemented | No longer Relevant |
| <b>First Follow Ups</b>   |                                      |                                       |                           |                       |                 |                    |
| Ch. 28: Advanced Education—Managing Risks Related to its One Client Service Model System                      | 2015 Report – V2                     | 3                                     | -                         | 3                     | -               | -                  |
| Ch. 30: eHealth Saskatchewan—Protecting Patient Information in the Saskatchewan Laboratory Results Repository | 2015 Report – V1                     | 5                                     | 2                         | 2                     | 1               | -                  |
| Ch. 31: Environment—Regulating Industrial Wastewater  | 2015 Report – V1                     | 4                                     | 4                         | -                     | -               | -                  |
| Ch. 36: Health Shared Services Saskatchewan—Procuring Goods and Services for Member Agencies                  | 2015 Report – V2                     | 13                                    | 8                         | 5                     | -               | -                  |
| Ch. 37: Heartland Regional Health Authority—Medication Management in Long-Term Care                           | 2014 Report – V2                     | 17                                    | 9                         | 6                     | 1               | 1                  |
| Ch. 40: Justice—Supporting Provincial Court of Saskatchewan to Manage Court Workloads                         | 2014 Report – V1                     | 6                                     | 1                         | 5                     | -               | -                  |
| Ch. 45: Saskatchewan Polytechnic—Procuring Goods and Services   | 2015 Report – V2                     | 13                                    | 13                        | -                     | -               | -                  |
| Ch. 46: SaskBuilds Corporation—Evaluating Potential P3s   | 2015 Report – V1                     | 5                                     | 4                         | 1                     | -               | -                  |
| Ch. 48: SaskPower—Managing the Risk of Cyber Incidents  | 2015 Report – V1                     | 3                                     | 2                         | 1                     | -               | -                  |
| <b>Subtotal</b>   |                                      | <b>69</b>                             | <b>43</b>                 | <b>23</b>             | <b>2</b>        | <b>1</b>           |
| <b>Second Follow Ups <sup>C</sup></b>   |                                      |                                       |                           |                       |                 |                    |
| Ch. 29: Agriculture—Regulating Livestock Waste  | 2013 Report – V2<br>2015 Report – V2 | 1                                     | -                         | 1                     | -               | -                  |



| Chapter Number (Ch.) and Name Grouped by Follow Up   | Related Report <sup>A,B</sup>                            | Number of Recommendations Outstanding | Status of Recommendations |                       |                 |                    |
|--|--|---------------------------------------|---------------------------|-----------------------|-----------------|--------------------|
|  |  |                                       | Implemented               | Partially Implemented | Not Implemented | No longer Relevant |
| Ch. 32: Five Hills Regional Health Authority—Provision of Nourishing and Safe Food Services in Long-Term Care Facilities | 2012 Report – V2<br>2015 Report – V1                     | 4                                     | 4                         | -                     | -               | -                  |
| Ch. 33: Health—Preventing Diabetes-Related Health Complications  | 2012 Report – V2<br>2015 Report – V1                     | 8                                     | 3                         | 5                     | -               | -                  |
| Ch. 34: Health—Regulating Personal Care Homes  | 2012 Report – V2<br>2014 Report – V2                     | 1                                     | 1                         | -                     | -               | -                  |
| Ch. 35: Health and Agriculture—Regulating Meat Safety  | 2012 Report – V2<br>2014 Report – V2                     | 7                                     | 3                         | 4                     | -               | -                  |
| Ch. 38: Justice—Community Rehabilitation of Adult Offenders  | 2011 Report – V1<br>2013 Report – V1                     | 7                                     | 3                         | -                     | 4               | -                  |
| Ch. 39: Justice—Maintaining the Integrity of Offender Data   | 2012 Report – V2<br>2015 Report – V2                     | 2                                     | 1                         | 1                     | -               | -                  |
| Ch. 42: Regina Public and Regina Catholic School Divisions—Physical Safety of Students                                   | 2013 Report – V1<br>2015 Report – V2                     | 13                                    | 13                        | -                     | -               | -                  |
| Ch. 43: Saskatchewan Housing Corporation—Maintaining Housing Units   | 2012 Report – V1<br>2014 Report – V1                     | 4                                     | 2                         | 1                     | 1               | -                  |
| Ch. 47: SaskEnergy—SCADA System Security   | 2013 Report – V1<br>2015 Report – V1                     | 2                                     | 2                         | -                     | -               | -                  |
| Ch. 49: University of Regina—Procuring Goods and Services  | 2013 Report – V2<br>2016 Report – V1                     | 4                                     | 2                         | 2                     | -               | -                  |
| <b>Subtotal</b>  |  | <b>53</b>                             | <b>34</b>                 | <b>14</b>             | <b>5</b>        | <b>-</b>           |
| <b>Third Follow Ups <sup>C</sup></b>   |  |                                       |                           |                       |                 |                    |
| Ch. 8: Justice—Protecting Saskatchewan Data <sup>D</sup>   | 2011 Report—V2<br>2013 Report—V3<br>2015 Report—V2       | 1                                     | 1                         | -                     | -               | -                  |
| Ch. 41: Parks, Culture and Sport—Provincial Parks Capital Asset Planning   | 2009 Report – V3<br>2011 Report – V2<br>2015 Report – V1 | 3                                     | 3                         | -                     | -               | -                  |
| Ch. 44: Saskatchewan Liquor and Gaming Authority—Liquor Procurement  | 2012 Report – V1<br>2013 Report – V2<br>2015 Report – V2 | 3                                     | 2                         | 1                     | -               | -                  |
| <b>Subtotal</b>  |  | <b>7</b>                              | <b>6</b>                  | <b>1</b>              | <b>-</b>        | <b>-</b>           |
| <b>Overall Total</b>   |  | <b>129</b>                            | <b>83</b>                 | <b>38</b>             | <b>7</b>        | <b>1</b>           |

Source: Compiled by Provincial Auditor of Saskatchewan.

<sup>A</sup> V – means Volume.

<sup>B</sup> The related Report reflects the report in which: the Office first made the recommendation(s) (for initial follow ups); and the Office last reported on the status of implementation of outstanding recommendations (for subsequent follow ups).

<sup>C</sup> For subsequent follow ups, the Number of Recommendations is the number of recommendations that remained not implemented after the previous follow up.

<sup>D</sup> Results included in Annual Integrated Audits—Justice



## 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 co-operation it received in completing the work included in this Report.

In addition, as Provincial Auditor, I thank the Provincial Auditor team for their diligence, commitment, and professionalism. Only through their hard work can we fulfill our mission—*We promote accountability and better management by providing Legislators and the public with an independent assessment of the government’s use of public resources.*

| Provincial Auditor Team |                    |                      |
|-------------------------|--------------------|----------------------|
| Agjoritis, Ani          | Amyotte, Tanner    | Bachelu, Gaylene     |
| Borys, Angèle           | Calder, Mindy      | Carlson, Troy        |
| Chessie, Kelly          | Clemett, Tara      | Deis, Kelly          |
| Dickin, Deann           | Dressler, Nicole   | Drotar, Charlene     |
| Fischer, Dean           | Forbes, Krysten    | Halladeen, Aaron     |
| Hallberg, Angie         | Heebner, Melanie   | Iles, Amanda         |
| Kirton, Maygen          | Klassen, Linda     | Krasivska, Ruslana   |
| L’Heureux, Desirée      | Lam, Betty         | Lindenbach, Michelle |
| Longstaff, Lindsay      | Lowe, Kim          | Mantyka, Scott       |
| McLaren, Chelsea        | McNaughton, Jordan | Miller, Chad         |
| O’Quinn, Carolyn        | Orban, Danielle    | Pattullo, Candice    |
| Pillipow, Katie         | Pituley, Jonathan  | Rau, Brent           |
| Reimer, Dane            | Ricketts, Brandon  | Robertson, Jennifer  |
| Russell, Stephanie      | Schwab, Victor     | Scott, Doug          |
| Shamrai, Alla           | Shaw, Jason        | Sommerfeld, Regan    |
| Sparrowhawk, Kaylee     | St. John, Trevor   | Sych, Larissa        |
| Tamke, Lorisa           | Thurmeier, Brandyn | Tomlin, Heather      |
| Trivedi, Devanshi       | Volk, Rosemarie    | Wandy, Jason         |
| Watkins, Dawn           | Yanyu, Melissa     | Yee, Ken             |
| Young, Kristen          |                    |                      |





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# Annual Integrated Audits

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# Chapter 1

## Advanced Education

### 1.0 MAIN POINTS

This chapter reports the results of the 2016-17 annual audits of the Ministry of Advanced Education and its agencies.

The Ministry and its agencies complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2016-17 financial statements of each of the Ministry's agencies are reliable.

The Ministry and its agencies had effective rules and procedures to safeguard public resources except the Ministry needs to follow Canadian generally accepted accounting principles for the public sector to record, in its financial records, funding under the Strategic Investment Fund. The Ministry also needs to sign an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services.

### 2.0 INTRODUCTION

The Ministry of Advanced Education is responsible for the post-secondary education system that supports a growing Saskatchewan and leads to a higher quality of life. Saskatchewan's post-secondary system provides support to the province's labour force development.<sup>1</sup>

### 2.1 Financial Overview

For the year ended March 31, 2017, the Ministry reported expenses of \$815 million for its programs (see **Figure 1** for detail by major program), and revenues of \$74.1 million (including \$73.6 million from the Federal Government for cost-sharing programs). The Ministry's *2016-17 Annual Report* provides further details and reasons for differences between planned and actual results.<sup>2</sup>

See **Section 4.1** for discussion of \$40.7 million overstatement of recorded expenses and revenues.

**Figure 1 – Expenses by Major Program**

|                                 | Estimates<br>2016-17 <sup>A</sup> | Actual<br>2016-17  |
|---------------------------------|-----------------------------------|--------------------|
|                                 | (in millions)                     |                    |
| Central Management and Services | \$ 15.3                           | \$ 13.2            |
| Student Supports                | 56.5                              | 63.2               |
| Post-Secondary Education        | 688.6                             | 738.8 <sup>B</sup> |
| <b>Total Appropriation</b>      | <b>760.4</b>                      | <b>815.2</b>       |

<sup>1</sup> Ministry of Advanced Education, *Annual Report for 2016-17*, p. 2.

<sup>2</sup> *Ibid.*, pp. 24-26.



|                            | Estimates<br>2016-17 <sup>A</sup> | Actual<br>2016-17           |
|----------------------------|-----------------------------------|-----------------------------|
| Capital Asset Acquisitions | -                                 | -                           |
| Capital Asset Amortization | 0.1                               | 0.2                         |
| <b>Total Expense</b>       | <b>\$ 760.5</b>                   | <b>\$ 815.4<sup>B</sup></b> |

Source: Ministry of Advanced Education, *Annual Report for 2016-17*, p. 24.

<sup>A</sup> The Ministry obtained additional funding through supplementary estimates of \$55.9 million.

<sup>B</sup> See **Section 4.1** for discussion of \$40.7 million overstatement of expenses.

## 2.2 Special Purpose Funds and Agencies

At March 31, 2017, the Ministry was responsible for the following special purpose funds and agencies (agencies) reported in this chapter:

| Year-End | Agency   |
|----------|--|
| March 31 | Saskatchewan Student Aid Fund  |
| March 31 | Training Completions Fund  |
| June 30  | Saskatchewan Polytechnic (We carried out this audit jointly with KPMG LLP) |
| June 30  | Carlton Trail College  |
| June 30  | Cumberland College   |
| June 30  | Great Plains College   |
| June 30  | Northlands College   |
| June 30  | North West College   |
| June 30  | Parkland College   |
| June 30  | Southeast College  |

## 3.0 AUDIT CONCLUSIONS

Our Office worked with appointed auditors (see **Appendix 2** of this Report) to carry out the annual integrated audits of the regional colleges. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>3</sup>

**In our opinion, for the years ended on or before June 30, 2017:**

- **The Ministry of Advanced Education and its agencies had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **The Ministry of Advanced Education and its agencies complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

<sup>3</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

*The Executive Government Administration Act*  
*The Ministry of Advanced Education Regulations*  
*The Post-Secondary Education and Skills Training Act*  
*The Education Act, 1995 (subsection 3[1])*  
*The Graduate Retention Program Act*  
*The Graduate Retention Program Regulations*  
*The Public Service Act, 1998*  
*The Financial Administration Act, 1993*  
*The Saskatchewan Advantage Grant for Education Savings Act*  
*The Saskatchewan Advantage Grant for Education Savings Regulations*  
*The Degree Authorization Regulations*  
*The Private Vocational Schools Regulation Act, 1995*  
*The Private Vocational School Regulations, 2014*  
*The Revenue and Financial Services Act*  
*The Saskatchewan Polytechnic Act*  
*The Saskatchewan Polytechnic Regulations*  
*The Regional Colleges Act*  
*The Regional Colleges Regulations*  
*The Regional Colleges Programs Designation Regulations*  
*The Regional Colleges Programs and Services Regulations*  
*The Income Tax Act, 2000*  
*The Non-profit Corporations Act, 1995*  
*The Non-profit Corporations Regulations, 1997*  
*The Student Assistance and Student Aid Fund Act, 1985*  
*The Student Assistance and Student Aid Fund Regulations, 2001*  
*The Lender-financed Saskatchewan Student Loan Regulations*  
*The Saskatchewan Student Direct Loans Regulations*  
 Saskatchewan Risk Sharing Student Loans Agreement  
 Canada-Saskatchewan Integration Agreement  
 The Regional Colleges Accounting and Reporting Manual  
 Orders in Council issued pursuant to the above legislation

➤ **The financial statements of each agency are reliable**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry and its agencies’ controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization’s objectives.

Assessing rules and procedures to safeguard public resources included the following. We evaluated processes related to administering grants (e.g., to post-secondary educational institutions or students), recording revenues, tendering and awarding contracts, processing payroll, and purchasing goods and services. We also assessed the Ministry’s accounting treatment of transfers under the Government of Canada’s Strategic Investment Fund.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Proper Recording of Transfers Related to Strategic Investment Fund Needed

The Ministry has inappropriately accounted for transfers related to the Federal Government’s Post-Secondary Institutions Strategic Investment Fund<sup>4</sup>—it overstated both revenues and expenses by \$40.7 million.

<sup>4</sup> This federal government program provides funding for infrastructure projects at post-secondary institutions to enhance and modernize research and commercialization facilities, as well as industry-relevant training facilities at colleges and polytechnic institutions in Canada. [www.canada.ca/en/innovation-science-economic-development/programs/science-technology-partnerships/investment-fund.html](http://www.canada.ca/en/innovation-science-economic-development/programs/science-technology-partnerships/investment-fund.html) (19 September 2017).





In 2016-17, the Ministry signed an agreement with the Federal Government to receive \$65.8 million under the Strategic Investment Fund. The Ministry subsequently signed parallel accountability agreements with certain post-secondary institutions to provide funds received from the Federal Government under this Fund to those institutions for specific capital projects.

In 2016-17, the Ministry inappropriately recorded the full amount of revenue it expected to earn under the federal-provincial agreement, and the full amount of expenses it expected to incur under its accountability agreements with the post-secondary institutions. As of March 31, 2017, the Ministry had not met the eligibility criteria under the federal-provincial agreement for the full amount, and the Federal Government had not authorized the full amount that it can provide under the agreement—as such, the Ministry had not earned the full amount it had recorded. Rather, the Ministry had earned only \$25.1 million of revenue, and was obligated to provide post-secondary institutions with the same amount.

Canadian public sector accounting standards require the Ministry to recognize revenue and expenses related to government transfers when eligibility criteria have been met and the transfer is authorized.

At March 31, 2017, not following Canadian public sector accounting standards resulted in the Ministry overstating revenues and expenses by \$40.7 million, and not disclosing the related contractual obligation for 2017-18 and 2018-19 of \$40.4 million. The error did not have an impact on the Government of Saskatchewan's Summary Financial Statements annual deficit or net debt.

Inconsistent application of Canadian public sector accounting standards can impact the relevance and reliability of financial reports, and can decrease the public's confidence in the accuracy of the Government's financial reports.

1. **We recommend that the Ministry of Advanced Education follow Canadian generally accepted accounting principles for the public sector to record transfers in its financial records.**

## **4.2 Adequate Agreement on Disaster Recovery Needed**

***We recommended the Ministry of Advanced Education sign an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services.*** (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Partially Implemented

As of August 2017, the Ministry had not yet signed an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services—about five years after signing the Memorandum of Understanding with Central Services.

During 2011-2012, the Ministry signed a Memorandum of Understanding with Central Services. The Memorandum expected the Ministry and Central Services to reach agreement on various aspects including disaster recovery at a later date (i.e., develop schedules to augment the Memorandum).

The Ministry uses Central Services to host its IT systems and data; some of these systems are key to the Ministry's operations and include sensitive information. For example, Central Services hosts a key IT system called One Client Service Model (OCSM)<sup>5</sup> that contains sensitive financial information about post-secondary students and their relatives (e.g., banking information, tax and other income information, social insurance numbers, birth dates).<sup>6</sup> Also, Central Services provides the Ministry with computers and IT network access.

The Ministry expects to complete a service agreement and related schedules on disaster recovery with Central Services by the end of 2017-18.

Without an agreement on disaster recovery services, neither the Ministry nor Central Services knows whether Central Services can restore the Ministry's key IT systems and data in the event of a disaster. Unavailable key IT systems, like OCSM, could result in the Ministry not being able to provide timely services to the public.

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<sup>5</sup> The Ministry uses OCSM to deliver training and financial assistance services to its clients.

<sup>6</sup> During 2016-17, the Ministry updated the OCSM application hardware and software. The OCSM system is currently vendor supported.



## Chapter 2

### eHealth Saskatchewan

#### 1.0 MAIN POINTS

During 2016-17, eHealth Saskatchewan improved the timeliness of its bank reconciliations, verified the existence of its capital assets, and updated its accounting records accordingly.

eHealth continued to work towards having an approved and tested IT disaster recovery plan. It completed its business continuity plan and began testing recovery of its critical IT systems. It plans to continue testing in 2017-18.

eHealth Saskatchewan's 2016-17 financial statements were reliable. In addition, eHealth complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

#### 2.0 INTRODUCTION

The mandate of eHealth Saskatchewan is to procure, implement, own, operate, and manage the Saskatchewan Electronic Health Record<sup>1</sup> and, where appropriate, other health information systems.<sup>2</sup>

eHealth provides the Ministry of Health and regional health authorities with certain critical IT services and operates a data center. eHealth is the Saskatchewan health sector's primary disaster recovery provider for IT services for this sector.

In addition, eHealth manages Saskatchewan's vital statistics registry<sup>3</sup> and health registration.<sup>4</sup>

In 2016-17, eHealth had an annual deficit of \$8.4 million (2016: \$17 million).<sup>5</sup> This was comprised of revenues of \$90.6 million (2016: \$84.1 million), including grants of \$77.4 million from the Ministry of Health (2016: \$71.6 million), and expenses of \$99 million (2016: \$101.1 million). At March 31, 2017, it had net financial liabilities<sup>6</sup> of \$19.2 million (2016: \$16.8 million) and tangible capital assets of \$35.1 million (2016: \$40.2 million). Most of its tangible capital assets relate to computer network hardware and system development costs.

As of January 2017, the Minister of Health directed eHealth to consolidate IT services provided by the regional health authorities, Saskatchewan Cancer Agency, and 3sHealth

<sup>1</sup> An electronic health record is a private, lifetime record of an individual's medical information, providing healthcare professionals with immediate access to a patient's test results, past treatments, and medication.

<sup>2</sup> Orders in Council 581/1997 and 734/2010 issued under *The Crown Corporations Act, 1993*.

<sup>3</sup> The vital statistics registry registers all births, marriages, deaths, stillbirths, and changes of name that occur in Saskatchewan.

<sup>4</sup> Health registration registers new Saskatchewan residents for provincial health coverage, and maintains the registry of residents who are eligible for benefits. eHealth issues health services cards to residents approved for Saskatchewan basic health coverage.

<sup>5</sup> *eHealth Saskatchewan Annual Report 2016-17*, p. 50.

<sup>6</sup> Net financial liabilities is financial assets less liabilities.



into a single service. eHealth expects to do the bulk of this consolidation work in 2017-18.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2017:**

- **eHealth had effective rules and procedures to safeguard public resources except for matter described in this chapter**
- **eHealth complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

eHealth's governing Orders in Council  
*The Crown Corporations Act, 1993*  
*The Financial Administration Act, 1993*  
*The Executive Government Administration Act*  
*The Vital Statistics Act, 2009*  
*The Health Information Protection Act*  
Regulations and Orders in Council issued pursuant to the above legislation

- **eHealth had reliable financial statements**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of eHealth's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We focused our audit efforts on the following areas:

- Financial reporting and recording controls such as timely approval of changes to accounting records and timely preparation and approval of bank reconciliations
- Key purchasing processes such as appropriate segregation of creating and paying vendors
- User access, change management, and recovery processes for key financial IT applications
- Existence and completeness of tangible capital assets and capital lease obligations
- Accuracy and reasonableness of significant estimates including accrued vacation liability

### 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

## 4.1 Disaster Recovery Plan Testing Not Complete

***We recommended that eHealth Saskatchewan have an approved and tested disaster recovery plan for systems and data.*** (2007 Report – Volume 3;

Public Accounts Committee agreement January 8, 2008)

**Status** – Partially Implemented

During the year, while eHealth completed its business continuity plan (which encompasses its IT disaster recovery plan) and began testing recovery of its critical IT systems, it had not completed those tests.

As of March 31, 2017, eHealth had created detailed recovery plans for 4 of its 39 critical IT systems. It had tested whether the plan worked for one of these IT systems. eHealth plans to continue to test the plans for remaining IT systems in 2017-18.

Without tested plans, eHealth, the Ministry of Health, and the Saskatchewan Health Authority may not be able to restore their critical IT systems and data (such as the Personal Health Registration System, Provincial Lab Systems) in the event of a disaster. These entities rely on the availability of those systems to deliver and pay for health services.

## 4.2 Capital Assets Verified

***We recommended that eHealth Saskatchewan regularly verify the existence of its capital assets and reconcile it to its accounting records.***

(2015 Report – Volume 2; Public Accounts Committee agreement January 13, 2016)

**Status** – Implemented

During the year, eHealth counted its capital assets to confirm their existence and condition, and updated its accounting records accordingly. In addition, it increased the amount of details it recorded on individual capital assets (e.g., location of the asset) to make it easier to track individual assets.

Furthermore, eHealth was updating its policy to require physical inspection of capital assets on an annual basis.

## 4.3 Bank Reconciliations Completed Timely

***We recommended that eHealth Saskatchewan require staff to reconcile each of its bank accounts monthly.*** (2015 Report – Volume 2; Public Accounts

Committee agreement January 13, 2016)

**Status** – Implemented

By March 31, 2017, eHealth was preparing all monthly bank reconciliations within its recommended timeframe. Bank reconciliations check the accuracy of accounting records and help identify irregularities. Timely preparation and review of bank reconciliations decreases the risk of errors, inaccurate financial records, and loss of public money without timely detection.





## Chapter 3

### Finance

#### 1.0 MAIN POINTS

The Ministry of Finance had effective processes to safeguard public resources and complied with authorities governing its activities other than in the following areas.

In 2016-17, Finance did not publicly report losses consistent with reporting of other agencies responsible for public reporting of losses (e.g., Crown Investments Corporation of Saskatchewan). Without consistent reporting, the public and legislators may assume the Government consistently reports all losses resulting from known or suspected fraud or similar illegal acts over a prescribed threshold. Finance needs to work with other agencies responsible for public reporting of losses to clarify the nature of losses to report publicly. Public reporting of losses demonstrates the Government's transparency and reinforces to ministries and agencies the importance of having solid processes to reduce the risk of such losses.

Finance made progress in developing models to better estimate its resource surcharge revenues but further work is needed. Improved estimation processes would assist in estimating these revenues more reliably.

Finance continues to need to confirm the expected frequency of the Ministry of Central Services' disaster recovery testing of certain of Finance's IT systems and sharing of those results with Finance. In addition, it needs to consistently follow its processes to promptly remove unneeded user access to its IT systems and data. These steps would help protect its IT systems and data, and make sure they are available in event of an interruption.

Also, Finance continued not to provide the public with sufficient information on the performance of its \$1.8 billion of investments in sinking funds. Providing a comparison of planned and actual performance of the sinking funds would allow legislators and the public to assess whether this aspect of its debt management plan was successful.

The 2016-17 financial statements of each of Finance's six agencies with March 31 year-ends are reliable. They had effective rules and procedures to safeguard public resources, and complied with their governing authorities.

#### 2.0 INTRODUCTION

This chapter provides the results of our annual audits for the year ended March 31, 2017 of the Ministry of Finance and six of its agencies with March 31 year ends.

The Ministry of Finance helps the Government manage and account for public money. Its mandate is to provide options and advice to Treasury Board and Cabinet on managing and controlling the Government's finances. Its responsibilities include the following:

- Administering and collecting provincial taxes
- Arranging government financing, banking, investing, and borrowing



- Administering certain public sector pension and benefit plans
- Receiving revenues from taxation and transfers
- Controlling spending from approved appropriations
- Maintaining Ministry-wide revenue and expense systems including the financial modules of the computerized Multi-Informational Database Applications system (called MIDAS Financials)
- Providing information, advice, and analysis on:
  - Government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions related to the core government operations
  - Strategic policy on matters related to public sector compensation and management or collective bargaining
  - Financial management and accounting
  - Annual performance planning, measuring, and reporting processes<sup>1</sup>

## 2.1 Special Purpose Funds and Agencies

Finance administers and is responsible for the following special purpose funds and agencies (agencies). Each of the agencies (except for the General Revenue Fund)<sup>2</sup> provide the Legislative Assembly with audited financial statements; some also provide an annual report.

**Figure 1 – Agencies with March 31 Year-End**

|  |   |
|--|---|
| General Revenue Fund (GRF) <sup>^</sup>            | Public Employees Benefits Agency Revolving Fund |
| Judges of the Provincial Court Superannuation Plan | Public Service Superannuation Plan              |
| Public Employees Pension Plan                      | Water Security Agency Retirement Allowance Plan |
| Saskatchewan Pension Annuity Fund                  |   |

<sup>^</sup> The General Revenue Fund is comprised of all ministries of the Government. It is the fund into which all revenues are paid, unless otherwise provided for by law, and from which the Legislative Assembly appropriates all expenses.

**Figure 2 – Agencies with December 31 Year-End<sup>3</sup>**

|   |   |
|---|---|
| Extended Health Care Plan                                     | Extended Health Care Plan for Certain Other Employees |
| Extended Health Care Plan for Certain Other Retired Employees | Extended Health Care Plan for Retired Employees       |
| Municipal Employees' Pension Commission                       | Municipal Financing Corporation of Saskatchewan       |
| Public Employees Deferred Salary Leave Fund                   | Public Employees Dental Fund                          |
| Public Employees Disability Income Fund                       | Public Employees Group Life Insurance Fund            |
| Saskatchewan Government Insurance Service Recognition Plan    | Saskatchewan Pension Plan                             |

<sup>1</sup> [www.finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17FinanceAnnualReport.pdf](http://www.finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17FinanceAnnualReport.pdf) (2 August 2017).

<sup>2</sup> The General Revenue Fund does not prepare financial statements and is not legally required to do so. The Government's Summary Financial Statements include the financial results of the General Revenue Fund.

<sup>3</sup> Audit results for these agencies are reported in our *2017 Report – Volume 1*.

|   |   |
|---|---|
| Saskatchewan Power Corporation Designated Employee Benefit Plan | Saskatchewan Power Corporation Severance Pay Credits Plan |
| Saskatchewan Water Corporation Retirement Allowance Plan        | SaskEnergy Retiring Allowance Plan                        |
| SaskPower Supplementary Superannuation Plan                     |   |

## 2.2 Financial Overview

In 2017, Finance managed gross public debt<sup>4</sup> of \$17.2 billion (2016: \$14.4 billion) and investments in sinking funds<sup>5</sup> of \$1.8 billion (2016: \$1.7 billion).<sup>6</sup> Also, as shown in **Figure 3**, for the year ended March 31, 2017, Finance administered revenues of \$8.9 billion (2016: \$8.9 billion) including taxation revenues of \$5.7 billion, transfers from government entities (e.g., Saskatchewan Liquor and Gaming Authority) of \$1.1 billion, and transfers from the Federal Government of \$1.6 billion.

**Figure 3—Revenue by Major Type**

|  | Estimates<br>2016-17     | Actual<br>2016-17        |
|--|--------------------------|--------------------------|
|  | (in millions)            |                          |
| Taxation                                     | \$ 6,185.5               | \$ 5,666.1               |
| Non-renewable resources – resource surcharge | 339.7                    | 303.5                    |
| Transfers from government entities           | 794.9                    | 1,071.4                  |
| Other own-source revenue                     | 256.9                    | 257.6                    |
| Transfers from the Federal Government        | <u>1,547.4</u>           | <u>1,563.8</u>           |
| <b>Total Revenue</b>                         | <b><u>\$ 9,124.4</u></b> | <b><u>\$ 8,862.4</u></b> |

Source: Ministry of Finance financial records.

As shown in **Figures 4**, and **5**, in 2016-17, Finance had expenses of \$0.6 billion (2016: \$0.6 billion) including \$0.3 billion for public service pension and benefits (e.g., for members of the Public Service Superannuation Plan) and \$0.3 billion for interest costs related to servicing debt.

**Figure 4—Actual Expenses by Major Program**

|  | Estimates<br>2016-17 | Actual<br>2016-17 |
|--|----------------------|-------------------|
|  | (in millions)        |                   |
| Public service pension and benefits <sup>A</sup> | \$ 300.6             | \$ 300.1          |
| Revenue division                                 | 33.9                 | 32.0              |
| Provincial comptroller                           | 11.2                 | 9.2               |
| Central management and services                  | 6.5                  | 7.0               |
| Budget analysis                                  | 5.5                  | 5.2               |

<sup>4</sup> Gross public debt is borrowings through the issuance of debt instruments such as promissory notes and debentures.

<sup>5</sup> Investments in sinking funds are investments set aside for the repayment of debt.

<sup>6</sup> Government of Saskatchewan Summary Financial Statements – *Public Accounts 2016-17 Volume 1*, Schedule 8, p. 73.



|  | Estimates<br>2016-17 | Actual<br>2016-17 |
|--|----------------------|-------------------|
| Treasury and debt management                       | 2.1                  | 1.5               |
| Personnel policy secretariat                       | 0.5                  | 0.5               |
| Miscellaneous                                      | 0.1                  | -                 |
| <b>Total Appropriation – Vote 18</b>               | <b>\$ 360.4</b>      | <b>\$ 355.5</b>   |
| Capital asset acquisitions                         | (7.5)                | (6.3)             |
| Amortization of capital assets                     | 0.6                  | 0.6               |
| <b>Total Expense – Vote 18</b>                     | <b>\$ 353.5</b>      | <b>\$ 349.8</b>   |
| Debt servicing appropriation and expense – Vote 12 | 290.0                | 284.1             |
| <b>Total Expense – Votes 12 and 18</b>             | <b>\$ 643.5</b>      | <b>\$ 633.9</b>   |

Source: Saskatchewan Provincial Budget 16-17 Estimates (votes 12 and 18); Ministry of Finance Annual Report for 2016-17; Ministry of Finance 2016-17 financial records.

<sup>A</sup> Finance determines the estimated and actual expenses for public service pension and benefits using the cash basis of accounting instead of the accrual basis. For 2016-17, the audited Summary Financial Statements include a decrease in pension and benefits costs for defined pension and benefit plans sponsored by the Ministry of Finance of \$253.2 million to account for these costs on an accrual basis.

**Figure 5—Actual Expenses by Object**

|   | Estimates<br>2016-17 | Actual<br>2016-17 |
|---|----------------------|-------------------|
|   | (in millions)        |                   |
| Debt servicing                            | \$ 290.0             | \$ 284.1          |
| Salaries and benefits (includes pensions) | 326.3                | 324.2             |
| Goods and services                        | 26.6                 | 25.0              |
| Capital asset amortization                | 0.6                  | 0.6               |
| <b>Total Expense</b>                      | <b>\$ 643.5</b>      | <b>\$ 633.9</b>   |

Source: Saskatchewan Provincial Budget 16-17 Estimates (Votes 12 and 18); Ministry of Finance 2016-17 financial records.

Finance's annual report explains significant differences between actual and estimated expenses.<sup>7</sup>

## 3.0 AUDIT CONCLUSIONS

**In our opinion, for the year ended March 31, 2017:**

- **Finance and its agencies had effective rules and procedures to safeguard public resources except for the matters included in this chapter**
- **Finance and its agencies complied with the authorities set out in Section 5.0 governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter included in this chapter**

<sup>7</sup> [www.finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17FinanceAnnualReport.pdf](http://www.finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17FinanceAnnualReport.pdf) (2 August 2017).

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of Finance and the agencies' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of financial-related controls used to administer the revenue listed in **Figure 3** and expenses listed in **Figures 4** and **5**, to keep reliable financial records, and to prepare reliable financial reports.

Finance estimates income tax and resource surcharge revenues. We assessed its processes to assess, estimate, collect, and record these revenues. Finance also administers the GRF's bank accounts, short- and long-term debt, and short- and long-term investments (including investments in sinking funds). We assessed its processes to record and manage cash (including its bank reconciliation procedures and the opening and closing of bank accounts), buy and sell investments, and obtain and repay debt. Also, because Finance relies on its IT systems to manage its operations, we assessed its controls over key IT service providers, security, change management processes, and user access.

The law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2017, Cabinet approved, through Orders in Council (special warrants), spending of \$1.1 billion; the Legislative Assembly later approved these amounts through appropriation acts.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Clarity in Public Reporting of Losses Needed

Unlike other agencies responsible for public reporting of losses, Finance did not publicly report losses of public money and property over \$500 due to known or suspected theft by external parties.

Since March 2006, Treasury Board has required public quarterly reporting of incidents of losses that are reported to Finance by ministries and Treasury Board Crown agencies.<sup>8</sup> In setting this requirement, Treasury Board recognized public reporting of such incidents would add accountability and transparency. It also recognized public reporting would augment its other Treasury Board policies. For example, Treasury Board requires all ministries and Treasury Board Crowns to maintain adequate systems and controls to prevent and detect fraud and similar illegal acts. It has also required they report incidents of fraud and similar illegal acts to the proper authority.<sup>9,10</sup>

<sup>8</sup> Letter from the Provincial Comptroller to Chair of the Standing Committee on Public Accounts dated March 21, 2006.

<sup>9</sup> [www.finance.gov.sk.ca/FAM/PDF/4105.pdf](http://www.finance.gov.sk.ca/FAM/PDF/4105.pdf) (3 October 2017).

<sup>10</sup> In Treasury Board's related policies (FAM 4102, FAM 4101, FAM 4105), any employee who has knowledge of a suspicious incident within a ministry..., which may involve a fraud or similar illegal act, shall report it immediately. This includes incidents, which involve an employee, a client, a supplier, a contractor, or other third party. Suspected or confirmed incidents of fraud or similar illegal acts include those by public service employees or individuals on contract, and by clients, suppliers, contractors, or other third parties. Ministries must investigate all suspected incidents of fraud or similar illegal acts and take appropriate disciplinary and legal action in all confirmed cases. [www.finance.gov.sk.ca/FAM](http://www.finance.gov.sk.ca/FAM) (12 October 2017).



The Provincial Comptroller has directives to guide ministries and certain agencies (like Saskatchewan Liquor and Gaming Authority) in implementing Treasury Board’s policies. Since March 2006, directives require the Provincial Comptroller to report to the Standing Committee on Public Accounts losses of money and property over \$500 that have been reported by ministries and Treasury Board Crowns, and that are due to fraud or similar illegal acts by employees or fraud by third parties.<sup>11</sup>

Various other agencies also publicly report losses—Ministry of Education for losses of school divisions, Ministry of Health for losses of regional health authorities, and Crown Investments Corporation of Saskatchewan for losses of CIC Crown corporations.

Like others responsible for public reporting of losses, Finance publicly reported losses of public money and property over \$500 due to known or suspected theft by employees and contractors.

However, unlike those other agencies, we found examples in 2016-17 where Finance did not publicly report losses due to theft by parties external to the Government. **Figure 6** provides examples of losses of over \$500 due to known or suspected theft by external parties publicly reported by other agencies.

The public and legislators may assume that the Government consistently publicly reports all losses over a prescribed threshold resulting from known or suspected fraud or similar illegal acts.

**Figure 6—Examples of Thefts by External Parties Reported by Other Agencies Responsible for Public Reporting of Losses**

| Reported By                                   | Quarterly Loss Report                        | Agency                          | Amount   | Description of Loss                          |
|---|--|---------------------------------|----------|--|
| Crown Investments Corporation of Saskatchewan | 2016-17 3 <sup>rd</sup> Quarter <sup>A</sup> | SaskPower                       | \$2,103  | Theft of a projector                         |
| Ministry of Education                         | 2016-17 3 <sup>rd</sup> Quarter <sup>B</sup> | Saskatoon SD No. 13             | \$4,987  | Theft of cameras and camera equipment        |
| Ministry of Health                            | 2017-18 1 <sup>st</sup> Quarter <sup>C</sup> | Regina Qu’Appelle Health Region | \$20,000 | Theft of portable cardiac monitoring devices |

Source: Public Reports on Losses.

<sup>A</sup> [www.saskatchewan.ca/~media/news%20release%20backgrounders/2017/feb/q3%20crown%20loss%20report.pdf](http://www.saskatchewan.ca/~media/news%20release%20backgrounders/2017/feb/q3%20crown%20loss%20report.pdf) (3 October 2017).

<sup>B</sup> [www.saskatchewan.ca/~media/news%20release%20backgrounders/2017/july/sd%20loss%20reporting%20-%20q3.pdf](http://www.saskatchewan.ca/~media/news%20release%20backgrounders/2017/july/sd%20loss%20reporting%20-%20q3.pdf) (3 October 2017).

<sup>C</sup> [www.saskatchewan.ca/~media/news%20release%20backgrounders/2017/aug/2017-18%20q1%20report%20on%20losses%20of%20public%20money.pdf](http://www.saskatchewan.ca/~media/news%20release%20backgrounders/2017/aug/2017-18%20q1%20report%20on%20losses%20of%20public%20money.pdf) (3 October 2017).

At October 2017, Finance was working on changes to the Provincial Comptroller’s directives to clarify public loss reporting requirements. It also had preliminary discussions with CIC to move towards consistent public reporting of losses of money and property.

The Government’s public reporting of losses demonstrates its transparency and acts as a motivation for government agencies to maintain effective controls to prevent and detect such losses. In addition, public reporting provides legislators and the public with insight into the strength of these controls and helps them hold the Government to account.

<sup>11</sup> [www.finance.gov.sk.ca/FAM/PDF/4105.pdf](http://www.finance.gov.sk.ca/FAM/PDF/4105.pdf) (3 October 2017).

1. We recommend that the Ministry of Finance, through working with others responsible for public reporting of losses (e.g., the Crown Investments Corporation of Saskatchewan, and the ministries of Health and Education), clarify the nature of losses of public money and property to report publicly.

## 4.2 Resource Surcharge Revenue Estimation Processes Improving

*We recommended that the Ministry of Finance establish a process to better estimate resource surcharge revenue earned during each quarter and record this estimate each quarter.* (2011 Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

**Status** – Partially Implemented

Finance is making progress on developing models to better estimate resource surcharge revenues—particularly for uranium and potash.

**Figure 7—Brief Description of Resource Surcharge Revenues**

Finance levies resource surcharges, in conjunction with corporation capital tax, each year on the value of sales of oil, natural gas, potash, uranium, and coal in Saskatchewan under *The Corporation Capital Tax Act*. It applies to resource corporations and resource trusts.

Only corporations who expect to pay at least \$4,800 of combined corporation capital tax and resource surcharge are required to remit equal monthly instalments of at least 75% of the tax payable for the first fiscal year. Finance levies interest charges on the difference between installments remitted and taxes due. Corporations must file annual corporation capital tax returns within six months of the end of their fiscal year. In 2016-17, about 186 resource corporations paid resource surcharge revenue (2015-16: 216 resource corporations).

The resource surcharge rate in effect at March 31, 2017, was

- 3.0% of the value of sales of all potash, uranium and coal produced in Saskatchewan, and oil and natural gas produced from wells drilled in Saskatchewan prior to October 1, 2002, and
- 1.7% for oil and natural gas produced from wells drilled in Saskatchewan after September 30, 2002

| Year             | Corporation Capital Tax<br>& Resource Surcharge<br>Combined Revenue | Corporation Capital Tax<br>Revenue | Resource Surcharge<br>Revenue |
|------------------|---|------------------------------------|-------------------------------|
|                  | (\$ in thousands)   |                                    |                               |
| 2012/13          | \$731,576   | \$103,901                          | \$627,675                     |
| 2013/14          | 550,064   | 113,196                            | 436,868                       |
| 2014/15          | 590,214   | 115,708                            | 474,507                       |
| 2015/16          | 525,697   | 125,061                            | 400,636                       |
| 2016/17 (Budget) | 468,900   | 129,200                            | 339,700                       |
| <b>2016-17</b>   | <b>440,213</b>  | <b>136,686</b>                     | <b>303,527</b>                |

Source: [www.publications.gov.sk.ca/documents/15/11613-CT-3%20Corporation%20Capital%20Tax%20Resource%20Surcharge.pdf](http://www.publications.gov.sk.ca/documents/15/11613-CT-3%20Corporation%20Capital%20Tax%20Resource%20Surcharge.pdf) (12 October 2017); [www.finance.gov.sk.ca/taxes/cct/](http://www.finance.gov.sk.ca/taxes/cct/) (12 October 2017); Government of Saskatchewan Summary Financial Statements — *Public Accounts 2016-17 Volume 1*, Schedule 13, p. 78; Ministry of Finance financial records.

As explained in **Figure 7**, the Government levies a resource surcharge on the value of sales of oil, natural gas, potash, uranium, and coal in Saskatchewan under *The Corporation Capital Tax Act*. At March 2017, Finance estimates resource surcharge revenue earned primarily based on cash received. As reflected in **Figure 3**, 2016-17 resource surcharge revenue was \$303.5 million (2015-16: \$400.6 million). To make better





estimates, Finance needs to collect and analyze information on the sales in Saskatchewan of oil, natural gas, potash, uranium, and coal.

In 2016-17, Finance was testing the reliability of estimates produced from its recently developed reporting model for uranium and potash resource surcharge revenues. It determined the model provided reliable annual estimates but not reliable quarterly estimates. If testing continues to provide reliable annual estimates, it expects to implement this model in the 2019-20 fiscal year.

Also in 2016-17, Finance continued its efforts in developing models to better estimate resource surcharge revenues for oil and gas. It was finding this more challenging as oil and gas revenues fluctuate more. At September 2017, it determined none of the models developed provided reliable estimates and further work was needed. It expects an estimation model will require testing over several fiscal years to ensure the model produces reliable estimates. It plans to continue this work in 2017-18.

Without effective processes to estimate and record revenues each quarter, future financial statements of the Government may contain significant errors.

### 4.3 Timely Determination of Disaster Recovery Requirements Needed

***We recommended that the Ministry of Finance confirm, in writing, processes and policies that the Information Technology Office (ITO)<sup>12</sup> uses to address its specific information technology security and disaster recovery requirements, and then identify and set up additional policies unique to the Ministry of Finance as necessary.*** (2006 Report — Volume 3; Public Accounts Committee agreement March 13, 2007)

**Status** – Partially Implemented

Finance continues to not have an adequate agreement with the Ministry of Central Services (its primary IT service provider). In addition, it has not yet confirmed with Central Services the expected frequency of its disaster recovery testing of Finance's systems and sharing of the results of such tests with Finance.

We found that Finance and Central Services did not always resolve identified disaster recovery issues within a reasonable timeframe. For example, by August 2017, Finance had not determined how to respond to Central Services' 2011-12 notice that Central Services was unable to conclude whether it could fully recover one of Finance's critical IT systems in the event of a disaster—at August 2017, Central Services continued not to be able to conclude on this. Also, as of August 2017, Finance did not know if Central Services could recover certain of its other critical IT systems that Central Services hosts—the debt system and investment system.

This contrasts with activity related to Finance's other critical IT systems. For example, in 2016-17, successful disaster recovery tests continued to be conducted on Finance's main

<sup>12</sup> Effective May 2012, the Information Technology Office (ITO) was disestablished as a separate Ministry and became the Information Technology Division of the Ministry of Central Services. The Ministry of Central Services last performed disaster recovery tests on some of Finance's IT systems that it hosts in 2011-12.

revenue systems, and on the central system used by ministries for payments, payroll, and financial reporting (MIDAS).

Also, at August 2017, Finance's memorandum of understanding with Central Services continued not to set out the expected frequency of Central Services' disaster recovery testing of Finance's systems and sharing of the results of such tests with Finance. Although Finance had asked that these requirements be included in the memorandum, by August 2017, no amendments were made.

Not requiring timely testing of disaster recovery plans and promptly resolving issues, arising from the results of such tests, increases the risk that certain of Finance's critical systems (e.g., debt system, investment system) and data may not be available to provide services in the event of a disaster.

#### **4.4 Need to Follow Established Procedures for Removing User Access Promptly**

*We recommended that the Ministry of Finance follow its processes for removing unneeded user access to its information technology systems and data promptly.* (2010 Report - Volume 2; Public Accounts Committee agreement May 18, 2011)

**Status** – Partially Implemented

Finance did not consistently follow its processes to remove unneeded user access to its IT systems and data promptly.

Finance expects removal of unneeded user access to its systems and data within one day of an employee's last day of employ. It also expects monitoring of network access. Staff are to review, on a bi-weekly basis, a report showing employees who had not accessed the network in 30 days (inactive user report). In addition, Finance began receiving a monthly report that identified any network accounts that remained active after an employee's last date of employ (separation report). It expected staff to use these reviews to identify where it missed requesting removal of unneeded user access, and to make such requests.

However, staff did not consistently follow Finance's established procedures. In 2016-17, in 3 of 23 instances we tested, user access to the network was not removed until between 4 to 65 days after last day of employ (2015-16: 5 of 20 instances where access was removed 11 to 73 days after last day of employ).

In addition, because the inactive user report only identifies users who are inactive after 30 days and Finance only receives the separation report monthly, these processes alone will not result in timely removal of unneeded user access.

Not removing unneeded user access promptly increases the risk of inappropriate access and unauthorized changes to Finance's IT systems and data.



## 4.5 Reporting on Performance of Investments in Sinking Funds Needed

***We recommended that the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds.*** (2009

Report - Volume 1; Public Accounts Committee agreement June 25, 2010)

**Status** – Not Implemented with respect to reporting publicly on performance of investments in sinking funds

In 2016-17, Finance did not provide sufficient information on the performance of its sinking funds (e.g., planned performance compared to actual with reasons for significant differences). **Figure 8** briefly describes investments in sinking funds.

### Figure 8—Explanation of Investments in Sinking Funds and Their Purpose

Investments in sinking funds are money the Government sets aside to repay its long-term debt.

Finance's main investment objective is to optimize resources available in the sinking funds to retire debt when due. As such, when making sinking fund investment decisions, Finance considers the expected investment returns on sinking funds, risk of the investments, and desired time horizon of the investments (i.e., maturity date).

Finance invests in fixed-income securities (e.g., provincial bonds, debentures), and short-term interest-bearing investments with staggered maturity dates. Finance holds these investments until it needs cash to repay debt. If it does not have sufficient cash from investments that recently matured, it sells some of them.

Traditionally, Cabinet has required Finance to invest amounts equal to not less than 1% of the long-term borrowings owed by the General Revenue Fund each year. Starting in 2015-16, Finance is required to invest 2% for debt pertaining to the Saskatchewan Builds Capital Plan.<sup>A</sup>

Source: Ministry of Finance.

<sup>A</sup> Standing Committee on Crown and Central Agencies, *Hansard Verbatim Report No. 45* — April 22, 2015, p. 631.

At March 31, 2017, the Government set aside \$1.8 billion of investments in sinking funds to repay about 10% of its gross debt.<sup>13</sup> See **Figure 9** for details.

Although Finance actively monitors the performance of its investment in sinking funds,<sup>14</sup> it provides the public with limited information on this. For example, each year, a schedule in the Government's Summary Financial Statements provides details on investments in sinking funds including current year earnings (i.e., 2016-17: \$37.1 million).<sup>15</sup> Earnings on sinking funds appropriately includes interest income earned along with gains or losses on sale of investments.

The Provincial Budget does not indicate expected earnings on investments in sinking funds; information is limited to the expected amount of investments in sinking funds. In addition, Finance does not publicly compare actual to planned earnings, or indicate whether earnings on investments in sinking funds met its expectations (e.g., in Public Accounts Volume 1 or its Annual Report).

<sup>13</sup> Government of Saskatchewan Summary Financial Statements — *Public Accounts 2016-17 Volume 1*, Schedules 7 and 8, pp. 72-73.

<sup>14</sup> Finance continued to regularly compare actual investment income to budget, and use market-based benchmarks (based on the FTSE TMX Canada Mid-Term Government Bond Index) to assess the reasonableness of returns earned on its sinking fund investments. Quarterly reports, provided to senior management, included comparisons of actual returns to the FTSE TMX index and actual investment income to budget along with reasons for differences.

<sup>15</sup> Government of Saskatchewan Summary Financial Statements — *Public Accounts 2016-17 Volume 1*, Schedules 7 and 8, pp. 72-73.

**Figure 9—Information About Investments in Sinking Funds in the Summary Financial Statements**

|   | Actual<br>2016 | Actual<br>2017 |
|---|----------------|----------------|
|   | (in millions)  |                |
| Investments in Sinking Funds at March 31                          | \$ 1,705.4     | \$ 1,824.0     |
| Market value of Investments in Sinking Funds at March 31          | 1,679.8        | 1,787.3        |
| Contributions to Sinking Funds in year                            | 103.8          | 122.7          |
| Redemptions of Sinking Funds in year                              | 67.6           | 49.4           |
| Sinking Fund Earnings in year                                     | 48.6           | 37.1           |
| Gains on Sales of Investments (included in Sinking Fund Earnings) | 15.3           | 1.1            |

Source: Government of Saskatchewan Summary Financial Statements — *Public Accounts 2016-17 Volume 1*, Schedule 8, p. 73 and Government of Saskatchewan Summary Financial Statements — *Public Accounts 2015-16 Volume 1*, Schedule 8, p. 73.

Not providing sufficient information about the actual performance of investments in sinking funds compared to expected performance increases the risk that legislators and the public will not know whether Finance did a good job managing the Government's significant investments in sinking funds, and whether this aspect of its debt management plan is successful.

## 5.0 SUMMARY OF RELEVANT LEGISLATION

### Finance:

*The Executive Government Administration Act*  
*The Ministry of Finance Regulations, 2007*  
*The Corporation Capital Tax Act*  
*The Corporation Capital Tax Regulations, 1984*  
*The Financial Administration Act, 1993*  
*The Fuel Tax Act, 2000*  
*The Fuel Tax Regulations, 2000*  
*The Income Tax Act, 2000*  
*The Insurance Premiums Tax Act*  
*The Liquor Consumption Tax Act*  
*The Motor Vehicle Insurance Premiums Tax Act*  
*The Provincial Sales Tax Act*  
*The Provincial Sales Tax Regulations*  
*The Revenue and Financial Services Act*  
*The Revenue Collections Administration Regulations*  
*The Tobacco Tax Act, 1998*  
*The Tobacco Tax Regulations, 1998*  
 Orders in Council issued pursuant to the above legislation

### Public Employees Pension Plan:

*The Executive Government Administration Act*  
*The Public Employees Pension Plan Act*  
*The Public Employees Pension Plan Regulations, 2015*  
*The Superannuation (Supplementary Provisions) Act*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Pension Benefits Standards Regulations, 1985*  
 (Canada)  
*The Income Tax Act* (Canada) (sections 147.1, 147.2, and 147.3)  
*The Income Tax Regulations* (Canada) (sections 8501, 8505, 8512, 8514)  
 Orders in Council issued pursuant to the above legislation

### Judges of the Provincial Court Superannuation Plan:

*The Executive Government Administration Act*  
*The Financial Administration Act, 1993*  
*The Pension Benefits Standards Regulations, 1985*  
 (Canada) (Schedule III)  
*The Provincial Court Act, 1998*  
*The Provincial Court Compensation Regulations*  
*The Provincial Court Pension Plan Regulations*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Income Tax Act* (Canada) (sections 147.1, 147.2, and 147.3)  
*The Income Tax Regulations* (Canada) (sections 8501-8504, 8512, 8514, and 8520)  
*The Superannuation (Supplementary Provisions) Act*, (section 36.2)  
 Orders in Council issued pursuant to the above legislation

### Public Employees Benefits Agency Revolving Fund:

*The Executive Government Administration Act*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

### Public Service Superannuation Plan:

*The Executive Government Administration Act* (section 13)  
*The Public Service Superannuation Act*  
*The Superannuation (Supplementary Provisions) Act*  
*The Superannuation Acts Uniform Regulations*  
*The Pension Benefits Act, 1992*  
*The Income Tax Act* (Canada) (sections 147.1, 147.2, and 147.3)  
*The Income Tax Act Regulations* (Canada) (sections 8501-8505, 8512, 8514, and 8520)  
 Orders in Council issued pursuant to the above legislation



**Saskatchewan Pension Annuity Fund:**

*The Saskatchewan Pension Annuity Fund Act*  
*The Saskatchewan Pension Annuity Fund Regulations*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Pension Benefits Standards Regulations, 1985*  
(Canada)  
*The Financial Administration Act, 1993*  
*The Trustee Act, 2009*  
Orders in Council issued pursuant to the above  
legislation

**Water Security Agency Retirement Allowance Plan:**

*The Executive Government Administration Act*  
*The Financial Administration Act, 1993* (section 64)  
*The Crown Employment Contracts Act* (section 8)  
Orders in Council issued pursuant to the above  
legislation  
Water Security Agency Retirement Allowance Plan  
Document

## Chapter 4

### Government Relations

#### 1.0 MAIN POINTS

During 2016-17, the Ministry of Government Relations had effective rules and procedures to safeguard public resources except that it continues to need to remove unneeded user access to its computer systems and data promptly.

The Ministry complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

#### 2.0 INTRODUCTION

##### 2.1 Background

The Ministry of Government Relations is responsible for municipal relations; public safety; and for First Nations, Métis, and northern affairs.<sup>1</sup> Its responsibilities include co-ordinating, developing, promoting, and implementing policies and programs related to cities, municipalities (urban, rural, northern), and matters of an inter-municipal nature.

Its policies and programs relate to community planning, development, and diversification of cities and municipalities; joint ventures related to municipalities; and administrative and technical advice provided to administrators/councils to support the effective and efficient operation of municipal governments, community facilities, and local government elections.

In addition, the Ministry is responsible for co-ordinating, developing, promoting, and implementing policies:

- With respect to matters affecting First Nations and Métis people
- To foster and advance development in northern Saskatchewan
- For emergency management, disaster assistance, fire commissioner services, and building accessibility and other safety standards
- For public safety (e.g., safety standards for boilers, pressure vessels, gas equipment and installations)<sup>2</sup>

##### 2.2 Financial Overview

For the year ended March 31, 2017, the Ministry had revenues of \$183.5 million (including \$166.9 million from the Federal Government) and expenses of \$527.5 million. **Figure 1**

<sup>1</sup> [www.saskatchewan.ca/government/government-structure/ministries/government-relations](http://www.saskatchewan.ca/government/government-structure/ministries/government-relations) (31 August 2017).

<sup>2</sup> *The Ministry of Government Relations Regulations.*



lists the Ministry's expenses by major programs. For further details, see the Ministry's *2016-17 Annual Report* available on its website.<sup>3</sup>

**Figure 1 – Expenses by Major Program**

|                                    | Estimates<br>2016-17 <sup>A</sup> | Actual<br>2016-17 |
|------------------------------------|-----------------------------------|-------------------|
|                                    | (in millions)                     |                   |
| Central Management and Services    | \$ 9.7                            | \$ 9.1            |
| First Nations and Métis Engagement | 81.8                              | 80.9              |
| Municipal and Northern Engagement  | 405.7                             | 393.3             |
| Saskatchewan Municipal Board       | 1.9                               | 1.6               |
| Public Safety                      | 11.2                              | 41.4              |
| <b>Total Appropriation</b>         | <u>510.3</u>                      | <u>526.3</u>      |
| Capital Asset Acquisitions         | (1.8)                             | (1.6)             |
| Amortization of Capital Assets     | 2.6                               | 2.8               |
| <b>Total Expense</b>               | <u>\$ 511.1</u>                   | <u>\$ 527.5</u>   |

Source: *Ministry of Government Relations 2016-17 Annual Report*.

<sup>A</sup> The Ministry obtained additional funding through supplementary estimates of \$28.2 million.

## 3.0 AUDIT CONCLUSIONS

**In our opinion, for the year ended March 31, 2017:**

- **The Ministry had effective rules and procedures to safeguard public resources except as described in this chapter**
- **The Ministry complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Assessment Management Agency Act*  
*The Assessment Management Agency Regulations*  
*The Cities Act*  
*The Crown Employment Contracts Act*  
*The Executive Government Administration Act*  
*The Financial Administration Act, 1993*  
*The Government Organization Exemption Regulations*  
*The Government Relations Administration Act*  
*The Indian and Native Affairs Act*  
*The Ministry of Government Relations Regulations*  
*The Métis Act*  
*The Municipalities Act*  
*The Municipal Boards Act*

*The Municipal Grants Act*  
*The Municipal Grants Regulations*  
*The Northern Municipalities Act, 2010*  
*The Provincial Disaster Assistance Program Regulations, 2011*  
*The Public Services Act, 1998*  
*The Purchasing Act, 2004*  
*The Saskatchewan Gaming Corporation Act (Part III.01, and III.1)*  
*The Saskatchewan Natural Resources Transfer Agreement (Treaty Land Entitlement) Act*  
 2002 Gaming Framework Agreement  
 Orders in Council issued pursuant to the above legislation

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audit. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the

<sup>3</sup> [www.saskatchewan.ca/government/government-structure/ministries/government-relations](http://www.saskatchewan.ca/government/government-structure/ministries/government-relations) (31 August 2017).

Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We tested the Ministry's controls for managing grant payments to municipalities as the Ministry receives and distributes significant funding for various municipal programs. This included testing its processes for awarding grants, approving grant payments, and monitoring municipalities' compliance with federal and provincial funding agreements.

The Ministry also provides significant financial assistance to individuals and organizations for provincial disaster claims and expects to receive reimbursements from the federal government for a portion of the amount it pays. We tested the Ministry's controls over managing disaster claims and recovering amounts from the federal government, including processes for making and recording significant accounting estimates.

The Ministry provides significant funding annually to the First Nations Trust and six Community Development Corporations based on profits Saskatchewan casinos earn.<sup>4</sup> We tested the Ministry's controls for managing these grant payments including monitoring the compliance of the First Nations Trust and the Corporations with the 2002 Gaming Framework Agreement.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Timely Removal of Unneeded IT User Access Needed

***We recommended that the Ministry of Government Relations document and implement procedures to ensure unneeded user access to its information technology systems and data is removed promptly.*** (2012

Report – Volume 2; Public Accounts Committee agreement January 13, 2014)

**Status** – Partially Implemented

For the last half of 2016-17, the Ministry did not consistently follow its process to monitor removal of unneeded user access to its IT systems and data.

For the first two quarters of 2016-17, the Ministry identified that unneeded access to its IT network was not removed promptly for 14 of 56 employees who left the employ of the Ministry (2015-16: 9 of 95). For those 14 employees, the Ministry did not remove access until 2 to 99 days after termination (2015-16: 1 to 74 days). Not removing unneeded user access promptly increases the risk of inappropriate access and unauthorized changes to the Ministry's IT systems and data.

<sup>4</sup> In accordance with the 2002 Gaming Framework Agreement and *The Saskatchewan Gaming Corporation Act* (for the First Nations Trust).





## 4.2 Guidance for Monitoring the 2002 Gaming Framework Agreement Provided

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***We recommended that the Ministry of Government Relations provide guidance to staff for analyzing and taking action on issues arising from its monitoring of the 2002 Gaming Framework Agreement.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

During 2016-17, management developed and approved guidance for staff about analyzing and taking action on issues arising from its monitoring of compliance with the 2002 Gaming Framework Agreement. We found the guidance sufficient.

We found that management maintained documentation to show it sufficiently monitored the compliance of the First Nations Trust and Community Development Corporations with the Agreement and took appropriate action on issues it identified (e.g., attempting to receive information not submitted when expected; withholding payments when information not received).

## Chapter 5

# Government Relations – Northern Municipal Trust Account

### 1.0 MAIN POINTS

Other than the following, the Ministry of Government Relations had effective rules and procedures to safeguard the Northern Municipal Trust Account's public resources, for the year ending December 31, 2016. The Ministry did not:

- Adequately supervise staff responsible for recording the Account's financial information
- Prepare timely and accurate bank reconciliations
- Prepare financial reports for each quarter

Without adequate supervision and financial reporting, the Ministry risks using inaccurate or incomplete financial information to make decisions and monitor the Account's operations.

Also, the Ministry did not provide the Account's 2015 or 2016 annual reports to the Legislative Assembly within timelines set in *The Executive Government Administration Act*. This was due, in part, to the issues identified above, as it did not prepare accurate or timely financial statements for audit.

The Account's 2016 financial statements are reliable.

### 2.0 INTRODUCTION

Under *The Northern Municipalities Act, 2010*, the Northern Municipal Trust Account is a special account with two main purposes:

- To assist northern municipalities in providing quality services to their residents through operating and capital grants (e.g., for water and sewer systems, municipal facilities and equipment)
- To administer and finance the municipal functions and operations of the Northern Saskatchewan Administration District<sup>1</sup> (e.g., provide water)

The Act makes the Ministry responsible for administering the Account. In addition, it makes a Cabinet-appointed Board responsible for giving the Minister of Government Relations advice on the allocations of northern operating and capital grants, and advice on changes to laws concerning the Account.

<sup>1</sup>The Northern Saskatchewan Administration District is a geographical area defined under section 74 of *The Northern Municipalities Regulations* that includes 11 northern settlements and 14 resort subdivisions.



The Ministry has assigned about 11 full-time equivalent staff, located primarily in La Ronge, to administer the Account.

**Figure 1 – Financial Overview**

|  | Actual<br>2016 | Actual<br>2015 |
|--|----------------|----------------|
|  | (in millions)  |                |
| Revenues – from Ministry of Government Relations | \$ 22.0        | \$ 20.3        |
| Revenues – other sources                         | 12.7           | 13.1           |
| <b>Total Revenues</b>                            | <b>\$ 34.7</b> | <b>\$ 33.4</b> |
| Grants expenses                                  | 23.9           | 20.9           |
| Other expenses                                   | 4.6            | 5.1            |
| <b>Total Expense</b>                             | <b>\$ 28.5</b> | <b>\$ 26.0</b> |
| Cash   | 12.9           | 28.8           |
| Temporary investments                            | 26.6           | 1.6            |
| Accounts receivable                              | 6.5            | 8.7            |
| Capital assets                                   | 4.9            | 4.7            |
| Other assets                                     | 0.6            | 0.5            |
| <b>Total Assets</b>                              | <b>\$ 51.5</b> | <b>\$ 44.3</b> |

Source: Adapted from Northern Municipal Trust Account Financial Statements for the year ended December 31, 2016.

## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended December 31, 2016:

- **The Ministry of Government Relations had effective rules and procedures to safeguard the Account’s public resources except for the matters described in this chapter**
- **The Ministry of Government Relations complied with the following authorities governing the Account’s activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

*The Northern Municipalities Act, 2010*  
*The Northern Municipalities Regulations*  
*The Financial Administration Act, 1993*  
*The Executive Government Administration Act*  
 Orders in Council pursuant to the above legislation and regulations

- **The Account had reliable financial statements**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audit. We used the control framework published by CPA Canada to make our judgments about the effectiveness of Ministry’s controls over the Account. The control framework defines control as comprising elements

of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit effort focused on certain revenues (e.g., taxation, utility, leases, fuel sales). This included assessing the Ministry's monitoring of lease and land sales revenues that the Ministry of Environment collects on the Account's behalf; and testing the accuracy of tax calculations and fuel sales. In addition, we assessed the reasonability of management's estimates of lease receivables, landfill decommissioning costs, and contaminated sites liability. We observed fuel inventory on hand at year-end, and assessed whether the Ministry properly recorded the Account's fuel inventory.

During 2016, the Ministry upgraded the Account's accounting software. As a result, we assessed the Ministry's processes to do the upgrade. This included checking the completeness and accuracy of financial information after the upgrade.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Closer Supervision of Financial Staff Needed

***We recommended that the Ministry of Government Relations require management to carry out a detailed review of quarterly and year-end financial information (e.g., financial reports, journal entries, reconciliations) prepared by the staff responsible for recording Northern Municipal Trust Account financial information.*** (2015 Report – Volume 1; Public Accounts Committee agreement September 15, 2016)

**Status** – Not Implemented

During 2016, the Ministry did not adequately supervise staff responsible for various Account financial activities.

During the 2016 audit, we identified instances where staff did not follow policies properly. For instance, contrary to Ministry policies, we found:

- The last complete verification of the existence and condition of the Account's capital assets was in 2012 instead of at least every two years.<sup>2</sup>
- Staff, in a number of instances, recorded transactions to the wrong general ledger account (e.g., to other revenue instead of other transfers revenue).<sup>3</sup> Management did not detect this error in its review of financial results. As a result, the Account's 2016 financial statements presented for audit had \$338,000 of errors (2015: \$108,000). The Ministry corrected the Account's final financial statements for most of these errors.

<sup>2</sup> Policies require that staff verify the existence and condition of capital assets periodically (at least every two years) by physically inspecting and counting the assets.

<sup>3</sup> Policies require staff to verify that invoices are coded to proper accounts prior to invoices being entered into the Account's accounting records (the general ledger).



- For almost one-half of the accounting entries we tested, management did not leave evidence of independent review and approval on the journal entries.<sup>4</sup>
- Staff did not prepare or review monthly bank reconciliations by the end of the following month (see **Section 4.2**).
- For the Account's leases receivable, management incorrectly estimated the amounts it expects the Ministry will be unable to collect.<sup>5</sup>
- Management did not prepare payment reports for approval by Local Advisory Committees.<sup>6</sup>

Without adequate supervision, the Ministry may not detect and correct, within a reasonable time, errors in the Account's financial records or identify instances where staff are not following key policies and processes.

## 4.2 Proper and Timely Reconciliation of Bank Accounts Needed

***We recommended that the Ministry of Government Relations prepare timely and accurate bank reconciliations for the Northern Municipal Trust Account, as its policies require.*** (2016 Report – Volume 2; Public Accounts Committee agreement March 21, 2017)

**Status** – Not Implemented

During 2016, the Ministry did not reconcile the Account's bank accounts properly and prepared all bank reconciliations later than its policies expect. At December 31, 2016, the Account held cash of almost \$13 million.

During the 2016 audit, we found, contrary to Ministry policy:

- Staff did not resolve differences between the Account's bank account balances and accounting records. The unreconciled differences ranged from \$1,342 to \$4,798.
- Staff did not prepare bank reconciliations before the end of the following month<sup>7</sup> and did not prepare a reconciliation for November 2016.
- Management did not document its review and approval of bank reconciliations.<sup>8</sup> As a result, the Ministry could not show whether it reviewed reconciliations on a timely basis.

Proper bank account reconciliations check the accuracy and reliability of the Account's accounting records (e.g., detect unauthorized payments, unrecorded cash receipts or loss of public money). Doing reconciliations on a timely basis enables timely follow up of differences and corrections, increasing the accuracy of financial records. Without

<sup>4</sup> Policies require management to leave evidence of preparation and independent review on all journal entries.

<sup>5</sup> Policies require staff to include leases receivable outstanding for more than 360 days in its estimate of uncollectible accounts—management included leases receivable outstanding for more than 180 days.

<sup>6</sup> Policies require staff to prepare and take payment lists to Local Advisory Committee meetings for expenditure approval. Each northern settlement has a Local Advisory Committee of 3 or 5 members that advise the Minister about northern affairs.

<sup>7</sup> Policies require staff to reconcile the recorded bank balance to the bank's records by the end of the following month.

<sup>8</sup> Policies require management to independently review and approve the reconciliations.

accurate and timely bank reconciliations, the Ministry increases the risk of using inaccurate financial records to make decisions and the risk of loss of public money without timely detection.

### 4.3 Preparation of Financial Reports for All Quarters Needed

***We recommended that the Ministry of Government Relations prepare accurate quarterly financial reports for the Northern Municipal Trust Account, as its policies require.*** (2015 Report – Volume 1; Public Accounts Committee agreement September 15, 2016)

**Status** – Partially Implemented

During 2016, contrary to its policies, management did not prepare quarterly financial reports for the first or second quarter. Staff prepared, and management approved, the Account's third-quarter report in accordance with policy.

The Account's policies and procedures require the Account to prepare quarterly reports within 42 days of quarter-end. In addition, they require senior management to approve the reports as evidence of their review.

Not preparing quarterly reports throughout the year increases the risk of senior management not receiving necessary financial information to make decisions or to monitor the Account's financial activities.

### 4.4 Timely Tabling of Annual Reports Needed

The Ministry did not provide the Account's December 31, 2015, or December 31, 2016, annual reports to the Legislative Assembly within the timeframe required by *The Executive Government Administration Act* (Act). Section 13 of the Act requires the Ministry to provide the Account's annual report within 120 days after year-end.

The Ministry provided the Account's *2015 Annual Report* to the Assembly on October 31, 2016. As of July 31, 2017, it had not yet tabled the Account's 2016 Annual Report. The Act required the Ministry to provide the Account's annual reports by April 29, 2016 and April 30, 2017, respectively.

The Ministry was unable to provide the Assembly with timely annual reports due, in part, to the issues identified in **Sections 4.1** and **4.2**, as it did not prepare accurate or timely financial statements for audit.

Not tabling the Account's annual report within the timelines set in legislation increases the risk that legislators do not have sufficient information to monitor the Account's operations.

- We recommend that the Ministry of Government Relations provide the Northern Municipal Trust Account's annual report to the Legislative Assembly in accordance with timelines set in *The Executive Government Administration Act*.***



## Chapter 6

### Health

#### 1.0 MAIN POINTS

The Ministry of Health, six of its agencies, and nine benefit plans reported in this chapter complied with authorities governing their activities. Each of these agencies and benefit plans' 2016-17 financial statements are reliable. The Ministry and the six agencies had effective rules and procedures to safeguard public resources except for the matters related to the Ministry.

The Ministry needs to follow its established procedures for promptly removing unneeded user access to its computer systems and data. Lack of compliance with the established procedures increases the risk of inappropriate access.

#### 2.0 INTRODUCTION

##### 2.1 Background

The Ministry of Health is responsible for providing leadership for the health sector on strategic policy, allocating funding, and monitoring and enforcing health standards.

The Ministry oversees and funds a healthcare system that includes 12 regional health authorities, Saskatchewan Cancer Agency, Athabasca Health Authority,<sup>1</sup> affiliated healthcare organizations, and health professionals.

The Ministry assists regional health authorities, Saskatchewan Cancer Agency, and other stakeholders in recruiting and retaining healthcare providers, including nurses and physicians.<sup>2</sup> In addition, it administers key health programs such as the Saskatchewan Medical Care Insurance Plan and the Saskatchewan Prescription Drug Plan.

##### 2.2 Financial Overview

For the year ended March 31, 2017, the Ministry had revenues of \$13.3 million including \$5.4 million from transfers from the Federal Government for healthcare initiatives.<sup>3</sup> As reflected in **Figure 1**, the Ministry spent almost \$5.2 billion to deliver its programs and services.<sup>4</sup> Information about the Ministry's revenues and expenses appears in its annual report.<sup>5</sup>

<sup>1</sup> At March 31, 2017, the Athabasca Health Authority operates under an agreement between the province, Canada, and six northern First Nations. The Ministry funds the Authority for acute care expenses.

<sup>2</sup> Ministry of Health, *2016-17 Annual Report*, p. 7.

<sup>3</sup> *Ibid.*, pp. 35, 36.

<sup>4</sup> *Ibid.*, pp. 34, 35.

<sup>5</sup> See <http://finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17HealthReport.pdf> (07 September 2017).



**Figure 1 – Major Programs and Spending**

|   | Estimates<br>2016-17 <sup>A</sup> | Actual<br>2016-17 |
|---|-----------------------------------|-------------------|
|   | (in millions)                     |                   |
| Central Management and Services               | \$ 11.3                           | \$ 9.6            |
| Regional Health Authorities                   | 3,648.9                           | 3,658.9           |
| Provincial Health Services                    | 211.4                             | 208.9             |
| Medical Services & Medical Education Programs | 908.3                             | 922.6             |
| Drug Plan & Extended Benefits                 | 386.8                             | 378.1             |
| Early Childhood Development                   | -                                 | -                 |
| Provincial Infrastructure Projects            | 184.2                             | 184.2             |
| <b>Total Appropriation</b>                    | <b>5,350.9</b>                    | <b>5,362.3</b>    |
| Capital Asset Acquisitions                    | (184.6)                           | (184.2)           |
| Non-Appropriated Expense Adjustment           | 0.8                               | 2.6               |
| <b>Total Expense</b>                          | <b>\$ 5,167.1</b>                 | <b>\$ 5,180.7</b> |

Source: Ministry of Health, 2016-17 Annual Report.

<sup>A</sup> During 2016-17, the Ministry received a budget increase through a special warrant of \$16 million.

## 3.0 AUDIT CONCLUSIONS

### 3.1 Related Crown Agencies and Benefit Plans

At March 31, 2017, the Ministry was responsible for the following Crown agencies and benefit plans.

We have reported the results of our audits of agencies in blue font in the chapter number identified. This chapter reports the results of our audits of the Ministry, the six agencies with a March 31 year-end, and the nine benefit plans with a December 31 year-end.

#### Year-End March 31

[Twelve Regional Health Authorities \(Chapter 11\)](#)

[eHealth Saskatchewan \(Chapter 2\)](#)

Health Quality Council

Health Shared Services Saskatchewan (3sHealth)

Physician Recruitment Agency of Saskatchewan

Saskatchewan Association of Health Organizations Inc. (SAHO)

Saskatchewan Cancer Agency

Saskatchewan Impaired Driver Treatment Centre Board of Governors

#### Year-End December 31

3sHealth, Disability Income Plan – C.U.P.E.

3sHealth, Disability Income Plan – S.E.I.U. – West

3sHealth, Disability Income Plan – S.U.N.

3sHealth, Disability Income Plan – General

3sHealth, Core Dental Plan  
 3sHealth, In-Scope Extended Health Care/Enhanced Dental Plan  
 3sHealth, Out-of-Scope Extended Health Care/Enhanced Dental Plan  
 3sHealth, Group Life Insurance Plan  
 3sHealth, Out-of-Scope Flexible Spending Plan

**In our opinion, for the years ended December 31, 2016 and March 31, 2017:**

- **The Ministry and its six agencies had effective rules and procedures to safeguard public resources except for the matters related to the Ministry as described in this chapter**
- **The Ministry, its six agencies, and nine benefit plans complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*An Act to Incorporate Saskatchewan Health-care Association*  
*The Crown Corporations Act, 1993*  
*The Cancer Agency Act*  
*The Cancer Agency Regulations*  
*The Drug Plan Medical Supplies Regulations*  
*The Saskatchewan Assistance Plan*  
*Supplementary Health Benefits Regulations*  
*The Executive Government Administration Act*  
*The Financial Administration Act, 1993*  
*The Health Administration Act*  
*The Health Facilities Licensing Act*  
*The Health Facilities Licensing Regulations*  
*The Health Information Protection Act*  
*The Health Quality Council Act*  
*The Special-care Home Rates Regulations*  
*The Mental Health Services Act*

*The Non-Profit Corporations Act, 1995*  
*The Prescription Drugs Act*  
*The Prescription Drugs Regulations, 1993*  
*The Public Health Act, 1994*  
*The Purchasing Act, 2004*  
*The Regional Health Services Act*  
*The Regional Health Services Administration Regulations*  
*The Saskatchewan Medical Care Insurance Act*  
*The Medical Care Insurance Beneficiary and Administration Regulations*  
*The Saskatchewan Medical Care Insurance Payment Regulations, 1994*  
*The Medical Care Insurance Peer Review Regulations*  
 Orders in Council issued pursuant to the above legislation  
 Plan text and Agreements related to the benefit plans

- **The financial statements of each of the six agencies and nine benefit plans reported in this chapter are reliable**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry and its agencies' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We paid particular attention to the Ministry's significant programs including payments to physicians for medical services, payments of drug plan and extended benefits, payments for provincial health services, capital planning, and its processes for contract management and supervision of regional health authorities.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.



## 4.1 Timeliness of Removal of User Access Improving

***We recommended that the Ministry of Health follow its established procedures for removing unneeded user access to its computer systems and data promptly.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

While the Ministry continues to not consistently follow its procedures for promptly removing unneeded user access to its computer systems and data, it is improving.

In October 2016, the Ministry's Internal Audit started assessing, on a monthly basis, system access for all terminated employees and employees on a leave of absence. It provided the results of the monthly audits to Ministry branch heads. In addition, since May 2017, the Ministry's executive has actively worked on raising staff's awareness of the importance of removing unneeded system access promptly.<sup>6</sup>

During the audit, we noted these efforts are making a difference. We found Ministry staff had not promptly requested removal of unneeded network user access for 10 out of 30 individuals we tested. For all 10 instances, the last date of employ of the individuals was before Internal Audit started its monthly audits. For two of the ten instances, the Ministry did not request removal of user access until after October 31, 2016 (i.e., 15 and 212 business days, respectively, after the individual left the Ministry's employ). For one other instance, at the time of testing, the Ministry had not yet requested removal of user access—218 business days after the individual left the Ministry's employ.

Delays in removing unneeded access mean staff continue to have access to systems and data they should no longer be able to access or change.

## 4.2 Accounting Treatment of Assets Constructed Under Shared Ownership Agreements Resolved

***We recommended that the Ministry of Health follow Canadian generally accepted accounting principles for the public sector when accounting for assets constructed under shared ownership agreements.*** (2013 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status** – Implemented

During 2016-17, the Ministry corrected its accounting for assets constructed under shared ownership agreements. It removed assets constructed under these agreements from its accounting records. The seven regional health authorities, that had entered into shared ownership agreements with the Ministry, appropriately record these assets in their accounting records.

In 2016-17, the Ministry and each of those seven regional health authorities formally agreed to terminate the shared ownership arrangement.

<sup>6</sup> The Ministry's policy requires staff to request removal of user access on the day an individual leaves its employment.

## Chapter 7

# Highways and Infrastructure

### 1.0 MAIN POINTS

The Ministry of Highways and Infrastructure had effective rules and procedures to safeguard public resources except that Ministry staff did not always ensure unneeded access of former employees to its computer systems was removed promptly. Not following these established processes makes the Ministry's data and systems vulnerable to inappropriate access.

During 2016-17, the Ministry, the Transportation Partnerships Fund, and the Saskatchewan Grain Car Corporation complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2016-17 financial statements of the Transportation Partnerships Fund are reliable.

The Saskatchewan Grain Car Corporation had an 11-month period ended June 30, 2017, and was wound up on that date. The financial statements of the Corporation at that date are reliable.

### 2.0 INTRODUCTION

The Ministry of Highways and Infrastructure is to:

- Provide a safe, reliable transportation system that supports Saskatchewan's growth agenda and quality of life; and deliver innovative, sustainable infrastructure to serve the needs of its customers
- Manage and provide for the future development of an integrated provincial transportation system, which supports economic growth and prosperity for Saskatchewan and promote the safe and efficient movement of goods and people<sup>1</sup>

The Ministry is responsible for managing the provincial transportation system. The system includes more than 26,000 kilometres of highways, 727 bridges, 17 airports in northern Saskatchewan, 12 ferries and 1 barge.<sup>2</sup>

### 2.1 Financial Overview

At March 31, 2017, the Ministry managed tangible capital assets comprised primarily of the transportation system with a book value of \$4 billion. In 2016-17, it acquired capital assets of almost \$900 million comprised primarily of roads and bridges (e.g., Regina Bypass).

<sup>1</sup> Ministry of Highways and Infrastructure, *2016-17 Annual Report*, p. 3.

<sup>2</sup> *Ibid.*



In 2016-17, the Ministry had expenses of about \$449 million. **Figure 1** sets out its expenses by major program. In addition, it had revenues of \$142 million including federal government transfers of \$105 million for the Regina Bypass and \$26 million from the Building Canada Fund.

**Figure 1 – Expenses by Major Programs**

|                                       | Estimates<br>2016-17 <sup>A</sup> | Actual<br>2016-17 |
|---------------------------------------|-----------------------------------|-------------------|
|                                       | (in millions)                     |                   |
| Central Management and Services       | \$ 18.5                           | \$ 17.4           |
| Strategic Municipal Infrastructure    | 26.3                              | 24.2              |
| Operation of Transportation System    | 94.0                              | 97.7              |
| Preservation of Transportation System | 150.8                             | 144.1             |
| Transportation Policy and Programs    | 3.4                               | 3.7               |
| Infrastructure and Equipment Capital  | <u>854.6</u>                      | <u>861.5</u>      |
| <b>Total Appropriation</b>            | <u>1,147.6</u>                    | <u>1,148.6</u>    |
| Capital Asset Acquisitions            | (924.6)                           | (861.5)           |
| Capital Asset Amortization            | <u>162.4</u>                      | <u>161.5</u>      |
| <b>Total Ministry Expense</b>         | <u>\$ 385.4</u>                   | <u>\$ 448.6</u>   |

Source: 2016-17 Ministry of Highways and Infrastructure Annual Report.

<sup>A</sup> During 2016-17, the Ministry received a budget increase through a special warrant of \$70 million.

## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended before or on June 30, 2017:

- **The Ministry and the Saskatchewan Grain Car Corporation had effective rules and procedures to safeguard public resources except the Ministry needs to remove unneeded user access promptly**
- **The Ministry, the Transportation Partnerships Fund, and the Corporation complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Highways and Transportation Act, 1997*  
*The Railway Line (Short Line) Financial Assistance Regulations*  
*The Short Line Railway Financial Assistance Regulations*  
*The Ministry of Highways and Infrastructure Regulations, 2007*  
*The Fuel Tax Accountability Act*  
*The Public Works and Services Act*  
*The Executive Government Administration Act*  
*The Financial Administration Act, 1993*  
*The Purchasing Act, 2004 and Regulations*  
*The Saskatchewan Grain Car Corporation Act*  
 Orders in Council issued pursuant to the above legislation

- **The financial statements of the Fund and the Corporation are reliable**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audit. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Because the Ministry uses contractors in the maintenance and construction of its highways and bridges, we paid particular attention to the Ministry's controls over managing its contracts. This included assessing its processes for awarding, approving, and adjusting contracts; retaining appropriate security and holdbacks; approving estimates; obtaining appropriate clearance from the Workers' Compensation Board and tax authorities before final payments; and tracking its related contractual obligations.

Also, because the Ministry relies on its computer systems to manage its contracts and the transportation system, we assessed key IT service level agreements, change management processes, and user access controls related to those key systems.

## 4.0 KEY FINDING AND RECOMMENDATION

### 4.1 Prompt Removal of User Access Needed

***We recommended that the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data.*** (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

**Status** – Partially Implemented

Although the Ministry has established procedures to remove user access to its computer systems and data, it did not always follow them.

The Ministry expects its supervisors to request the removal of user access of their staff who leave the Ministry's employ; they are to make this request on or before their staff's departure. In addition, supervisors are to review, each month, a termination listing obtained from the Public Service Commission. The purpose of the review is to check that MIDAS<sup>3</sup> user access has been removed for individuals on the listing.

As in our prior audits, we found former employees whose access to the Ministry's computer systems was not removed promptly. In addition, we found its monthly review was not working. During 2016-17:

- Access of six of ten individuals (2015-16: three of ten) we examined had their network access removed between 6 and 270 days after last day of employ (2015-16: 36 to over 60 days). For two of these individuals, the Ministry did not request the removal of access until we brought the matter to its attention.

<sup>3</sup> This includes both MIDAS Financials and MIDAS HR/Payroll. MIDAS is the central application the Ministry uses to record and account for its financial activities, including its general ledger, accounts payable, accounts receivable, purchasing and payments, human resources and payroll records, etc.



- Access of three individuals (2015-16: four individuals) to MIDAS applications was removed between 57 to 74 days after last day of employ. For two of these individuals, the Ministry did not request the removal of access until we brought the matter to its attention.

Not removing unneeded access promptly increases the risk of unauthorized individuals accessing its computer systems and data. It makes the Ministry's data and systems vulnerable to access by unauthorized users, including inappropriate access to confidential information.

## Chapter 8

### Justice

#### 1.0 MAIN POINTS

In 2016-17, the Ministry of Justice and its agencies had effective rules and procedures to safeguard public resources except the Ministry needs to improve its IT processes by preparing and testing its disaster recovery plans, and removing unneeded user access to its computer systems and data on a timely basis.

The Ministry worked with the Information and Privacy Commissioner to propose changes to Saskatchewan's general access and privacy legislation to mitigate risks related to the *USA Freedom Act* (formerly *USA Patriot Act*).

The Ministry, its agencies, and special purpose funds complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2016-17 financial statements of the Ministry's agencies and special purpose funds are reliable.

#### 2.0 INTRODUCTION

The Ministry of Justice's mandate is to provide a fair justice system that upholds the law and protects the rights of all individuals in Saskatchewan, promotes safe and secure communities, provides supervision and rehabilitation services for adult and young offenders, and provides legal and justice policy advice to the government.<sup>1</sup>

This chapter includes the results of our annual integrated audit of the Ministry, its agencies, and special purpose funds for the year ended March 31, 2017. It also includes the status of a recommendation we first made in 2011.<sup>2</sup> In 2011, we examined how the Government protects its data where a service provider that manages and stores it might be required by a United States law to provide that data to a United States law enforcement agency.

#### 2.1 Financial Overview

For the year ended March 31, 2017, the Ministry had revenues totalling \$96.2 million comprised primarily of fines and fees, and transfers from federal and municipal governments. In addition as shown in **Figure 1**, it spent \$610.5 million on its programs in 2016-17.

<sup>1</sup> Ministry of Justice, *2016-17 Annual Report*, p. 5.

<sup>2</sup> *2011 Report – Volume 2*, Chapter 20; *2013 Report – Volume 2* Chapter 37; and *2015 Report – Volume 2*, Chapter 50 include the results of our last follow ups.



**Figure 1 – Major Programs and Spending**

|  | Estimates<br>2016-17 <sup>A</sup> | Actual<br>2016-17 |
|--|-----------------------------------|-------------------|
|  | (in millions)                     |                   |
| Central Management and Services                  | \$ 56.5                           | \$ 56.6           |
| Courts and Civil Justice                         | 62.1                              | 64.3              |
| Innovation, Legal and Policy Services            | 37.4                              | 37.7              |
| Community Safety Outcomes                        | 16.1                              | 15.0              |
| Community Justice                                | 17.6                              | 17.5              |
| Board and Commissions                            | 30.5                              | 31.7              |
| Custody, Supervision and Rehabilitation Services | 165.2                             | 176.5             |
| Policing   | 202.5                             | 200.8             |
| Saskatchewan Police Commission                   | 1.5                               | 1.4               |
| Major Capital Projects                           | 13.0                              | 12.4              |
| <b>Total Appropriation</b>                       | <u>602.4</u>                      | <u>613.9</u>      |
| Capital Asset Acquisitions                       | (13.0)                            | (9.7)             |
| Non-Appropriated Expense Adjustment              | 5.0                               | 6.3               |
| <b>Total Expense</b>                             | <u>\$ 594.4</u>                   | <u>\$ 610.5</u>   |

Source: Ministry of Justice, *2016-17 Annual Report*, pp. 18-19.

<sup>A</sup> During 2016-17, the Ministry received a budget increase through a special warrant of \$2.9 million.

## 2.2 Special Purpose Funds and Agencies

At March 31, 2017, the Ministry was responsible for seven special purpose funds and three Crown agencies each with a March 31 year-end. The audit of Victims' Fund is not yet complete and we will report the results of this audit in a future report. This chapter reports the results for the Ministry, the six-remaining funds, and the three Crown agencies.

### Special Purpose Funds

Correctional Facilities Industries Revolving Fund  
 Criminal Property Forfeiture Fund  
 Law Reform Commission of Saskatchewan  
 Office of Residential Tenancies—Director's Trust Account  
 Provincial Mediation Board Trust Accounts  
 Queen's Printer Revolving Fund

### Crown Agencies

Financial and Consumer Affairs Authority of Saskatchewan  
 Saskatchewan Legal Aid Commission  
 Public Guardian and Trustee of Saskatchewan

## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2017:

- **The Ministry and its agencies had effective rules and procedures to safeguard public resources except for the IT matters in this chapter**
- **The Ministry, its agencies, and its funds complied with the authorities listed in Section 6.0 governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- **The financial statements of the Ministry's agencies and funds are reliable**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry and its agencies' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We assessed the Ministry's processes related to the existence and accuracy of overtime payroll expenses. We also assessed the completeness of RCMP policing services expenses, payables, and contractual obligations.

The Ministry implemented the Criminal Justice Information Management System (CJIMS) in the courts. We focussed on the resulting impact to processes from the implementation. We also focussed on the Ministry's progress on implementing the outstanding recommendations related to IT.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Disaster Recovery Plan Incomplete

***We recommended that the Ministry of Justice prepare and test its disaster recovery plans for its critical information technology systems.***

(2015 Report – Volume 2; Public Accounts Committee agreement January 11, 2017)

**Status** – Partially Implemented

By September 2017, the Ministry had not tested disaster recovery plans for all of its significant IT systems (e.g., maintenance orders and fines systems). It has a disaster recovery plan for CJIMS—a significant IT system.

The memorandum of understanding between the Ministry and the Ministry of Central Services includes the Ministry's disaster recovery requirements. Under the memorandum of understanding, the Ministry is responsible for working with Central Services to ensure



that adequate recovery services are in place that align with the Ministry's service delivery needs (i.e., test the effectiveness of disaster recovery plans).

In June 2017, the Ministry had received an estimate of work from Central Services to provide disaster recovery services for the Electronic Prosecutions Information Centre, Automated Collection Enforcement System, and CJIMS. As of September 2017, the Ministry had not engaged Central Services to complete the work.

Without a complete and tested disaster recovery plan for all of its significant IT systems, the risk increases that they may not be available when needed. The Ministry may not be able to provide timely services to the public.

## 4.2 Timely Removal of User Access Needed

***We recommended that the Ministry of Justice follow its established procedures for removing unneeded user access to its computer systems and data.*** (2015 Report – Volume 2; Public Accounts Committee agreement January 11, 2017)

**Status** – Partially Implemented

The Ministry did not consistently follow its procedures for ensuring only authorized individuals have access to its IT systems and data. The Ministry policy requires users to have their access removed once they have left the Ministry.

In 2016-17, we found 3 of 10 users tested did not have their CJIMS access removed or disabled on a timely basis. In one instance, the user did not have their access to CJIMS removed until 44 days after their last day of employment with the Ministry.

Not removing unneeded user access promptly increases the risk that an unauthorized person could gain system access and obtain confidential information (e.g., information about offenders) or inappropriately modify systems or data.

## 5.0 PROTECTING SASKATCHEWAN DATA FOLLOW UP

### 5.1 Consultation Complete on Legislation to Mitigate Risks to Saskatchewan Data

***We recommended that the Ministry of Justice consider the benefits, in consultation with Saskatchewan's Information and Privacy Commissioner, of changes to Saskatchewan's general access and privacy legislation, which could serve to mitigate risks related to the USA Patriot Act.*** (2011 Report – Volume 1; Public Accounts Committee agreement June 25, 2012)

**Status** – Implemented

The Ministry worked with the Information and Privacy Commissioner to propose changes to Saskatchewan's general access and privacy legislation, *The Freedom of Information and Protection of Privacy Act*.

The Ministry and the Information and Privacy Commissioner identified that a duty to protect personal information was a priority change to the legislation. For example, the proposed changes include responsibilities when a government organization provides personal information to an IT service provider.

The Ministry considers the changes to legislation to better mitigate risks related to the *USA Freedom Act* (formerly *USA Patriot Act*). The proposed changes to *The Freedom of Information and Protection of Privacy Act* received royal assent May 17, 2017 and come into force on proclamation. At October 13, 2017, these changes had not yet come into force.

## 6.0 LEGISLATION—SUMMARY OF RELEVANT AUTHORITIES

### Justice

*The Administration of Estates Act*  
*The Administration of Estates Regulations*  
*The Correctional Services Act, 2012*  
*The Correctional Services Trust Account Regulations*  
*The Community Justice Programs Regulations*  
*The Enforcement of Maintenance Orders Act, 1997*  
*The Enforcement of Maintenance Orders Regulations, 2009*  
*The Executive Government Administration Act*  
*The Financial Administration Act, 1993*  
*The Justice and Attorney General Act*  
*The Ministry of Justice Regulations*  
*The Police Act, 1990*  
*The Police Regulations*  
*The Provincial Court Act, 1998*  
*The Provincial Court Compensation Regulations*  
*The Public Service Act, 1998*  
*The Purchasing Act, 2004*  
*The Queen's Bench Act, 1998*  
*The Queen's Bench Regulations*  
*The Summary Offences Procedures Act, 1990*  
*The Fine Option Program Regulations, 1991*  
*The Summary Offences Procedures Regulations, 1991*  
*The Victims of Crime Regulations, 1997*  
*The Youth Justice Administration Act*  
 Orders in Council issued pursuant to the above legislation

### Correctional Facilities Industries Revolving Fund

*The Correctional Services Act, 2012*  
*The Correctional Services Regulations, 2013*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

### Criminal Property Forfeiture Fund

*The Seizure of Criminal Property Act, 2009*  
*The Seizure of Criminal Property Regulations, 2009*  
*The Executive Government Administration Act*  
 Orders in Council issued pursuant to the above legislation

### Law Reform Commission of Saskatchewan

*The Law Reform Commission Act*  
*The Executive Government Administration Act*  
 Orders in Council issued pursuant to the above legislation

### Office of Residential Tenancies – Director's Trust Account

*The Residential Tenancies Act, 2006*  
*The Residential Tenancies Regulations, 2007*  
*The Executive Government Administration Act*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

### Provincial Mediation Board Trust Accounts

*The Provincial Mediation Board Act*  
*The Provincial Mediation Board (Fees) Regulations*  
*The Bankruptcy and Insolvency Act (Canada), Part III and X*  
*Orderly Payments of Debts Regulations (Canada)*  
*The Tax Enforcement Act, 1993*  
*The Tax Enforcement Regulations, 2015*  
*The Executive Government Administration Act*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

### Public Guardian and Trustee of Saskatchewan

*The Administration of Estates Act*  
*The Administration of Estates Regulations*  
*The Adult Guardianship and Co-decision-making Act*  
*The Adult Guardianship and Co-decision-making Regulations*  
*The Children's Law Act, 1997*  
*The Dependent's Relief Act, 1996*  
*The Executive Government Administration Act*  
*The Missing Persons and Presumption of Death Act*  
*The Missing Persons and Presumptions of Death Regulations*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Pension Benefits Standard Regulations 1985 (Canada)*  
*The Public Guardian and Trustee Act*  
*The Public Guardian and Trustee Regulations*  
*The Trustee Act, 2009*  
 Orders in Council issued pursuant to the above legislation



**Financial and Consumer Affairs Authority of Saskatchewan**

*The Cemeteries Act, 1999*  
*The Collection Agents Act*  
*The Collection Agents Regulations*  
*The Consumer Protection and Business Practices Act*  
*The Credit Union Act, 1998*  
*The Credit Union Regulations, 1999*  
*The Direct Sellers Act*  
*The Direct Sellers Regulations, 1997*  
*The Financial and Consumer Affairs Authority of Saskatchewan Act*  
*The Mortgage Brokers and Mortgage Administration Act*  
*The Mortgage Brokers and Mortgage Administration Regulations*  
*The Motor Dealers Act*  
*The Motor Dealers Regulations*  
*The Payday Loans Act*  
*The Payday Loans Regulations*  
*The Pension Benefits Act, 1992*  
*The Pension Benefit Regulations, 1993*  
*The Saskatchewan Insurance Act*  
*The Saskatchewan Insurance Regulations, 2003*  
*The Securities Act, 1988*  
*The Securities Regulations*  
*The Trust and Loan Corporations Act, 1997*  
*The Trust and Loan Corporations Regulations, 1999*  
*The Executive Government Administration Act*  
Orders in Council issued pursuant to the above legislation

**Queen's Printer Revolving Fund**

*The Queen's Printer's Act*  
*The Queen's Printer's Fees Regulations, 2004*  
*The Purchasing Act, 2004*  
*The Executive Government Administration Act*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above legislation

**Saskatchewan Legal Aid Commission**

*The Legal Aid Act*  
*The Legal Aid Regulations, 1995*  
Orders in Council issued pursuant to the above legislation

## Chapter 9

### Parks, Culture and Sport

#### 1.0 MAIN POINTS

The Ministry of Parks, Culture and Sport had effective rules and procedures to safeguard public resources except that the Ministry needs to follow its procedures to remove unneeded computer access promptly. Failure to follow these procedures makes the Ministry's systems and data vulnerable to inappropriate access.

The 2016-17 financial statements for seven of the Ministry's agencies are reliable. They each complied with governing authorities and had effective rules and procedures to safeguard public resources.

#### 2.0 INTRODUCTION

##### 2.1 Background

The Ministry of Parks, Culture and Sport is to support, celebrate, and build pride in Saskatchewan with a focus on quality of life and economic growth. The Ministry works with diverse groups and communities to enhance the Province's cultural, artistic, recreational and social life; promote excellence in the arts, culture, heritage and sport; and support a vibrant and growing arts and cultural community. The Ministry manages Saskatchewan's provincial parks system, conserves ecosystems and cultural resources, and provides recreational and interpretive opportunities for park visitors.<sup>1</sup> The Ministry was also responsible for the Provincial Capital Commission.<sup>2</sup>

##### 2.2 Financial Overview

In 2016-17, the Ministry spent \$105.7 million (2015-16: \$88.0 million) including net capital asset acquisitions of \$5.0 million (2015-16: \$12.8 million). See **Figure 1** for details about its major programs and spending.

Also in 2016-17, the Ministry raised revenue of \$10.2 million (2015-16: \$9.1 million) from lottery licensing fees and agreements with the Federal Government. In addition, each year the Ministry raises revenue and incurs expenses through the Commercial Revolving Fund (CRF).<sup>3</sup>

Information about the Ministry's revenues and expenses appears in its *2016-17 Annual Report*.<sup>4</sup>

<sup>1</sup> Government of Saskatchewan, *2016-17 Saskatchewan Provincial Budget: Estimates*, p. 98.

<sup>2</sup> As of October 12, 2016, through Order in Council 442/2016, the Minister of Central Services became responsible for the Provincial Capital Commission.

<sup>3</sup> The Commercial Revolving Fund collects and distributes funds used in the operation of Saskatchewan's provincial parks.

<sup>4</sup> [www.finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17ParksAnnualReport.pdf](http://www.finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17ParksAnnualReport.pdf) (18 September 2017)

**Figure 1 – Major Programs and Spending**

|   | Estimates<br>2016-17 | Actual<br>2016-17 |
|---|----------------------|-------------------|
|   | (in millions)        |                   |
| Central Management Services                             | \$ 11.5              | \$ 11.3           |
| Parks   | 23.9                 | 22.7              |
| Resources Stewardship and Provincial Capital Commission | 17.0                 | 15.4              |
| Regina Stadium Project                                  | 25.0                 | 25.0              |
| Community Engagement                                    | 35.2                 | 31.6              |
| <b>Total Appropriation</b>                              | <u>112.6</u>         | <u>106.0</u>      |
| Capital Asset Acquisition                               | (5.1)                | (5.0)             |
| Non-Appropriated Expense Adjustment                     | 3.9                  | 4.7               |
| <b>Total Expense</b>                                    | <u>\$ 111.4</u>      | <u>\$ 105.7</u>   |

Source: Ministry of Parks, Culture and Sport, 2016-17 Annual Report, pp. 28-29.

## 2.3 Parks, Culture and Sport Agencies

At March 31, 2017, the Ministry was responsible for the following agencies.

Commercial Revolving Fund  
 Creative Saskatchewan  
 Saskatchewan Arts Board  
 Saskatchewan Heritage Foundation  
 Community Initiatives Fund  
 Doukhobors of Canada C.C.U.B. Trust Fund  
 Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Lotteries Trust Fund)  
 Saskatchewan Snowmobile Fund  
 Western Development Museum

We report the results of our audit of Saskatchewan Arts Board in Chapter 12.

## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2017:

- **The Ministry of Parks, Culture and Sport and eight of its agencies had effective rules and procedures to safeguard public resources except for the matter related to the Ministry noted in this chapter**
- **The Ministry of Parks, Culture and Sport and eight of its agencies complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Athletics Commission Act*  
*The Creative Saskatchewan Act*  
*The Culture and Recreation Act, 1993*  
*The Doukhobors of Canada C.C.U.B. Trust Fund Act*  
*The Financial Administration Act, 1993*  
*The Economic and Co-operative Development Act*  
 (clause 8 (a)&(b) and 9 (1) (e))  
*The Executive Government Administration Act*  
*The Heritage Property Act*  
*The Interprovincial Lotteries Act, 1984*  
*The Meewasin Valley Authority Act*  
*The Multiculturalism Act*  
*The Natural Resources Act*  
*The Parks Act*  
*The Public Service Act, 1998*

*The Purchasing Act, 2004*  
*The Regional Parks Act, 1979*  
*The Saskatchewan Gaming Corporation Act (Part IV) – Community Initiatives Fund*  
*The Snowmobile Act*  
*The Trustee Act, 2009*  
*The Wanuskewin Heritage Park Act*  
*The Western Development Museum Act*  
 Agreement for the Marketing of Lottery Products in Saskatchewan and the Administration of the Saskatchewan Lotteries Trust Fund  
 Agreement for the Distribution of Funds from the Saskatchewan Lotteries Trust Fund  
 Regulations & Orders in Council issued pursuant to the above legislation

➤ **The financial statements of the eight agencies are reliable**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry and its agencies' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In the 2016-17 Ministry audit, we paid particular attention to the Ministry financial-related controls over operating transfers, its oversight of the lottery system, and management's assessment of the liabilities for the closure and post-closure costs of landfills and other contaminated sites.

## 4.0 KEY FINDINGS AND RECOMMENDATION

***We recommended that the Ministry of Parks, Culture and Sport follow its established procedures and promptly remove unneeded user access to its computer systems and data.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Partially Implemented

Staff do not consistently follow the Ministry's established procedures for the removal of unneeded user access to its computer systems and data (e.g., properly completing the employee termination checklist).<sup>5</sup>

In 2016-17, three out of ten individuals that we tested (2015-16: four out of ten) did not have their computer network access removed promptly. They were removed between fourteen days and five months after their last day of employ.

Not promptly removing user access for former employees increases the risk of inappropriate access to the Ministry's systems and data.

<sup>5</sup> As described in our 2016 Report – Volume 2, Chapter 13.





## Chapter 10 Public Service Commission

### 1.0 MAIN POINTS

In 2016-17, the Public Service Commission (PSC) had effective rules and procedures to safeguard public resources and complied with authorities governing its activities other than that it needs to consistently and promptly remove unneeded user access to its IT systems.

### 2.0 INTRODUCTION

PSC is the central human resources agency for ministries in the Government of Saskatchewan.<sup>1</sup> PSC delivers human resource services to ministries including staffing, classification, and strategic support including labour relations and organizational development.<sup>2</sup>

### 2.1 Financial Overview

**Figure 1** outlines PSC's 2016-17 expenses by major program. At March 31, 2017, PSC held tangible capital assets (primarily IT equipment, software, and building improvement) with a net book value of \$3.3 million.

**Figure 1 – Major Programs and Spending**

|   | Estimates<br>2016-17 | Actual<br>2016-17 |
|---|----------------------|-------------------|
|   | (in millions)        |                   |
| Central Management and Services             | \$ 5.8               | \$ 5.7            |
| Human Resources Client Services and Support | 14.0                 | 11.4              |
| Employee Relations, Policy, and Planning    | 5.0                  | 6.0               |
| Employee Service Centre                     | 10.8                 | 11.1              |
| <b>Total Appropriation</b>                  | <u>35.6</u>          | <u>34.2</u>       |
| Amortization of Capital Assets              | 0.5                  | 0.3               |
| Capital Assets Acquisitions                 | 0.0                  | 0.0               |
| <b>Total Expense</b>                        | <u>\$ 36.1</u>       | <u>\$ 34.5</u>    |

Source: Public Service Commission, 2016-17 Annual Report, p. 17.

### 3.0 AUDIT CONCLUSIONS

**In our opinion, for the year ended March 31, 2017:**

- **Public Service Commission had effective rules and procedures to safeguard public resources except for the matter related to removal of IT user access**

<sup>1</sup> Public Service Commission, 2016-17 Annual Report, p. 4.

<sup>2</sup> Ibid.



- **Public Service Commission complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Public Service Act, 1998*  
*The Public Service Regulations, 1998*  
*The Financial Administrative Act, 1993*  
*The Executive Government Administration Act*  
Orders in Council issued pursuant to the above legislation

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audit. We used the control framework published by CPA Canada to make our judgments about the effectiveness of Public Service Commission’s controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization’s objectives.

We focused our audit effort on assessing the effectiveness of PSC’s financial controls for administering its spending.

## 4.0 KEY FINDING AND RECOMMENDATION

### 4.1 Consistent Prompt Removal of User Access Needed

***We recommended that the Public Service Commission follow its established procedures for removing user access to its computer systems and data.*** (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

**Status** – Partially Implemented

In 2016-17, PSC did not consistently request the removal of unneeded network user access promptly.

In 2016-17, PSC worked on determining a solution to help staff remember they need to request that the Ministry of Central Services remove unneeded network user access. By May 2017, PSC had implemented a new termination checklist to remind staff to make this request.

Prior to May 2017, PSC staff reviewed stale account reports received from Central Services bi-weekly and terminations listings provided internally to identify former employees who continued to have access to its IT systems and data.

For five of six individuals we tested, PSC did not promptly ask the Ministry of Central Services to remove unneeded network user access to its IT systems and data. For two of the five individuals, access to the computer network was not removed until 15 and 23 days after their last day of employ. PSC, through its review of reports, identified that it had initially missed requesting removal of access for these two individuals.

Not promptly removing user access of former employees increases the risk of inappropriate access to PSC’s systems and data.

## Chapter 11 Regional Health Authorities (Saskatchewan Health Authority)

### 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the 12 regional health authorities.

The 2016-17 financial statements of each of the health authorities are reliable. Other than Keewatin Yatthé, each health authority complied with their governing authorities. Keewatin Yatthé continued not to have written agreements with healthcare organizations it gives money to.

Each health authority had effective controls to safeguard public resources other than the following. Regina Qu'Appelle and Mamawetan Churchill River both need to strengthen IT controls including having up-to-date and tested disaster recovery plans. Mamawetan Churchill River also needs to pre-approve overtime costs. Regina Qu'Appelle also needs to comply with purchasing policies and implement an internal audit function.

In January 2017, the Government of Saskatchewan announced its plan to consolidate, by the fall of 2017, the 12 health authorities into one authority—the Saskatchewan Health Authority. The Saskatchewan Health Authority is to assume the responsibilities of the health authorities. As a result, we have redirected our recommendations in this chapter to the Authority.

### 2.0 INTRODUCTION

*The Regional Health Services Act* (Act) created regional health authorities in Saskatchewan. The Act made health authorities responsible for the planning, organization, delivery, and evaluation of health services. **Figure 1** lists the 12 health authorities in place at March 2017, the names of their appointed auditors, and their key 2016-17 financial results.

**Figure 1—2016-17 Appointed Auditors and Financial Highlights by Regional Health Authority**

| Regional Health Authority | Appointed Auditor at March 31, 2017        | 2016-17 Revenues | 2016-17 Annual Surplus (Deficit) | Fund Balances <sup>A</sup> at March 31, 2017 |
|---------------------------|--|------------------|----------------------------------|--|
| (in millions \$)          |  |                  |                                  |  |
| Cypress                   | Stark & Marsh LLP                          | 157.7            | 3.0                              | 249.3  |
| Five Hills                | Virtus Group LLP                           | 164.9            | (1.9)                            | 136.3  |
| Heartland                 | KPMG LLP                                   | 108.8            | (3.1)                            | 94.2   |
| Kelsey Trail              | NeuPath Group, PC Inc.                     | 134.9            | 2.4                              | 63.9   |
| Keewatin Yatthé           | MNP LLP                                    | 30.5             | (1.4)                            | 20.9   |
| Mamawetan Churchill River | Deloitte LLP                               | 32.0             | (0.2)                            | 10.0   |
| Prairie North             | Vantage Chartered Professional Accountants | 299.1            | 2.4                              | 54.9   |



| Regional Health Authority | Appointed Auditor at March 31, 2017 | 2016-17 Revenues | 2016-17 Annual Surplus (Deficit) | Fund Balances <sup>A</sup> at March 31, 2017 |
|---------------------------|-------------------------------------|------------------|----------------------------------|--|
| (in millions \$)          |                                     |                  |                                  |  |
| Prince Albert Parkland    | MNP LLP                             | 243.5            | (5.1)                            | 82.4   |
| Regina Qu'Appelle         | Provincial Auditor of Saskatchewan  | 1,078.3          | (13.5)                           | 148.1  |
| Saskatoon                 | KPMG LLP                            | 1,302.2          | (3.7)                            | 307.7  |
| Sun Country               | Virtus Group LLP                    | 160.5            | (3.1)                            | 87.4   |
| Sunrise                   | Collins Barrow PQ LLP               | 230.0            | (2.0)                            | 19.6   |

Source: Audited financial statements of each regional health authority.

<sup>A</sup> Fund balances largely consist of amounts invested in capital assets.

### 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2017:

- **The 12 health authorities listed in Figure 1 had reliable financial statements**
- **The health authorities listed in Figure 1 complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter about providing funding to healthcare organizations without an agreement:**
  - The Critical Incident Regulations*
  - The Health Information Protection Act*
  - The Health Labour Relations Reorganization (Commissioner) Regulations*
  - The Housing and Special-care Homes Regulations*
  - The Regional Health Services Act*
  - The Regional Health Services Administration Regulations*
  - The Special-care Homes Rates Regulations, 2011*
  - The Trustee Act, 2009*
  - The Executive Government Administration Act*
  - Each Regional Health Authorities' Bylaws
  - Orders in Council issued pursuant to the above legislation
- **The health authorities listed in Figure 1 had effective rules and procedures to safeguard public resources except for the matters reported in this chapter summarized in Figure 2**

As noted in **Figure 1**, we audited Regina Qu'Appelle directly. Our Office worked with the health authorities' appointed auditors named in **Figure 1**, to carry out audits of the regional health authorities. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>1</sup>

The health authorities' primary expenses are payroll, goods, and services. Therefore, each audit included examining processes for preparing and processing payroll, and ordering, paying for, and receiving goods and services. In addition, the health authorities use IT systems to operate. We examined the health authorities' processes to safeguard financial-related IT systems and data.

<sup>1</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the health authorities' controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

This section set out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 31, 2017, and the health authority's actions up to that date.

**Figure 2** shows all outstanding recommendations and the health authority the recommendation was made to. The Saskatchewan Health Authority is to assume responsibility for health authorities in 2017. Therefore, we have redirected all outstanding recommendations to the Saskatchewan Health Authority.

**Figure 2—Compilation of Outstanding Matters at March 31, 2017, by Regional Health Authority**

| Regional Health Authority | Comply with purchasing policies (Section 4.1) | Internal Audit Function Needed (section 4.2) | Approval of Staff Overtime (section 4.3) | Agreements with Healthcare Organizations (section 4.4) | IT controls (section 4.5) | Up-to-Date and Tested Disaster Recovery Plan (section 4.6) |
|---------------------------|---|--|--|--|---------------------------|--|
| Cypress                   |   |  |  |  |                           |  |
| Five Hills                |   |  |  |  |                           |  |
| Heartland                 |   |  |  |  |                           |  |
| Kelsey Trail              |   |  |  |  |                           |  |
| Keewatin Yatthé           |   |  |  | X  |                           |  |
| Mamawetan Churchill River |   |  | X  |  | X                         | X  |
| Prairie North             |   |  |  |  |                           |  |
| Prince Albert Parkland    |   |  |  |  |                           |  |
| Regina Qu'Appelle         | X   | X  |  |  | X                         | X  |
| Saskatoon                 |   |  |  |  |                           |  |
| Sun Country               |   |  |  |  |                           |  |
| Sunrise                   |   |  |  |  |                           |  |

Shaded cells reflect a matter with a new recommendation.

### 4.1 Comply with Purchasing Policies—Regina Qu'Appelle

Regina Qu'Appelle was not always following established policies and procedures when purchasing goods and services.

Regina Qu'Appelle's policies and procedures provide staff with guidance on purchasing goods and services. Signing authority was assigned to individual staff based on their role.



For example, directors can approve purchases up to \$100,000. While Regina Qu'Appelle does most purchasing centrally, it allows three areas to do their own.

In March 2017, management identified purchases inappropriately approved by individuals that have signing authority of up to \$100,000. These purchases were within one of the three non-centralized purchasing areas.

We reviewed all purchases over \$100,000 within this area. We found nine instances where individuals inappropriately approved purchases totalling \$2.1 million. One of these purchases was over \$350,000. We found the independent review of each of these planned purchases did not occur as required.

Regina Qu'Appelle must ensure all employees involved in purchasing understand established purchasing policies and the importance of following them. In addition, Regina Qu'Appelle staff must consistently review planned purchases, as and when expected, so that only needed items are purchased.

1. **We recommend that the Saskatchewan Health Authority's non-centralized purchasing areas, if any, comply with its purchasing policies.**

## **4.2 Internal Audit Function Needed—Regina Qu'Appelle**

***We recommended that the Saskatchewan Health Authority (formerly Regina Qu'Appelle) implement an internal audit function.*** (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – Not Implemented

An internal audit function provides value to the Board and senior management of large entities operating in multiple locations like health authorities.

In 2016-17, Regina Qu'Appelle started the hiring process (e.g., developing a job description) for the internal audit function. In March 2017, Regina Qu'Appelle decided not to pursue establishing the internal audit function because of the Government's decision to move to a single health authority—the Saskatchewan Health Authority.

Effective internal audit functions can be set up in various ways (e.g., centralized or distributed in-house teams, co-sourced with external providers). The role of the function can also vary from assisting on risk identification and management; assessing compliance with established processes and policies and providing assurance and expertise in project management, IT projects, contract management, etc.

### 4.3 Approve Overtime Costs—Mamawetan Churchill River

*We recommended that the Saskatchewan Health Authority (formerly Mamawetan Churchill River) establish a process to control overtime costs resulting from calling staff back to work to provide healthcare services outside their assigned shifts.* (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

**Status** – Partially Implemented

Mamawetan Churchill River made progress with establishing a process to control overtime costs resulting from calling staff back to work. At March 2017, management was approving payroll but did not have evidence that timesheets related to call-back<sup>2</sup> expenses were approved prior to processing payroll and making payment.

Not reviewing timesheets prior to making payments could result in system errors or improprieties in payroll without detection.

### 4.4 Sign Contracts with Healthcare Organizations—Keewatin Yatthé

*We recommended that the Saskatchewan Health Authority (formerly Keewatin Yatthé) comply with The Regional Health Services Act when providing funding to healthcare organizations.* (2013 Report – Volume 2; Public Accounts Committee agreement March 26, 2014)

**Status** – Not Implemented

In 2016-17, Keewatin Yatthé provided \$140,000 to a healthcare organization without a written agreement.

*The Regional Health Services Act* does not allow regional health authorities to provide funding to healthcare organizations without written agreements. Accordingly, Keewatin Yatthé did not comply with the Act.

### 4.5 IT Controls Need Strengthening—Regina Qu'Appelle and Mamawetan Churchill River

*We recommended that the Saskatchewan Health Authority (formerly Regina Qu'Appelle) follow its established procedure for removing unneeded user access to its computer systems and data.* (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

<sup>2</sup> Based on the Collective Agreement between the Saskatchewan Association of Health Organizations and the Saskatchewan Union of Nurses 2012-2014, a call back is when an employee is brought back to duty during a standby duty period. The employee is deemed to be working overtime for the time worked with a guaranteed minimum payment of two hours on each occasion of call back.





Regina Qu'Appelle does not always follow established procedures and remove unneeded IT user access promptly.

Regina Qu'Appelle requires managers to notify the payroll department within five days of an employee's termination to remove them from the scheduling and time management system. When the payroll department removes an employee from this system, it automatically notifies the IT department to remove that individual's network access.

For 5 out of 47 individuals examined, Regina Qu'Appelle management did not request within the expected 5 days the removal of unneeded access to the scheduling and time management system. For these individuals, removal requests ranged from 6 to 47 working days after the employees' last day of work. As a result, these individuals continued to have access to the IT network during this period.

Delays in removing unneeded access mean staff continue to have access to data they should no longer be able to access or change.

***We recommended that the Saskatchewan Health Authority (formerly Mamawetan Churchill River) establish information technology policies and procedures based on a threat and risk analysis.*** (2004 Report – Volume 3; Public Accounts Committee agreement October 26, 2005)

**Status** – Partially Implemented

Mamawetan Churchill River does not have formalized procedures for making changes to IT systems. This increases the risk of unapproved changes being made.

Also, staff at Mamawetan with network access are using generic accounts. This makes it difficult to determine accountability for actions taken with these accounts and determine staff that may have accessed data they should not have.

## **4.6 Working with eHealth to Establish Disaster Recovery Plans—Regina Qu'Appelle and Mamawetan Churchill River**

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***We recommended that the Saskatchewan Health Authority (formerly Regina Qu'Appelle and Mamawetan Churchill River) establish disaster recovery plans and test those plans to ensure their effectiveness.*** (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – Partially Implemented (Regina Qu'Appelle);  
Not Implemented (Mamawetan Churchill River)

At March 31, 2017, Regina Qu'Appelle and Mamawetan Churchill River did not have complete and tested disaster recovery plans.

Regina Qu'Appelle had not formally documented its requirements for how long each of its critical IT systems (e.g., accounting, staff scheduling, patient registry systems) can be off-line, and how it plans to restore its critical IT systems and data in the event of a disaster.

During 2016-17, Regina Qu'Appelle engaged a third party to identify significant business impacts of potential failures of critical IT systems that support hospital and healthcare operations.

Mamawetan had not drafted or tested a disaster recovery plan but indicated it plans to address this once the Saskatchewan Health Authority moves to a provincial IT data centre.

eHealth is the current IT service provider for Mamawetan and provides some IT services to Regina Qu'Appelle. eHealth is to become the IT service provider for the Saskatchewan Health Authority. At March 31, 2017, eHealth created detailed recovery plans for 4 of 39 critical IT systems. eHealth tested recovery of one of these IT systems and planned to continue testing the remaining IT systems in 2017-18.

Without an up-to-date and tested disaster recovery plan, there is increased risk that critical IT systems and data, such as lab systems, may not be available when needed.



## Chapter 12

### Saskatchewan Arts Board

#### 1.0 MAIN POINTS

The Saskatchewan Arts Board's 2016-17 financial statements are reliable and it complied with authorities governing its activities related to financial reporting and safeguarding public resources. Other than not complying with all of its grant policies, the Board had effective rules and procedures to safeguard public resources.

During 2016-17, the Arts Board paid almost \$280 thousand in grants without appropriate approval. The Board of Directors had expected the Arts Board to pay these grants in the following fiscal year—2017-18.

#### 2.0 INTRODUCTION

The Saskatchewan Arts Board is to cultivate an environment in which the arts thrive for the benefit of everyone in Saskatchewan.<sup>1</sup> It provides grants to various Saskatchewan artists and arts organizations.

#### 2.1 Financial Overview

At March 31, 2017, the Arts Board had net financial assets of \$6.34 million (2015-16: \$6.38 million) including investments of \$5.95 million (2015-16: \$5.47 million) and tangible capital assets of \$0.42 million (2015-16: \$0.29 million). Also at March 31, 2017, it held a permanent collection of artwork worth \$3.2 million (2015-16: \$2.8 million). As shown in **Figure 1**, in 2016-17, the Arts Board had an annual surplus of \$90 thousand comprised of revenues of \$9.79 million (including \$6.81 million from the Ministry of Parks, Culture and Sport) and expenses of \$9.70 million.

**Figure 1—Revenues and Expenses**

|                                 | 2016-17          |                |
|---------------------------------|------------------|----------------|
|                                 | Budget           | Actual         |
|                                 | (in millions)    |                |
| Provincial Grants               | \$ 7.36          | \$ 6.81        |
| Other Revenues                  | 2.39             | 2.98           |
| <b>Total Revenue</b>            | <b>9.75</b>      | <b>9.79</b>    |
| Grants and Transfers            | 6.74             | 6.65           |
| Operational and Other Expenses  | 3.05             | 3.05           |
| <b>Total Expense</b>            | <b>9.79</b>      | <b>9.70</b>    |
| <b>Annual Surplus (Deficit)</b> | <b>\$ (0.04)</b> | <b>\$ 0.09</b> |

Source: Saskatchewan Arts Board March 31, 2017 Audited Financial Statements.

<sup>1</sup> *The Saskatchewan Arts Board Act.*



## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2017:

- **The Arts Board had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- **The Arts Board complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Arts Board Act, 1997*

*The Arts Board Regulations*

Orders in Council issued pursuant to the above legislation

- **The Arts Board's financial statements are reliable**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Arts Board's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the Arts Board's financial-related controls used to administer its spending, revenues, and key assets consistent with its related authorities, and its preparation of financial statements in accordance with Canadian generally accepted accounting principles for the public sector. We also assessed the Arts Board's governance and controls over its grants, and safeguarding of its permanent collection.

## 4.0 KEY FINDINGS AND RECOMMENDATION

### 4.1 Grant Payments Made Without Approval

In March 2017, the Arts Board paid grants totalling almost \$280 thousand without the approval of its Board of Directors.

The Board of Directors requires, through policies, the Chief Executive Officer to obtain the prior approval of the Board of Directors for any grants in excess of \$20,000.<sup>2</sup> In addition, the policies require the Board of Directors to approve each year of funding for multi-year grant programs.

Consistent with these policies, on March 24, 2017, the Board of Directors made a 2017-18 funding commitment for the Arts Board's Professional Arts Organizations Program. It expected the Arts Board to pay these amounts during the Arts Board's 2017-18 fiscal year (i.e., on or after April 1, 2017).

<sup>2</sup> *Saskatchewan Arts Board: Board of Directors: Governance Manual*, section 4.2.4.

During the audit, contrary to the Board of Directors' decision, we found management paid seven recipients in March 2017 a total of almost \$280 thousand for a portion of 2017-18 Professional Arts Organization Program grants.

In addition, the draft financial statements presented for audit did not properly account for these grants paid in 2016-17. The draft statements understated grant accounts payable and expenses by almost \$280 thousand respectively. As a result of the audit and at the direction of the Board of Directors, the Arts Board subsequently corrected the statements.

Non-compliance with the direction of the Board of Directors increases the risk of paying grants without appropriate authority.

- 1. We recommend that the Saskatchewan Arts Board follow its established policies when making grant payments.**



## Chapter 13

### Saskatchewan Indian Gaming Authority Inc.

#### 1.0 MAIN POINTS

During 2016-17, the Saskatchewan Indian Gaming Authority Inc. (SIGA) had effective rules and procedures to safeguard public resources except it needs to better protect its IT systems and data by periodically reviewing user access to them. Lack of regular and timely reviews of IT user access increases the risk of unauthorized access to and inappropriate modifications of systems and data.

During 2016, SIGA tested its business continuity plan to confirm that it could restore its IT systems as intended in the event of unplanned interruption.

SIGA complied with the authorities governing its financial-related activities and its 2016-17 financial statements are reliable.

#### 2.0 INTRODUCTION

SIGA is a non-profit corporation established under *The Non-profit Corporations Act, 1995*. Its members are the Federation of Sovereign Indigenous Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations.

In 2002, the Government of Saskatchewan and the FSIN signed the 25-year *2002 Framework Agreement*.<sup>1</sup> It allows for the development and operation of casinos in Saskatchewan within the parameters of the *Criminal Code* (Canada).

As required by the *Criminal Code* (section 207), Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) is responsible for the overall conduct and management of the slot machines in SIGA's casinos. Revenue from the slot machines belongs to Liquor & Gaming. SIGA and Liquor & Gaming have signed the Casino Operating Agreement (COA)<sup>2</sup> that sets the calculation of slot machine revenue belonging to Liquor & Gaming.

Liquor & Gaming has licensed SIGA to operate the following six casinos located on First Nations reserves: Bear Claw Casino, Dakota Dunes Casino, Gold Eagle Casino, Living Sky Casino, Northern Lights Casino, and Painted Hand Casino.

#### 2.1 Financial Overview

At March 31, 2017, SIGA held assets of \$173 million (2016: \$177 million), including capital assets of \$103 million (2016: \$108 million), and had liabilities of \$177 million (2016: \$183 million), including long-term debt of \$36 million (2016: \$42 million). For the year ended March 31, 2017, its net casino profit was \$83 million (2016: \$87 million).

<sup>1</sup> The *2002 Framework Agreement* is effective from June 11, 2002 to June 11, 2027.

<sup>2</sup> SIGA and Liquor & Gaming signed a COA effective from June 11, 2002 to June 11, 2027. Under the COA, Liquor & Gaming allows SIGA to deduct from slot machine revenues reasonable costs incurred in accordance with the operating policies approved by Liquor & Gaming.





SIGA's casino operations include slot machines, ancillary operations (i.e., gift shops, restaurants, lounges, and a hotel), and table games operations. **Figure 1** shows the net casino profits SIGA made during the last five years by type.

**Figure 1 – SIGA Financial Results for the Five-Year Period from 2013 to 2017**

| Year Ended March 31  | 2017           | 2016           | 2015           | 2014           | 2013           |
|--|----------------|----------------|----------------|----------------|----------------|
| (in millions)  |                |                |                |                |                |
| Slot machines operations profit                            | \$ 92.2        | \$ 97.5        | \$ 96.5        | \$ 94.2        | \$ 99.5        |
| Ancillary operations loss                                  | (9.2)          | (9.0)          | (10.2)         | (10.7)         | (10.0)         |
| Table games operations loss                                | (1.9)          | (2.2)          | (2.2)          | (3.3)          | (3.0)          |
| Unrealized gain (loss) on interest rate swaps <sup>A</sup> | 1.7            | 0.8            | (1.0)          | 2.1            | 0.3            |
| <b>Net casino profit</b>                                   | <b>\$ 82.8</b> | <b>\$ 87.1</b> | <b>\$ 83.1</b> | <b>\$ 82.3</b> | <b>\$ 86.8</b> |

Source: 2012-13 to 2016-17 SIGA audited financial statements.

<sup>A</sup> Unrealized gain (loss) on interest rate swaps is the amount of change in the fair value of the swaps in a fiscal year.

## 3.0 AUDIT CONCLUSIONS

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of SIGA. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>3</sup>

### In our opinion, for the year ended March 31, 2017:

- **SIGA had reliable financial statements**
- **SIGA complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Non-profit Corporations Act, 1995*  
*The Non-profit Corporations Regulations, 1997*  
*The Alcohol and Gaming Regulation Act, 1997*  
*The Gaming Regulations, 2007*  
*Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*  
*Proceeds of Crime (Money Laundering) Suspicious Transaction Reporting Regulations (Canada)*  
*2002 Framework Agreement (June 11, 2002)*  
*2002 Casino Operating Agreement (June 11, 2002)*  
 Terms and Conditions for SIGA Table Games (issued by Indigenous Gaming Regulators Inc.)<sup>4</sup>  
 SIGA Slot Machine Operating Procedures and Directives (issued by Liquor & Gaming)  
 SIGA Operating Policies and Directives (issued by Liquor & Gaming)  
 SIGA Bylaws

- **SIGA had effective rules and procedures to safeguard public resources except for the matter described in this chapter**

<sup>3</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

<sup>4</sup> Indigenous Gaming Regulators Inc. is an institution of the FSIN; it licenses and regulates on-reserve charitable gaming in Saskatchewan including table games at SIGA casinos.

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of SIGA’s controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization’s objectives.

Because SIGA operates in the casino industry, it processes a significant number of cash transactions and holds a significant amount of cash in its casinos. As a result, we paid particular attention to SIGA’s controls for managing cash in its casinos. This included assessing its processes for approving and recording transactions, and monitoring staff compliance with established procedures to safeguard cash. Also, because SIGA relies on computer systems to manage its operations, we assessed its controls over key IT service providers, IT security, change management processes, and user access.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Review of User Access Needed

***We recommended that Saskatchewan Indian Gaming Authority Inc. perform regular reviews of its computer application user accounts.*** (2010

Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Partially Implemented

SIGA did not follow its established policies to annually review user access to its key IT applications (e.g., financial system, casino management system). SIGA did not complete any IT user access reviews in 2016-17—it last completed reviews for some, but not all, of its key IT applications in 2015-16.

Timely reviews of IT user access determine whether access granted is consistent with each employee’s job responsibilities and is appropriate. Lack of regular and timely reviews of IT user access increases the risk of unauthorized access to and inappropriate modifications of systems and data.

### 4.2 Disaster Recovery Plan Tested

***We recommended that Saskatchewan Indian Gaming Authority Inc. annually test the effectiveness of its disaster recovery plan.*** (2016 Report –

Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

SIGA relies significantly on its IT systems to operate; it has a disaster recovery plan (DRP) for its IT systems. SIGA tested its DRP in December of 2016 and did not identify any significant issues. Periodic testing of a DRP can identify whether the DRP continues to work as intended and gives SIGA management time to update or revise the DRP before a major interruption occurs.



## Chapter 14

# Saskatchewan Liquor and Gaming Authority

### 1.0 MAIN POINTS

During 2016-17, Saskatchewan Liquor and Gaming Authority (SLGA) had effective rules and procedures to safeguard public resources except it needs to:

- Prepare and approve timely and accurate bank reconciliations
- Complete its procedures for responding to IT security incidents

Both SLGA and SLGA Retail Inc.'s 2016-17 financial statements are reliable. SLGA and SLGA Retail Inc. complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

### 2.0 INTRODUCTION

SLGA operates under *The Alcohol and Gaming Regulation Act, 1997*. SLGA is responsible for distributing and regulating liquor and gaming across the province.<sup>1</sup>

SLGA owns and operates all video lottery terminals (VLTs) located in the province and owns and manages all slot machines located at Saskatchewan Indian Gaming Authority Inc. (SIGA) casinos. SLGA operates government-owned retail liquor stores through its subsidiary SLGA Retail Inc.<sup>2</sup> SLGA also distributes liquor to retail store permittees who sell liquor to the public.

### 2.1 Financial Overview

In 2016-17, SLGA had consolidated revenues of just over \$1.0 billion,<sup>3</sup> expenses of \$0.6 billion, and comprehensive income of almost \$0.5 billion. At March 31, 2017, SLGA held consolidated assets and liabilities, each of about \$0.3 billion. SLGA's *2016-17 Annual Report* includes its consolidated financial statements. **Figure 1** shows SLGA's key financial results by segment—liquor, VLTs, slot machines, and other gaming (e.g., charitable gaming licences).

<sup>1</sup> Saskatchewan Liquor and Gaming Authority, *Saskatchewan Liquor and Gaming Authority – Plan for 2017-18*, (2017).

<sup>2</sup> SLGA Retail Inc. was established under Order in Council 423/2016. It was incorporated under *The Business Corporations Act* as a wholly-owned subsidiary of SLGA on September 28, 2016, and began operations on October 9, 2016.

<sup>3</sup> \$1,097.8 million is comprised of gross revenues of \$1,096.1 million plus other comprehensive income of \$1.7 million.

**Figure 1 – Key Financial Results for 2016-17 by Segment**

|                                   | Liquor        | VLTs     | Slot<br>Machines<br>in SIGA<br>Casinos | Other<br>Gaming | Total      |
|-----------------------------------|---------------|----------|--|-----------------|------------|
|                                   | (in millions) |          |  |                 |            |
| Total Revenues <sup>A</sup>       | \$ 640.3      | \$ 232.2 | \$ 224.2                               | \$ 1.1          | \$ 1,097.8 |
| Total Expenses                    | 394.3         | 65.4     | 141.4                                  | 17.8            | 618.9      |
| Total Comprehensive Income (Loss) | \$ 246.0      | \$ 166.8 | \$ 82.8                                | \$ (16.7)       | \$ 478.9   |

Source: Saskatchewan Liquor and Gaming Authority's 2016-17 audited consolidated financial statements.

<sup>A</sup> Including other comprehensive income/loss.

## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year<sup>4</sup> ended March 31, 2017:

- **SLGA had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- **SLGA and SLGA Retail Inc. complied with the following authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Alcohol and Gaming Regulation Act, 1997*  
*The Alcohol Control Regulations, 2013* (until October 8, 2016)  
*The Alcohol Control Regulations, 2016* (effective October 9, 2016)  
*The Business Corporations Act*  
*The Business Corporations Regulations*  
*The Executive Government Administration Act*  
*The Environmental Management and Protection Act, 2010* (section 40)  
*The Environmental Management and Protection (General) Regulations* (section 12)  
*The Financial Administration Act, 1993*  
*The Gaming Regulations, 2007*  
*The Liquor and Gaming Authority Employee Code of Conduct Regulations*

*The Liquor Consumption Tax Act*<sup>5</sup>  
*The Customs Tariff Act* (Canada)  
*Excise Act* (Canada) (schedule I, II and II.1)  
*Excise Tax Act* (Canada) (section 188)  
*Excise Tax Act, 2001* (Canada) (schedule 4-6)  
*Criminal Code of Canada* (section 207)  
 Orders in Council issued pursuant to the above legislation  
 2002 Framework Agreement  
 2002 Casino Operating Agreement  
 Western Canada Lottery Corporation Operating Agreement  
 Indigenous Gaming Regulators Licensing Agreement

- **SLGA and SLGA Retail Inc. each had reliable financial statements**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of SLGA's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of SLGA's financial-related controls used to administer revenues and expenses, safeguard assets, keep reliable financial records consistent with

<sup>4</sup> SLGA Retail Inc. opinions are for the period September 28, 2016 to March 31, 2017.

<sup>5</sup> Effective October 9, 2016, SLGA Retail Inc. is responsible to impose and collect Liquor Consumption Tax (LCT); SLGA remits LCT on behalf of SLGA Retail Inc.

related authorities, and prepare reliable financial reports. This included evaluating its significant IT systems and processes and examining how it monitored SIGA's operations. We also assessed the work of its Gaming Integrity Branch and Audit Services Branch with respect to compliance with legislation over liquor and gaming activities in the province.

During 2016-17, SLGA continued to implement changes to the liquor retailing system. We examined SLGA's processes to evaluate proposals for new retail store permits including its use of established evaluation criteria. In addition, we assessed SLGA's processes to change its liquor mark-up structure effective October 9, 2016.

We also assessed whether SLGA appropriately considered the impact of liquor retailing changes (including establishing SLGA Retail Inc.) on its financial statements and those of SLGA Retail Inc. (e.g., subsequent events disclosure; value of property, plant and equipment; provision for severance; recording of intercompany transactions).

SLGA replaced its computer system used to regulate liquor and gaming in 2016-17. It also implemented a new pricing structure in its warehouse liquor inventory systems and upgraded its financial system. We assessed its processes to implement these changes including converting data from existing to new systems.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Accurate and Timely Reconciliation of Bank Accounts Needed

SLGA did not always reconcile its bank accounts accurately or timely as its policies require. At March 31, 2017, SLGA had cash of over \$51 million.

SLGA's policy requires staff to reconcile the bank balance in its financial records to the bank's records within four weeks of month-end.<sup>6</sup> It requires management to review bank reconciliations within two weeks of completion.

We found 24% of the monthly bank reconciliations we tested (8 out of 33) were not prepared within four weeks of month-end.<sup>6</sup> We found management did not review 15% of the reconciliations we tested (5 out of 33) as required by SLGA's policies. With the exception of the error noted in the liquor bank account reconciliation below, SLGA's bank accounts were reconciled without issues.

For one month during 2016-17, SLGA's liquor bank account reconciliation contained significant errors. For example, management reviewed and approved the reconciliation with a \$179 million difference between the actual bank balance and the bank balance used in the reconciliation. The reconciliation also had an offsetting difference between the actual cash balance in SLGA's financial records and the balance used in the reconciliation.

<sup>6</sup>One bank account, the liquor account, is to be reconciled within five weeks of month-end.



We notified management about all differences we found and they corrected the bank reconciliation.

Proper bank account reconciliations check the accuracy and reliability of SLGA's accounting records (e.g., detect unauthorized payments or unrecorded cash receipts) and can identify bank errors, if any. Doing timely reconciliations enables timely follow up of differences and corrections increasing the accuracy of financial and banking records. Without accurate and timely bank reconciliations, SLGA increases the risk of using inaccurate financial information to make decisions.

1. **We recommend that Saskatchewan Liquor and Gaming Authority prepare and approve timely and accurate bank reconciliations, as its policies require.**

## 4.2 Complete Policies and Procedures for Responding to IT Security Incidents Needed

*We recommended that Saskatchewan Liquor and Gaming Authority develop information technology security policies and procedures for monitoring information technology security.* (2013 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

**Status** – Partially Implemented

By March 2017, SLGA had not completed policies and procedures for responding to IT security incidents. SLGA had well established and documented processes for identifying security threats and detecting security incidents, but not for responding to IT security incidents.

During 2016-17, SLGA drafted an IT Security Incident Response Plan. The Plan defines types of incidents, their severity, and outlines a communication plan based on risk. It assigns responsibility for monitoring security incidents to a Security Incident Response Team. At September 2017, SLGA had not developed procedures for the Security Incident Response Plan or determined the team structure. Management noted that it plans to finalize its procedures for responding to security incidents during 2017-18.

During 2016-17, SLGA finalized its IT System Maintenance Policy and related procedures. Its Policy requires staff to assess the criticality of security updates available between quarters to determine whether it can delay applying an update until quarter-end (i.e., its regular schedule) or should apply the update immediately. Starting in April 2017, SLGA completes monthly vulnerability assessments. We reviewed its vulnerability assessment and found that it is applying security updates sooner when determined necessary.

Not having clear IT security procedures for responding to security incidents increases the risk of inappropriate responses and not using staff time and resources efficiently. Failing to respond to IT security issues increases the risk of unauthorized access to IT systems and data without detection.

### 4.3 User Access Policies and Procedures Followed

***We recommended that Saskatchewan Liquor and Gaming Authority follow its approved information and technology policies and procedures.***

(2007 Report – Volume 3; Public Accounts Committee agreement January 9, 2008)

**Status** – Implemented

During 2016-17, SLGA implemented two processes to address untimely user access removal:

- Beginning in October 2016, SLGA's Human Resource Branch sends user access termination requests to the IT service desk on behalf of all branches when it becomes aware of terminated employees and contractors.
- Beginning in December 2016, its IT Branch provides a monthly network user access listing to each business area. SLGA expects each business area to review the report and assess whether user access is appropriate. They are to notify the IT Branch of any inappropriate network access.

During 2017-18, SLGA plans to develop reports and have each business area regularly assess user access for its significant IT applications.

We found the above processes are making a difference. Our tests of individuals (who left the employ of SLGA after October 2016) did not identify any individuals whose access to SLGA's network and IT systems was not removed promptly.





## Chapter 15

# Saskatchewan Water Corporation

### 1.0 MAIN POINTS

The Saskatchewan Water Corporation had, at March 2017, effective rules and procedures to safeguard public resources except it did not have a completed and tested business continuity plan. SaskWater's 2016-17 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.

### 2.0 INTRODUCTION

Under *The Saskatchewan Water Corporation Act (Act)*, SaskWater is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under the Act.

To deliver its services, SaskWater designs, builds, owns, and operates transmission, and regional and stand-alone water supply and wastewater systems. As of March 31, 2017, SaskWater provided services to about 80,000 people in 62 communities, 8 rural municipalities, 83 rural pipeline groups, and 16 industrial and approximately 242 commercial and end-user customers. It owns 9 water treatment plants, 3 wastewater facilities, 42 booster and pump stations, and approximately 935 kilometres of pipeline.<sup>1</sup>

SaskWater also provides certified operation and maintenance services to customer-owned systems. In 2016-17, it provided operator training to 29 Saskatchewan First Nations communities.<sup>2</sup>

### 2.1 Financial Overview

At March 31, 2017, SaskWater held assets of \$338.1 million and had long-term debt of \$51.4 million. For the year ended March 31, 2017, SaskWater had operating revenue of \$53.0 million, including water sales and treatment revenue of \$40.4 million, and had net income of \$6.3 million.<sup>3</sup>

### 3.0 AUDIT CONCLUSIONS

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the annual audit of SaskWater. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>4</sup>

<sup>1</sup> *SaskWater 2016-17 Annual Report*, p. 1.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*, pp. 66-67.

<sup>4</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



**In our opinion, for the year ended March 31, 2017:**

- **SaskWater had effective rules and procedures to safeguard public resources except for the need for a complete and tested business continuity plan**
- **SaskWater complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Saskatchewan Water Corporation Act*  
*The Crown Corporations Act, 1993*  
*The Financial Administration Act, 1993*  
*The Crown Corporations Regulations, 1993*  
*The Executive Government Administration Act*  
*The Crown Employment Contracts Act*  
Orders in Council issued pursuant to the above legislation

- **SaskWater had reliable financial statements**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of SaskWater’s controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization’s objectives.

## 4.0 KEY FINDINGS AND RECOMMENDATION

### 4.1 Business Continuity Plan Needed

***We recommended that Saskatchewan Water Corporation implement and test a business continuity plan.*** (2012 Report – Volume 1; Standing Committee on Crown and Central Agencies agreement March 12, 2014)

**Status** – Partially Implemented

In 2016-17, SaskWater made limited progress on implementing this recommendation because it focused on putting its own IT systems (i.e., Water Measurement System, AccPac accounting software, Human Resource Management System) into place instead of using those of the Water Security Agency as it had in the past.

By March 31, 2017, it did not have a complete and tested business continuity plan. Without a complete and tested plan, SaskWater is at risk of its IT systems and data not being available to deliver business-critical services when needed.

## Chapter 16

### Social Services

#### 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Social Services and its three special purpose funds for the year ended March 31, 2017.

The Ministry complied with authorities governing its activities and had effective rules and procedures to safeguard public resources other than it needs to:

- Have proper approval and support for social assistance payments so only eligible clients receive the correct amount of assistance
- Receive and perform timely reviews of performance reports submitted by community-based organizations

The Ministry followed its established procedures for removing unneeded user access to its computer systems and data promptly.

Each fund complied with authorities governing their activities and their 2016-17 financial statements are reliable.

#### 2.0 INTRODUCTION

The mandate of the Ministry is to help children to be safe from abuse and neglect, and help individuals to meet their basic needs and participate in their community. The Ministry provides support to Saskatchewan people through income assistance, child and family services, supports for people experiencing disabilities, safe and affordable housing, and building greater capacity in community-based organizations.<sup>1</sup>

#### 2.1 Financial Overview

In 2016-17, the Ministry spent \$1.1 billion on delivering its programs (see **Figure 1**). It also had revenues totalling about \$38 million, primarily from Federal Government transfers (e.g., special allowances for children in care).<sup>2</sup> The Ministry's *Annual Report for 2016-17* provides further details and reasons for differences between planned and actual results.<sup>3</sup>

<sup>1</sup> Ministry of Social Services, *Annual Report for 2016-17*, p. 3. [www.finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17SocialServicesAnnualReport.pdf](http://www.finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17SocialServicesAnnualReport.pdf) (12 September 2017).

<sup>2</sup> *Ibid.*, p. 20.

<sup>3</sup> [www.finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17SocialServicesAnnualReport.pdf](http://www.finance.gov.sk.ca/PlanningAndReporting/2016-17/2016-17SocialServicesAnnualReport.pdf) (12 September 2017).

**Figure 1 – Major Programs and Spending**

|   | Estimates<br>2016-17 <sup>A</sup> | Actual<br>2016-17 |
|---|-----------------------------------|-------------------|
|   | (in millions)                     |                   |
| Central Management and Services           | \$ 49.3                           | \$ 46.6           |
| Income Assistance and Disability Services | 726.2                             | 765.5             |
| Child and Family Services                 | 242.9                             | 266.7             |
| Client Support                            | 12.2                              | 12.3              |
| Housing                                   | 18.8                              | 12.5              |
| <b>Total Appropriation</b>                | <u>1,049.4</u>                    | <u>1,103.6</u>    |
| Capital Asset Acquisitions                | (3.5)                             | (1.1)             |
| Capital Asset Amortization                | 6.3                               | 5.9               |
| <b>Total Expense</b>                      | <u>\$ 1,052.2</u>                 | <u>\$ 1,108.4</u> |

Source: Ministry of Social Services, *Annual Report for 2016-17*, p. 18.

<sup>A</sup>During 2016-17, the Ministry received a budget increase through a special warrant of \$55.02 million.

## 2.2 Crown Agency and Special Purpose Funds

The Ministry is responsible for the Saskatchewan Housing Corporation, which has a December 31 year-end. We reported the results of our 2016 audit of the Saskatchewan Housing Corporation in our *2017 Report – Volume 1*.

The Ministry is also responsible for the following funds with March 31 year-ends:

Social Services Central Trust Account  
 Social Services Valley View Centre Grants and Donations Trust Account and Institutional  
 Collective Benefit Fund  
 Social Services Valley View Centre Residents' Trust Account

## 3.0 AUDIT CONCLUSIONS

**In our opinion, for the year ended March 31, 2017:**

- **The Ministry had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- **The Ministry complied with the following authorities governing its and each of its funds activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

*The Child and Family Services Act*  
*The Child and Family Services Regulations*  
*The Child Care Act, 2014*  
*The Child Care Regulations, 2015*

*The Disability Housing Supplement Regulations*  
*The Employment Supplement Regulations*  
*The Personal Care Home Benefit Regulations*  
*The Rental Housing Supplement Regulations*

*The Social Services Administration Act*  
*The Social Services Rehabilitation Institutional Collective Benefits Funds and Trust Account Regulations*  
*The Department of Social Services Central Trust Account Regulations*  
*The Rehabilitation Act*  
*The Rehabilitation Regulations*  
*The Vocational Rehabilitation Regulations*  
*The Residential Services Act*  
*The Private-service Homes Regulations*  
*The Residential-service Facilities Regulations*  
*The Saskatchewan Assistance Act*

*The Saskatchewan Assistance Regulations, 2014*  
*The Saskatchewan Assured Income for Disability Regulations, 2012*  
*The Transitional Employment Allowance Regulations, 2005*  
*The Saskatchewan Income Plan Act*  
*The Seniors Income Plan Regulations*  
*The Executive Government Administration Act*  
*The Ministry of Social Services Regulations, 2007*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

➤ **The financial statements of each fund are reliable**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audit. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry’s controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization’s objectives.

We focused our audit effort on the following areas:

- Administration of the various programs (e.g., Saskatchewan assistance program, Saskatchewan assured income for disability) as prescribed by the legislation and policy manuals
- User access, change management, and recovery processes for key IT systems
- Monitoring and recording of social impact bonds

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Social Assistance Payments Need to be Supported and Properly Approved

***We recommended that the Ministry of Social Services follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance.*** (2000

Report – Volume 3; Public Accounts Committee agreement June 6, 2001)

**Status** – Partially Implemented

As we have reported since 2001, the Ministry’s employees do not consistently follow the Ministry’s legislation<sup>4</sup> or detailed policies and procedures for making payments to social assistance clients.<sup>5</sup>

<sup>4</sup> *The Saskatchewan Assistance Act* and Regulations. The legislation outlines benefits that may be paid to eligible clients (e.g., reasonable costs for funeral expenses) and the Ministry’s detailed policies and procedures further define the benefits.

<sup>5</sup> A person who seeks social assistance is called a client. In 2016-17, the Ministry paid clients approximately \$433 million.



In 2016-17, for the files we tested, 63% of them (2015-16: 46%) had assistance payments that were not appropriately approved in accordance with policy (i.e., approved by the wrong person, payment not approved at all, or approved when payment not properly supported). For example, we found the following were not appropriately approved:

- 69% of files (2015-16: 21%) with home repairs. For example, in one instance, the Ministry reimbursed the client for home repairs without the required estimates for the work on file.
- 53% of files (2015-16: 40%) with allowances. For example, in one instance, a client received two different food allowances when only one should have been received.
- 43% of files (2015-16: 46%) with funeral expenses. For example, in one instance, the Ministry paid one client for three round trips in relation to a funeral without approval or adequate support.

The lack of compliance with Ministry legislation and policies could result in the Ministry paying clients incorrect amounts of social assistance.

## 4.2 Further Improvements in Supervision of Community-Based Organization Needed

***We recommended that the Ministry of Social Services perform timely reviews on all the performance information submitted by the community-based organizations.*** (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – Partially Implemented

The Ministry did not receive the required reports from community-based organizations (CBOs) as expected. The Ministry also did not complete timely reviews of the annual financial analysis reports.

The Ministry requires CBOs, through its service agreements, to submit operational reports (e.g., program evaluation reports) that describe services and activities, and annual financial reports within 90 days of year-end.<sup>6</sup> CBOs are also required to submit quarterly financial reports within 30 days of period-end. At March 2017, the Ministry had service agreements with approximately 200 CBOs.

We found that delays in receiving reports from CBOs caused delays in the Ministry's review. Some CBOs continued to submit the reports later than the deadlines set out in the agreements. For example, for the files we tested, CBOs submitted late 18% of quarterly reports, 40% of the audited annual financial statements, and 37% of the operational reports (2015-16: 20%, 13%, and 23% respectively). The Ministry uses CBOs' annual financial statements to prepare an annual financial analysis report for each CBO.

The Ministry aims to review the annual financial analysis reports by October 31 each year. In 2016-17, for the files we tested, the Ministry did not review 93% (2015-16: 63%) of the

<sup>6</sup> The year-end can be either March 31 or December 31.

reports by October 31 as expected (i.e., reviewed between 20 days to 173 days after the October 31 deadline).

In March 2017, the Ministry revised the reporting deadlines for the CBOs' audited annual financial statements from 90 days to 120 days (the deadline for quarterly reporting remained at 90 days). Management indicated that this change would make the Ministry's policies consistent with the reporting requirements of other government organizations. It also revised the review deadlines for the annual financial analysis reports from October 31 to November 30.

Not receiving and reviewing reports from CBOs when expected increases the risk that the Ministry cannot identify issues and take timely corrective action (e.g., adjust future funding) as needed.

### 4.3 Removal of User Access Timely

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***We recommended that the Ministry of Social Services follow its established procedures for removing unneeded user access to its computer systems and data promptly.*** (2015 Report – Volume 1; Public Accounts

Committee agreement March 14, 2017)

**Status** – Implemented

The Ministry is removing unneeded user access to its computer systems and data promptly.

In 2016-17, based on our testing, the Ministry significantly improved the time to request removal of network access. We found for the individuals tested, the Ministry requested the removal on or before the day of termination and up to seven days after the last day of employ. Previously, we found it took the Ministry up to 85 days to request removal of network access for some individuals.





## Chapter 17

# Teachers' Superannuation Commission – Teachers' Dental Plan

### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Teachers' Dental Plan for the year ended June 30, 2017.

The Teachers' Superannuation Commission had effective rules and procedures to safeguard the Plan's public resources except it needs to use the information it receives from its service provider to reconcile dental claims approved to dental claims paid and prepare financial statements for the Plan.

During the year, the Commission complied with authorities governing the Plan's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

### 2.0 INTRODUCTION

The Teachers' Superannuation Commission manages and administers the Teachers' Dental Plan. The Plan provides Saskatchewan teachers and their dependents with coverage for certain dental services. The Commission uses an insurance company (service provider) to help administer the Plan.

The Ministry of Education (through the General Revenue Fund) pays for all of the dental services provided through the Plan. During 2016-17, the Commission paid \$12.5 million (2015-16: \$12.3 million) for teacher dental claims and related administrative costs.

### 3.0 AUDIT CONCLUSIONS

**In our opinion, for the year ended June 30, 2017:**

- **The Teachers' Superannuation Commission had effective rules and procedures to safeguard the Plan's public resources except for the matters included in this chapter**
- **The Teachers' Superannuation Commission complied with the following authorities governing the Plan's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Teachers' Dental Plan Act*  
*The Teachers' Superannuation and Disability Benefits Act*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation



We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001) to conduct our audit. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Commission’s controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization’s objectives. Because dental payments made to members are a significant audit area, we tested a sample of dental payments to verify the eligibility and accuracy of the claims and compliance with governing authorities.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Reconciliation Process for Dental Payments in Progress but Not Yet Complete

***We recommended that the Teachers’ Superannuation Commission have adequate support for dental payments.*** (2009 Report – Volume 1; Public Accounts Committee agreement September 1, 2009)

**Status** – Partially Implemented

During 2016-17, the Commission continued to work with its service provider to obtain financial data necessary to determine the extent of dental claims the service provider has approved and paid to teachers. This helps the Commission determine how much it owes for approved dental claims.

Its service provider processes and pays approximately 55,000 dental claims per year on behalf of the Commission. The Commission reimburses the service provider for claims paid.

During 2016-17, each month, its service provider reports details of claims paid to the Commission. This detail provides support for the Commission’s payments to the service provider for claims the service provider has paid. In addition, the Commission uses this information to monitor the dental claim services that the service provider provides. Furthermore, it uses the information to reconcile dental claims approved to dental claims paid—a key step in determining the amount that it owes for dental claims.

In 2016-17, the Commission manually reconciled these amounts for four months of 2014-15. The Commission plans to automate this process before completing the remaining reconciliations. In June 2017, the Commission approved a project charter for the development of a dental reconciliation system. The Commission plans to implement this system in 2017-18.

Without reconciling dental claims approved to claims paid, the Commission has not verified what the Plan owes for approved dental claims. As a result, the Commission cannot prepare adequate interim financial reports and year-end financial statements—see recommendations in **Section 4.2**.

## 4.2 Reporting Improvements Awaiting Completion of Reconciliation Process

***We recommended that the Teachers' Superannuation Commission establish complete and written guidance for preparing interim and year-end financial reports.*** (2008 Report – Volume 1; Public Accounts Committee agreement June 17, 2008)

**Status** – Partially Implemented

***We recommended that the Teachers' Superannuation Commission annual report include the financial statements of each benefit plan the Commission administers.*** (2008 Report – Volume 1; Public Accounts Committee agreement June 17, 2008)

**Status** – Partially Implemented as it relates to the Teachers' Dental Plan

The Dental Plan is the only active benefit plan for which the Commission does not publish financial statements or prepare interim financial reports. At June 2017, the Commission continued to manage the Plan on a cash basis.

After the Commission establishes the dental reconciliation process described in **Section 4.1**, it plans to:

- Complete written guidance for preparing interim and year-end financial reports for the Plan.
- Prepare financial statements for the Plan and include them in the Commission's Annual Report. The Commission expects to be able to prepare financial statements starting in 2018-19. Consistent with prior years, the Commission continued to provide summarized financial information about the Plan in its Annual Report.

Without adequate interim and year-end financial reports, the Commission does not have sufficient financial information to make informed decisions about the Plan.



## Chapter 18

### Water Security Agency

#### 1.0 MAIN POINTS

Other than the need for a complete and tested business continuity plan, the Water Security Agency had effective rules and procedures to safeguard public resources at March 2017. The Agency's 2016-17 financial statements are reliable; it complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

#### 2.0 INTRODUCTION

The Agency is responsible for managing the water supply, protecting water quality and ensuring safe drinking water, managing dams and water supply channels, reducing flood and drought damage, and providing information on water.<sup>1</sup> The Agency owns and operates provincial dams and water supply channels.

At March 31, 2017, the Agency held financial assets (cash, amounts owed) of \$95 million, tangible capital assets of \$370.5 million (including 20 dams received from the Federal Government during 2016-17 valued at \$28.8 million) and had liabilities of \$51.2 million.

In 2016-17, the Agency had an annual surplus of \$31.2 million. This was comprised of revenue of \$426.0 million (including \$350 million from the Federal Government for future operations of the transferred dams); transfer to the General Revenue Fund of \$350 million; and other expenses of \$44.8 million.<sup>2</sup>

#### 3.0 AUDIT CONCLUSIONS

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of the Agency. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>3</sup>

**In our opinion, for the year ended March 31, 2017:**

- **The Agency had effective rules and procedures to safeguard public resources except for the need for a complete and tested business continuity plan**
- **The Agency complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Water Security Agency Act*  
*The Saskatchewan Watershed Authority Regulations*  
*The Drainage Control Regulations*  
*The Water Power Act*

<sup>1</sup> Water Security Agency, *2017-18 Annual Plan*, p. 3.

<sup>2</sup> The annual report of the Water Security Agency can be found at [www.wsask.ca](http://www.wsask.ca).

<sup>3</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



*The Water Power Rental Regulations*  
*The Crown Employment Contracts Act*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above legislation

➤ **The Agency had reliable financial statements**

We used standards for assurance engagements published in the *CPA Canada Handbook – Assurance* to conduct our audits. We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Agency’s controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization’s objectives.

## 4.0 KEY FINDINGS AND RECOMMENDATION

In this section, we outline key observations from our assessments and the resulting recommendation.

### 4.1 Business Continuity Plan Not Complete

***We recommended that the Water Security Agency implement and test a business continuity plan.*** (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Partially Implemented

In 2016-17, the Agency made limited progress on implementing this recommendation. The Agency uses IT systems to monitor water quality and inspection data, provide real-time information on water levels throughout the province, track capital assets (i.e., condition, inspection results, maintenance), and manage financial information.

By March 31, 2017, the Agency continued not to have a complete and tested business continuity plan. Without a complete and tested plan, it is at risk of IT systems and data not being available to deliver business-critical services when needed.

# Chapter 19

## Summary of Implemented Recommendations

### 1.0 MAIN POINTS

This chapter provides an update on recommendations that were implemented and the agencies are not discussed elsewhere in this section.

### 2.0 INTRODUCTION

**Figure 1** sets out, by agency, the recommendation(s) and key actions taken by each agency to implement its recommendation(s).

**Figure 1 – Implemented Recommendations**

| Past Recommendation<br>(Initial PAS Report, Date of<br>Agreement of PAC) <sup>A</sup>  | Key Actions Taken During 2016-17 to<br>Implement Recommendation   |
|--|---|
| <b>Ministry of Agriculture</b>   |   |
| We recommended that the Ministry of Agriculture follow its established procedures to promptly remove unneeded user access to its computer systems and data. (2014 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)  | The 2016-17 fiscal year was the first full year the Ministry completed its review of weekly reports identifying staff that had left the Ministry. We found this control operated as intended during the year. This process, combined with a continued emphasis on removing users timely resulted in significant improvement from previous years. As a result, we found users with significant access to IT systems and data were removed timely.  |
| <b>Ministry of Central Services</b>  |   |
| We recommended that the Ministry of Central Services (transferred from the Ministry of Education) follow Canadian generally accepted accounting principles for the public sector when accounting for assets constructed under shared ownership agreements. (2013 Report – Volume 2; Public Accounts Committee agreement June 17, 2014) | The Ministry of Central Services corrected its accounting for capital assets under shared ownership agreements. It removed about \$72 million of capital assets from its accounting records. The school divisions that had entered into shared ownership agreements with the Ministry of Education continue to appropriately record these assets in their accounting records.   |
| <b>Ministry of the Economy</b>   |   |
| We recommended that the Ministry of the Economy follow its established procedures for removing user access to its computer systems and data. (2016 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)   | Our testing found users (that had left the Ministry who had access to significant IT systems and data) were removed timely. The Ministry of the Economy, during 2016-17, emphasized the education of Ministry staff on the user access termination policy. Management reinforced the use of the termination checklist to ensure the Ministry requested removal of access timely.  |
| <b>Ministry of Environment</b>   |   |
| We recommended that the Ministry of Environment follow its established procedures and remove unneeded user access to systems and data promptly. (2014 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)  | Our testing found access of users (that had left the Ministry who had access to significant IT systems and data) were removed within a reasonable period. The 2016-17 fiscal year was the first full year the Ministry used its review of weekly reports to identify staff that had left the Ministry, and confirm their user access was removed. This process, combined with its continued emphasis on removing users timely, resulted in significant improvement from previous years. |

<sup>A</sup> PAS – Provincial Auditor of Saskatchewan.  
PAC – Standing Committee on Public Accounts.







## **Performance Audits**

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## Chapter 20

# Agriculture—Mitigating Risk of Livestock Diseases

### 1.0 MAIN POINTS

The Ministry of Agriculture had effective processes, for the 12-month period ending August 2017, to minimize the risk of occurrence and spread of diseases of farmed animals in Saskatchewan other than in the two areas noted below.

To prevent and control the spread of diseases among farmed animals in Saskatchewan, the Ministry does the following. It maintains a list of 14 diseases it considers of sufficient threat to require provincial notification and monitoring. It carries out surveillance activities on almost one-half of its provincial notifiable diseases.

In the event of positive cases of notifiable diseases, for three notifiable diseases, the Ministry has formal written plans to respond. For the remaining notifiable diseases, it monitors the sufficiency of actions taken to treat diseased animals, and actions taken to prevent further spread of the disease.

Furthermore, the Ministry identifies new or emerging diseases, and has a documented plan to prevent foreign animal diseases from entering the province. It gives producers adequate information to educate them on disease risks, and disease prevention and control techniques.

However, the Ministry did not maintain support for its decisions on which diseases to include on the list, which diseases warrant surveillance, or the extent of its involvement in reported cases of livestock diseases.

While the Ministry maintains records on positive cases of notifiable livestock diseases to summarize key information about the case, its records are not complete. These records are the Ministry's main monitoring tool to determine if veterinarians and those contracted by the Ministry took sufficient actions to limit the spread of disease.

The livestock sector in Saskatchewan had average annual revenues around \$2 billion for the last three years. Disease outbreaks can impose significant effects on production, price and value of livestock products.

### 2.0 INTRODUCTION

This chapter sets out the results of our audit on the Ministry of Agriculture's processes to mitigate the risk of the occurrence and spread of diseases of farmed animals (livestock) in Saskatchewan.

## 2.1 Livestock Disease Responsibility

The regulation and control of certain animal diseases is a shared responsibility between the federal and provincial governments.



Federal laws (e.g., *The Health of Animals Act* and *The Reportable Diseases Regulations*) make the Canadian Food Inspection Agency responsible for regulating certain reportable animal diseases (see **Section 5.0** for a listing of federally reportable animal diseases). Reportable diseases are those diseases that have to be reported to the Canadian Food Inspection Agency if there is a suspected case in an animal.

Provincial laws (e.g., *The Diseases of Animals Act*) make the Saskatchewan Ministry of Agriculture responsible for preventing and controlling the spread of diseases among farmed animals in Saskatchewan. This includes responsibility for developing regulations to prevent and control any disease, and to inspect, test, vaccinate and quarantine animals.<sup>1</sup>

In addition, the Ministry has the authority, by law, to direct investigations of alleged outbreaks of livestock disease, direct scientific investigations, and take steps to reduce the impact of an outbreak of a disease.

Cabinet, through regulations, has identified 14 livestock diseases requiring provincial notification and monitoring (see **Section 5.0** for a listing of provincial notifiable animal diseases). Diseases on the Provincial Notifiable Disease List are not federally reportable (with the exception of anthrax and rabies). Notifiable diseases are laboratory confirmed livestock diseases that require monitoring to detect and understand their presence in Saskatchewan.

## 2.2 Monitoring Livestock Diseases in Saskatchewan

The Ministry of Agriculture's *Plan for 2017-18* includes, as a key action, providing programs and funding to promote animal welfare, animal disease surveillance and prevention; to respond to emergency events; and for the prioritization of registration on the Premises Identification System.<sup>2,3</sup>

Each year, the Ministry spends about \$5 million on preventing and controlling livestock disease. The Ministry's Livestock Branch, more specifically, the Animal Health Unit is tasked with this role. The Unit has a Chief Veterinary Officer and seven additional full-time staff responsible for livestock disease prevention and control.

The Ministry uses annual livestock-sector revenue as one of its performance measures. The Ministry's target is to increase annual cash receipts from farm livestock sales to above \$2.0 billion by 2020.<sup>4</sup> As shown in **Figure 1**, Saskatchewan missed this target in 2016, but had exceeded its target in 2014 and 2015.

<sup>1</sup> Section 5(1): The Lieutenant Governor in Council may make regulations for the prevention and control of any disease.

<sup>2</sup> Ministry of Agriculture, *Plan for 2017-18*, p. 4.

<sup>3</sup> The Saskatchewan Premises Identification System facilitates linking livestock and poultry to geographic locations for planning and responding to animal health issues and emergency response. [www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/agricultural-programs-and-services/livestock-programs/saskatchewan-premises-identification-system](http://www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/agricultural-programs-and-services/livestock-programs/saskatchewan-premises-identification-system) (20 September 2017).

<sup>4</sup> Ministry of Agriculture, *Plan for 2017-18*, p. 4.

**Figure 1—Number of Animals and Dollar Value of Exports from Saskatchewan**

| Live animals exports from Saskatchewan | 2014          |                   | 2015          |                   | 2016          |                   |
|--|---------------|-------------------|---------------|-------------------|---------------|-------------------|
|  | Number (000s) | Dollars \$ (000s) | Number (000s) | Dollars \$ (000s) | Number (000s) | Dollars \$ (000s) |
| Hogs                                   | 1,707         | 299,604           | 1,881         | 337,528           | 1,927         | 340,560           |
| Cattle                                 | 1,273         | 1,893,486         | 1,057         | 2,076,101         | 944           | 1,354,508         |
| Poultry                                | 640           | 10,133            | 627           | 10,035            | 559           | 8,949             |
| Sheep                                  | 59            | 8,302             | 67            | 11,490            | 62            | 10,076            |
| Bison                                  | 12            | 27,643            | 15            | 44,400            | 12            | 39,041            |
| Game Farm <sup>A</sup>                 | 2             | 1,234             | 1             | 3,251             | 1             | 1,112             |
| <b>Total</b>                           | <b>3,693</b>  | <b>2,240,402</b>  | <b>3,648</b>  | <b>2,482,805</b>  | <b>3,505</b>  | <b>1,754,266</b>  |

Information is for calendar years.

Source: Ministry of Agriculture records. Based on information from Statistics Canada.

<sup>A</sup> Game Farm animals are shaded as these animals are outside of the scope of our audit.

The Ministry expects demand for Saskatchewan agri-food exports to remain strong and grow. Over the next 30 years, it expects projected global population growth to drive continued growth of the livestock sector.

## 2.3 Health and Economic Implications of Livestock Diseases

Animal disease, primarily in livestock, has long been a concern for food safety, animal welfare and the high economic losses it can cause. Outbreaks, or rumours of an outbreak, can result in widespread consumer alarm, disruption of trade, and severe effects on incomes, not to mention the human cost of illnesses and deaths arising from animal disease.<sup>5</sup> Furthermore, research indicates that measures compensating financial losses at the farm level generate the highest share of government expenditures in the short run.<sup>6</sup>

For example, in 2003, the Canadian Food Inspection Agency reported finding bovine spongiform encephalopathy (BSE) in a cow from northern Alberta. The Government of the United States immediately closed its border to Canadian beef and cattle. About 40 countries followed suit resulting in the virtual shut down of the Canadian beef industry and a \$460 million compensation program cost-shared between the federal and provincial governments.<sup>7</sup>

Disease outbreaks can impose significant effects on production, price, and value of livestock products, which is particularly significant for exporting jurisdictions like Saskatchewan.

<sup>5</sup> OECD, *Livestock Diseases: Prevention, Control and Compensation Schemes*, (2012). DOI: <http://dx.doi.org/10.1787/9789264178762-en>. (28 September 2017).

<sup>6</sup> Inamura, M., Rushton, J., and Antón, J., *Risk Management of Outbreaks of Livestock Diseases*, (2015). [www.oecd-ilibrary.org/agriculture-and-food/risk-management-of-outbreaks-of-livestock-diseases\\_5jrrwdp8x4zs-en](http://www.oecd-ilibrary.org/agriculture-and-food/risk-management-of-outbreaks-of-livestock-diseases_5jrrwdp8x4zs-en) (25 July 2017).

<sup>7</sup> <http://globalnews.ca/news/1830438/timeline-canadas-2003-mad-cow-disease-crisis/> (14 June 2017).



## 3.0 AUDIT CONCLUSION

We concluded that for the 12-month period ended August 15, 2017, the Ministry of Agriculture had, other than the following areas, effective processes to minimize the risk of the occurrence and spread of diseases of farmed animals in Saskatchewan. The Ministry needs to:

- **Maintain support for which livestock diseases it places on the notifiable disease list, conducts surveillance activities on, and/or maintains response plans for**
- **Consistently document its assessment of the sufficiency of actions taken for confirmed notifiable disease cases**

Figure 2—Audit Objective, Criteria, and Approach

**Audit Objective:** The objective of this audit is to assess the effectiveness of the Ministry of Agriculture's processes, used in the 12-month period ending August 15, 2017, to mitigate the risk of the occurrence and spread of diseases of farmed animals in Saskatchewan.

For the purpose of this audit, farmed animals do not include domestic game farm animals. Domestic game farm animals are antelope, caribou, reindeer, elk, moose, deer, bighorn sheep, or mountain goats held in captivity.

**Audit Criteria:**

Processes to:

1. Consistently prevent and early detect livestock diseases
  - 1.1 Systematically identify, assess, and prioritize threats of occurrence of livestock diseases
  - 1.2 Develop plan with key parties (e.g., Health, Environment, third parties) for prevention and early detection
  - 1.3 Increase stakeholder awareness on disease prevention and detection techniques (e.g., biosecurity), emergency animal disease preparedness, and disease reporting responsibilities
2. Promptly respond to incidents or reported or suspected diseases
  - 2.1 Use surveillance activities to identify suspected livestock disease
  - 2.2 Structure incident response approach to minimize risk of spread
  - 2.3 Timely investigation of reported or suspected diseases

**Audit Approach:**

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Ministry of Agriculture's processes, we used the above criteria based on our related work, reviews of literature including reports of other auditors, consultations with management and an external expert. The Ministry of Agriculture's management agreed with the above criteria.

We examined the Ministry of Agriculture's procedures, records, and agreements with third parties (e.g., Prairie Diagnostic Services, Rabies Risk Assessment Veterinarian) that relate to livestock diseases prevention and control. We interviewed staff at the Ministry and Prairie Diagnostic Services responsible for mitigating the risk of occurrence and spread of livestock disease. We examined the process for timely notification of positive test results of notifiable diseases for a sample of items and sampled investigations performed on reported notifiable diseases.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 2**. Unless otherwise noted, references to the Ministry refer to the activities of the Animal Health Unit of the Ministry of Agriculture.

## 4.1 Processes to Identify New or Emerging Diseases Reasonable

The Ministry has established various ways to keep informed of new and existing livestock diseases in Canada and throughout the world. This assists the Ministry to keep aware of current and potential threats to the province.

The Ministry obtains information by reading veterinary newsletters, being on email lists of veterinary groups, and subscribing to an internet-based reporting system that reports on global emerging diseases. In addition, the Ministry routinely exchanges information on cases of animal diseases (e.g., outbreaks, treatment options, and prevention and control techniques) with its counterparts in other provinces.

In addition, Saskatchewan's Chief Veterinary Officer participates in monthly calls with other provincial Chief Veterinary Officers. They discuss current issues related to animal health. They share strategies and resources (e.g., lessons learned) to promote and protect livestock. Ministry representatives attend meetings and conferences arranged by livestock industries associations and the Saskatchewan Veterinary Medical Association.

## 4.2 Rationale for Including Diseases on Notifiable Disease List and Requiring Response Plans Needed

The Ministry did not keep support for the basis of its decisions on which livestock diseases it included on its notifiable disease listing (see **Section 5.0**). Nor has the Ministry kept support for its decisions on the extent of its involvement in reported cases of diseases on its listing (e.g., for which diseases it requires a response plan).

### Diseases to Include on Provincial Notifiable Disease List

The Ministry developed its own Provincial Notifiable Disease List in 2013 because of a Canadian Food Inspection Agency decision. In 2013, the Agency stopped responding to cases of rabies and anthrax diseases even though they are on its reportable list.

At August 2017, the provincial notifiable listing includes 14 diseases.

Ministry staff advised us that it used the knowledge of veterinarians on staff to identify and select which diseases to include on its list. It said that it considered each disease's impact on livestock, impact on human health, diseases with high public interest, and those likely to occur in the province. In addition, it said that it consulted with provincial livestock industry associations to determine the livestock diseases that could significantly impact the industry in event of an outbreak. It did not document these decisions or the results of the assessments (e.g., why a disease is or is not on the notifiable disease list).

### Reported Cases of Diseases Requiring Ministry Involvement

The Ministry has determined its level of involvement in positive disease cases. For three notifiable diseases (i.e., anthrax, rabies, porcine epidemic diarrhea), the Ministry decided to take an active role and to take a monitoring role on the remaining 11 notifiable diseases.





An active role is where the Ministry works with the attending private veterinarian (local veterinarian) to help ensure the local veterinarian takes the necessary steps to reduce the risk of spread of the disease (e.g., quarantine the animal, properly destroy and dispose of the animal). As part of taking an active role, the Ministry staff may respond to a diseased animal.

Whereas a monitoring role is where the Ministry only receives reporting from the local veterinarian on the history of the diseased animal (e.g., vaccination history, locations the animal has travelled) and the treatment given. The Ministry does not take any additional steps.

The Ministry indicated that it based its decisions on the extent of its involvement on assessments of risk and consultation with livestock industry associations. It decided that risks associated with anthrax,<sup>8</sup> rabies,<sup>9</sup> and porcine epidemic diarrhea warranted active involvement as a positive case of them could have a critical impact on livestock, the livestock industry and potentially human health. As such, it decided it required a plan for each that would guide responses in the event of a positive case (i.e., response plans). It did not document its assessments of risk.

Anthrax cases are rare in Saskatchewan. There were only four cases from 2014 to July 2017. Positive cases of rabies in livestock are also rare. In 2016, Saskatchewan had four positive cases of rabies in livestock, two of which required quarantine of livestock. As of August 2017, there have been no cases of porcine epidemic diarrhea found in animals in Saskatchewan.

In addition, as *The Diseases of Animal Act* allows, the Ministry contracted a Rabies Risk Assessment Veterinarian to investigate rabies diseases on its behalf.

For those diseases on the Provincial Notifiable Disease List not requiring response plans, the Ministry takes a monitoring role. The Ministry expects the local veterinarian to give it updates on the case (e.g., vaccination and travel history). For example, if the Ministry becomes aware of a horse with West Nile virus, instead of the Ministry responding formally to the positive test, it requests the local veterinarian to provide information on the animal's vaccination history and the locations where the animal has been. It uses this information to assess effectiveness of the vaccine and determine where the animal may have contracted the disease.

Determining which diseases to investigate, and which to develop response plans for is crucial to mitigating the occurrence and spread of livestock diseases. One incident of a particular disease can have significant economic consequence to the livestock industry. As mentioned in **Section 2.3**, one case of BSE found in 2003 caused significant losses to the Canadian beef industry.

Having clear and documented assessments of the impact and likelihood of diseases occurring provides for stronger decision-making processes. Having documented basis of decisions provides key support to decisions. In addition, it makes it easier to revisit for changing circumstances and decisions are more defensible by capturing the logic behind those decisions (e.g., rationale for including certain diseases on the notifiable disease list

<sup>8</sup> Anthrax is a bacterial disease caused by *Bacillus anthracis*. Anthrax is a zoonotic disease, which means it can be transmitted to humans. However, human infections are extremely rare.

<sup>9</sup> Rabies is a viral disease that attacks the central nervous system of mammals. In Saskatchewan, rabies is most often found in skunks and, to a lesser extent, bats. Rabies may infect livestock and can also infect humans.



and excluding others, or requiring response plans for some but not others). It also assists in the event of staff turnover.

1. **We recommend that the Ministry of Agriculture maintain support for its decisions on which livestock diseases to include on its notifiable disease list.**
2. **We recommend that the Ministry of Agriculture maintain support for its decisions on which livestock diseases require response plans.**

### 4.3 Content of Response Plans Reasonable

At August 2017, the Ministry maintained adequate response plans for anthrax, rabies, and porcine epidemic diarrhea.

The Ministry said that it consulted with other neighbouring provinces (i.e., Alberta and Manitoba) when developing each of these disease response plans. This assists in having a consistent approach among the provinces and allows for cross-border co-ordination.

The Ministry uses the response plans to set out the roles and responsibilities of the Ministry, local veterinarians, and for rabies, the Rabies Risk Assessment Veterinarian, in the event of a disease outbreak. The Ministry has established clear objectives and detailed procedures in each response plan. The Ministry updates these plans annually.

These plans contain sufficient information to address key areas (i.e., timeliness of notification, timeliness of incident response, and expected outcomes). For each disease with a response plan, if a positive case is identified, the Ministry contracts veterinarians to take disease control actions to address the case and prevent spread (e.g., vaccinate remainder of herd, quarantine the diseased animal, and/or destroy the animal).

The Anthrax Response Plan outlines steps and measures regarding managing anthrax. In the event of a positive case, the Ministry's inspector or the local veterinarian is to quarantine the affected pasture and exposed (or potentially exposed) animals to prevent the spread of anthrax through the movement of animals. Inspectors or local veterinarians are to provide necessary information to the owner on anthrax prevention and management, carcass disposal, cleaning and disinfecting directions, and confirm that the owner took appropriate actions. The Ministry notifies the Ministry of Health in case of human contact with a diseased animal.

Under the Rabies Response Plan, the Rabies Risk Assessment Veterinarian receives test result reports from the Canadian Food Inspection Agency, and notifies the local veterinarian, the animal owner, and the Ministry of test results. The Rabies Risk Assessment Veterinarian also notifies the Medical Health Officer at the Ministry of Health in the case of human contact with a diseased animal. When a positive test result in a livestock animal is confirmed, the Rabies Risk Assessment Veterinarian works with the animal owner to ensure that appropriate disease control actions are taken. For example, the Rabies Risk Assessment Veterinarian can order animals be placed under quarantine. Such animals are not allowed to move (e.g., between pastures or off the farm) without the Rabies Risk Assessment Veterinarian's permission.



Under the Porcine Epidemic Diarrhea Response Plan, in the event of a positive case, the pork industry association (i.e., SaskPork) is responsible to carry out the Ministry's plan.

We reviewed the Ministry's three response plans. We found each contained adequate information to assist the Ministry in responding to a disease outbreak. There were no instances where the Ministry activated response plans for the 12-month period ended August 15, 2017 (our audit period). Response plans included clear and understandable information on:

- How to take samples from potentially diseased livestock
- Who to notify when a positive case is found (i.e., Chief Veterinary Officer)
- How quickly notification must take place (i.e., within 24 hours)
- The Ministry's role versus that of the veterinarian in responding to the disease

## 4.4 Disease Prevention Systems in Place

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The Ministry has a documented plan to prevent foreign animal diseases from entering the province. In addition, it provides adequate information to producers to educate them on disease risks, and disease prevention and control techniques.

### Plan in Place to Prevent the Spread of Foreign Animal Diseases

In 2010, the Ministry used information from Alberta, Ontario, British Columbia, and the Canadian Food Inspection Agency to develop the Saskatchewan Foreign Animal Disease Emergency Support Plan. This plan relates to reportable (i.e., diseases on the Federally Reportable Disease List) and/or emerging diseases (i.e., diseases not currently found in Canada).

We found the Foreign Animal Disease Emergency Support Plan contained adequate information to assist the Ministry in the event of the introduction of a foreign animal disease. The Foreign Animal Disease Emergency Support Plan includes clear information on prevention of diseases (e.g., providing training and awareness to veterinarians, enhancing surveillance and biosecurity activities on farms and veterinary clinics), how to respond to an identified incident of a disease, recovery from the outbreak, and on roles and responsibilities of each party (e.g., the Ministry, Canadian Food Inspection Agency).

There were no instances for the 12-month period ended August 15, 2017 (our audit period), where the Ministry activated the Foreign Animal Disease Emergency Support Plan.

### Actively Educating Producers about Disease Risks, Prevention, and Control

The Ministry uses a variety of activities to actively educate producers about disease risks and preventative and control measures for diseases.

Disease prevention measures are especially important in the light of a recent porcine epidemic diarrhea outbreak in Manitoba that began in May 2017. The Government of

Manitoba confirmed cases of the fatal virus for piglets in 72 sites.<sup>10</sup> The first confirmed case of the virus in Canada was in January 2014 in Ontario, just as an outbreak swept through the U.S. killing more than eight million piglets.<sup>11</sup> Strict biosecurity practices help prevent and limit the spread of the virus.

Saskatchewan does not have mandatory provincial biosecurity standards; rather it promotes the Canadian Food Inspection Agency's biosecurity standards for Saskatchewan livestock industries for preventing disease occurrence and transmission. These biosecurity measures include controlling access to livestock premises, creating a herd health plan (e.g., isolating diseased animals from the herd), proper washing of livestock pens and transportation trucks, changing of clothing prior to entering livestock areas, and handwashing.

To promote these practices and to increase awareness of producers and veterinarians, the Ministry publishes articles and newsletters. For example, the Ministry regularly publishes articles on animal health and current issues in its monthly newsletter, *Agriview*.<sup>12</sup> Also, the Ministry publishes information on animal diseases and disease management practices in the Saskatchewan Veterinary Medical Association news magazine and its website.<sup>13</sup>

In addition, the Ministry supports biosecurity programming to the sheep and beef industries. The Ministry spent approximately \$350,000 on biosecurity programming in 2016-17. Programming included funding for workshops, advertising, tradeshow, awareness campaigns, and veterinary visits to farms. The Ministry requires and reviews reports on these projects. It uses this information to determine program need, and whether to continue its support for them.

## 4.5 Rationale for Early Disease Detection Practices Needed

To help detect livestock diseases early, the Ministry takes a multi-faceted approach. It recognizes that early detection and timely response can reduce the overall costs to industry and Government. The Ministry did not keep support to explain how it decided which diseases to perform surveillance activities on in the province.

Surveillance activities include taking samples from animals for laboratory testing. Testing allows analysis of strains of diseases occurring in the province. It also provides researchers with information on diseases occurring in the province, and an opportunity to determine how to prevent the disease or minimize the spread.

### Rationale for Surveillance Activities Needed

The Ministry has surveillance activities carried out on 6 of the 14 provincial notifiable diseases. It hires and leverages outside organizations and individuals to do these activities.

<sup>10</sup> [www.gov.mb.ca/agriculture/animals/animal-health/porcine-epidemic-diarrhea.html](http://www.gov.mb.ca/agriculture/animals/animal-health/porcine-epidemic-diarrhea.html) (16 October 2017).

<sup>11</sup> [www.todayville.com/manitoba-pork-farmers-scramble-to-contain-virus-thats-fatal-for-piglets/](http://www.todayville.com/manitoba-pork-farmers-scramble-to-contain-virus-thats-fatal-for-piglets/) (15 September 2017).

<sup>12</sup> *Agriview* website: [www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/agricultural-programs-and-services/information-services-for-agribusiness-farmers-and-ranchers/agriview](http://www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/agricultural-programs-and-services/information-services-for-agribusiness-farmers-and-ranchers/agriview). (29 September 2017).

<sup>13</sup> Saskatchewan Veterinary Medical Association website: <http://svma.sk.ca/index.php?p=newsletter>. (29 September 2017).



Each year, the Ministry contracted various organizations (e.g., Western College of Veterinary Medicine, Prairie Diagnostic Services, Saskatchewan Veterinary Medical Association) to early identify the presence of livestock diseases in the province. Each year, about \$1.5 million is spent on surveillance activities in the province; the Federal Government provides most of this funding.<sup>14,15</sup>

In 2017, its surveillance activities included regular testing for rabies, porcine epidemic diarrhea, anthrax, swine delta virus, swine influenza, and transmissible gastroenteritis. However, the Ministry did not have support that showed why it selected these particular diseases and not others included on its notifiable list. In addition, it did not have a long-term plan indicating its future plans for disease surveillance.

The Ministry cannot prevent instances of livestock disease in the province, but doing sufficient surveillance activities are key to minimizing risks of occurrence of livestock disease. Having support for the basis of selecting which diseases to surveil and when, helps show that it is doing enough. It also assists in the event of staff turnover.

**3. We recommend the Ministry of Agriculture maintain support for its decisions on which notifiable livestock diseases to have surveillance activities performed.**

The Ministry monitors and assesses its surveillance programs by reviewing reports.

We reviewed three of five contracts for surveillance activities related to notifiable diseases and found that they were current, included clear objectives, and contained reporting requirements. These contracts provided the Ministry with sufficient and timely information to minimize the risk of occurrence and spread of livestock diseases being monitored.

In addition, we found the Ministry had adequate agreements for other surveillance activities with outside organizations and individuals (e.g., Prairie Diagnostic Services, University of Saskatchewan, and Rabies Risk Assessment Veterinarian). We also found it sufficiently monitored the work performed on its behalf.

## **Reliance on Farmers and Veterinarians for Initial Detection**

With farmers and veterinarians being in direct contact with diseased livestock, the Ministry relies on them to detect and report diseases when they occur.

As noted earlier in **Section 4.4**, the Ministry educates farmers on noticing the signs of a diseased animal. The Ministry relies on farmers to know their animals best. It recognizes farmers have a stake in taking the necessary steps (i.e., notify a local veterinarian) to protect their herds and source of income.

The Ministry expects veterinarians to follow their professional code of conduct and use professional knowledge to provide appropriate care (e.g., follow-up, vaccination) for animals. Under the veterinarian's code of conduct, they must provide adequate care to animals.<sup>16</sup> This makes them a good source for the Ministry for identifying diseased

<sup>14</sup> Information provided by the Ministry of Agriculture.

<sup>15</sup> The majority of this funding comes from the Federal Government through grants from the Growing Forward 2 (GF2) Agreement. GF2 is a five-year (2013-18) policy framework for Canada's agricultural and agri-food sector. GF2 is a \$3 billion investment by federal, provincial, and territorial governments and the foundation for government agricultural programs and services.

<sup>16</sup> [www.canadianveterinarians.net/about/veterinary-oath](http://www.canadianveterinarians.net/about/veterinary-oath) (3 August 2017).

animals. If a veterinarian suspects an animal has a potential notifiable disease, they take samples from the animal for laboratory testing.

The Ministry provides veterinarians with additional resources to assist in diagnosis of diseased livestock. It has a contract with the Disease Investigation Unit at the Western College of Veterinary Medicine<sup>17</sup> to support the livestock industry and veterinarians. This Unit can provide and manage additional investigations of complex cases of animal disease. This enhances the Ministry's preparedness for responding to livestock diseases and reduces the economic impact on the province.

Once test results return, veterinarians administer the required care (e.g., vaccination, medication, follow-up examination, and/or destruction of the animal) to the animal. The Ministry monitors the veterinarians' actions through discussions with the veterinarians on the actions taken.

### **Diagnostic Testing Services Adequate**

The Ministry receives prompt notification of positive instances of livestock diseases on its listing. Prairie Diagnostic Services Inc. notifies the Ministry of positive notifiable diseases except rabies.<sup>18</sup>

Prairie Diagnostic Services is the main veterinary diagnostic laboratory in the province. It tests samples that veterinarians submit. It is jointly owned and funded by the Ministry and the University of Saskatchewan.

Under a memorandum of understanding between the Ministry and Prairie Diagnostic Services, Prairie Diagnostic Services sends automated reports to the Chief Veterinary Officer in the event of a positively confirmed notifiable disease. An authorized user (i.e., pathologist) from Prairie Diagnostic Services' laboratory verifies and signs notification reports prior to sending them to the Ministry.

We found that the memorandum of understanding adequately documented both the Ministry and Prairie Diagnostic Services' responsibilities in relation to livestock disease detection.

Unlike the rest of the provincial notifiable diseases, rabies samples are sent to the Canadian Food Inspection Agency's Lethbridge laboratory for confirmation testing.

In the event of a suspected rabies case, the Ministry relies on its contracted veterinarian, the Rabies Risk Assessment Veterinarian. The Rabies Risk Assessment Veterinarian:

- Gives the local veterinarians information to collect samples from the potentially rabid animal, and assigns tracking numbers to all samples that are to be sent to Lethbridge
- Co-ordinates shipping the samples to the diagnostic laboratory in Lethbridge

<sup>17</sup> The Western College of Veterinary Medicine is part of the University of Saskatchewan and is funded by the Provincial Government. For its Disease Investigation Unit website see: [www.usask.ca/vmc/large-animal/swine/disease-investigations.php](http://www.usask.ca/vmc/large-animal/swine/disease-investigations.php) (28 September 2017).

<sup>18</sup> Prairie Diagnostic Services is located at the Western College of Veterinary Medicine in Saskatoon with laboratories integrated directly into the College. The laboratory provides a full range of diagnostic services including: necropsy, surgical pathology, clinical pathology, histology, bacteriology, immunology, molecular diagnostics, virology, and toxicology. Website: [www.pdsinc.ca/](http://www.pdsinc.ca/) (3 August 2017).



The Rabies Risk Assessment Veterinarian uses the tracking numbers to follow-up with any local veterinarians' samples that have not been submitted within one day of taking the sample. This makes the risk of samples not being tested promptly low.

### **Timely Notification of Positive Cases**

The Ministry is notified of Prairie Diagnostic Services laboratory-confirmed cases within 24 hours of positive notifiable livestock diseases.<sup>19</sup> The Ministry posted this requirement with the contact information of the Chief Veterinary Officer on its website.<sup>20</sup>

The Ministry receives all Prairie Diagnostic Services test results related to provincial notifiable diseases. The Laboratory Information Management System (an IT system) at Prairie Diagnostic Services contains comprehensive information on every laboratory test to confirm or deny the existence of a livestock disease in the specimen provided. The Ministry requested Prairie Diagnostic Services provide automatic reporting sent via email in the event of a positive notifiable disease case.

For items in the sample we tested, we found notification occurred within 24 hours on all positive notifiable diseases as required.

### **Premises Identification System Established**

At August 2017, management indicated the Ministry was in the process of collecting producer information for its Premises Identification System. The main purpose of this system is to track the location and movement of livestock. Once fully operational, the Ministry expects the system to assist in tracking the movement of livestock with confirmed cases of diseases.

## **4.6 Record Keeping on Actions Taken Needs Improvement**

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The Ministry maintains records on positive cases of notifiable livestock diseases to summarize key information about the cases, but its records are not complete. These records are the Ministry's main monitoring tool to determine if veterinarians and those contracted by the Ministry took appropriate actions.

The Ministry receives various pieces of information on suspected and identified cases of notifiable livestock diseases from a number of different sources at differing points of time. For example, it receives initial reports and then later updates from local veterinarians, and its contracted organizations and/or veterinarians. It also receives results of laboratory testing from either Prairie Diagnostic Services or Lethbridge (for rabies cases).

Upon receiving reports of positive cases from Prairie Diagnostic Services and following up with local veterinarians, Ministry staff keep records of positive cases (e.g., number and location of positive cases) and outcomes of each case. It records key actions taken to

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<sup>19</sup> Minister Order updating the Provincial Notifiable Animal Disease List under *The Diseases of Animals Act*. Approved February 14, 2014.

<sup>20</sup> [www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/livestock/animal-health-and-welfare/notifiable-disease-list](http://www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/livestock/animal-health-and-welfare/notifiable-disease-list) (17 September 2017).

reduce the risk of spread (particularly actions of organizations/veterinarians it has contracted).

The Ministry uses this information to monitor the sufficiency of actions taken in response to positive cases of notifiable diseases. As its response plans require, it is more active in positive cases of anthrax, rabies, and porcine epidemic diarrhea.

For sampled cases of diseases with response plans, we found investigations took place in accordance with timelines and procedures set out in the response plans. For sampled cases of diseases with no response plans, we found evidence that the Ministry followed up with the veterinarians working with animal owners on steps taken to address the diseased animal to determine whether steps taken were appropriate.

For all positive rabies cases we tested, the Rabies Risk Assessment Veterinarian notified the appropriate individuals (e.g., local veterinarian, animal owner, the Ministry).

However, we found that in nine cases, information in the Ministry's centralized records was not complete (e.g., veterinary actions taken on positive cases not always documented).

Keeping complete, accurate records will help the Ministry to manage livestock diseases and ensure that its contracted third parties take appropriate actions to resolve positive cases of notifiable livestock diseases. Complete records will also provide the Ministry with a permanent record of its assessment of the sufficiency of actions taken.

4. We recommend that the Ministry of Agriculture consistently document its analysis of the sufficiency of actions taken on all positive cases of notifiable livestock diseases.

## 5.0 FEDERALLY REPORTABLE LIVESTOCK DISEASES AND PROVINCIAL NOTIFIABLE LIVESTOCK DISEASES

Both federal and provincial governments require the reporting of the livestock diseases listed in the following table. Canada calls these reportable diseases; and Saskatchewan calls these notifiable diseases. Both Canada and Saskatchewan require reporting of instances of anthrax and rabies (see bold font).

| Federally Reportable Livestock Diseases <sup>A</sup>   | Provincial Notifiable Livestock Diseases <sup>B</sup>   |
|--|---|
| <ul style="list-style-type: none"> <li>➤ African horse sickness</li> <li>➤ African swine fever</li> <li>➤ <b>Anthrax</b></li> <li>➤ Bluetongue</li> <li>➤ Bovine spongiform encephalopathy (BSE)</li> <li>➤ Bovine tuberculosis</li> <li>➤ Brucellosis</li> <li>➤ Chronic wasting disease</li> <li>➤ Classical swine fever</li> <li>➤ Contagious bovine pleuropneumonia</li> <li>➤ Contagious equine metritis</li> </ul> | <ul style="list-style-type: none"> <li>➤ <b>Anthrax</b></li> <li>➤ Bovine Anaplasmosis</li> <li>➤ Equine Herpes Virus</li> <li>➤ Infectious Laryngotracheitis</li> <li>➤ Lyme Disease</li> <li>➤ Malignant Catarrhal Fever</li> <li>➤ Porcine Epidemic Diarrhea</li> <li>➤ Q Fever</li> <li>➤ <b>Rabies</b></li> <li>➤ Salmonella Enteritidis</li> <li>➤ Swine Delta Coronavirus</li> </ul> |



| Federally Reportable Livestock Diseases <sup>A</sup>  | Provincial Notifiable Livestock Diseases <sup>B</sup>   |
|---|---|
| <ul style="list-style-type: none"> <li>➤ Cysticercosis</li> <li>➤ Equine infectious anaemia</li> <li>➤ Equine piroplasmiasis</li> <li>➤ Foot and mouth disease</li> <li>➤ Fowl typhoid</li> <li>➤ Lumpy skin disease</li> <li>➤ Newcastle disease</li> <li>➤ Notifiable avian influenza</li> <li>➤ Peste des petits ruminants</li> <li>➤ Pseudorabies</li> <li>➤ Pullorum disease</li> <li>➤ <b>Rabies</b></li> <li>➤ Rift Valley fever</li> <li>➤ Rinderpest</li> <li>➤ Scrapie</li> <li>➤ Sheep and goat pox</li> <li>➤ Swine vesicular disease</li> <li>➤ Trichinellosis</li> <li>➤ Venezuelan equine encephalomyelitis</li> <li>➤ Vesicular stomatitis</li> </ul> | <ul style="list-style-type: none"> <li>➤ Swine Influenza</li> <li>➤ Transmissible Gastroenteritis</li> <li>➤ West Nile Virus</li> </ul> |

<sup>A</sup> This listing is partial in that it only includes livestock diseases. [www.inspection.gc.ca/animals/terrestrial-animals/diseases/reportable/eng/1303768471142/1303768544412](http://www.inspection.gc.ca/animals/terrestrial-animals/diseases/reportable/eng/1303768471142/1303768544412) (18 July 2017).

<sup>B</sup> [www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/livestock/animal-health-and-welfare/notifiable-disease-list](http://www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/livestock/animal-health-and-welfare/notifiable-disease-list) (20 September 2017).

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## Chapter 21

# Education—Managing the Construction of P3 Joint-use Schools

### 1.0 MAIN POINTS

This chapter reports on the Ministry of Education’s processes to manage the construction of 18 schools. The Ministry did a good job of managing the construction phase.

In 2014, the Government decided to use a public-private-partnership (P3) approach to finance, build, and operate 18 new joint-use schools. In August 2015, the Ministry of Education entered into two 32-year Project Agreements with one private sector partner (Project Co). One project agreement is for six schools located in Regina in two school divisions, and the other is for twelve schools located in Saskatoon, Martensville, and Warman in three school divisions.

Under each agreement, the private sector partner builds, finances, and maintains the new elementary schools. The agreements have a combined cost of about \$731 million. The Ministry is responsible for overseeing the agreements. The school divisions are to own the schools located in their division at the end of the agreement.

Each of the schools were constructed by June 30, 2017, the expected deadline, consistent with the related P3 agreements.

### 2.0 INTRODUCTION

*The Education Act, 1995* (Act) assigns responsibility for elementary and secondary education to the Minister of Education.<sup>1</sup> The Act makes the Ministry responsible for overseeing school divisions. It works with the elected boards and appointed directors of education. By law, the Ministry must approve all major capital projects such as construction of a new school building.<sup>2</sup>

The Act also empowers the Minister to appoint a person to provide advice on approval of plans for the location, specifications, financing, and maintenance of school buildings.<sup>3</sup> Under the Act, school divisions’ boards of education (school boards) are to administer and manage schools, including the facilities necessary for the educational programs provided, with oversight from the Ministry.<sup>4</sup>

### 2.1 Joint-use School Projects

Public-private partnerships, commonly referred to as P3s, are an arrangement in the form of a long-term performance-based agreement between the public sector and the private sector to deliver public infrastructure.<sup>5</sup>

<sup>1</sup> *The Education Act, 1995*, section 3(1).

<sup>2</sup> *The Education Act, 1995*, section 351.

<sup>3</sup> *The Education Act, 1995*, section 4(b).

<sup>4</sup> *The Education Act, 1995*, section 85.

<sup>5</sup> [www.saskbuilds.ca/alternative-financing/](http://www.saskbuilds.ca/alternative-financing/) (17 August 2017).



Government construction of 18 elementary schools on 9 new joint-use school sites took place in 4 communities experiencing significant growth—Saskatoon, Regina, Warman, and Martensville. Construction took place under two 32-year P3 contracts (including a 2-year construction period). SaskBuilds makes these agreements publicly available on its website.<sup>6</sup>

The Government expects that joint-use schools will provide the benefits of extending specific programming to students that may not have otherwise been offered (e.g., outdoor learning spaces), and strengthening the partnership between the Catholic and public school divisions.<sup>7</sup> Each building consists of a public and Catholic school, owned and operated by the respective school divisions. Each school has shared spaces like community resource centres and childcare spaces.<sup>8</sup>

The Ministry has entered into two 32-year Project Agreements with the selected private sector partner (referred to as Project Co) to design, build, finance, and maintain these schools at a combined cost of about \$731 million.<sup>9</sup> School construction projects were completed by Project Co as of June 30, 2017, the agreed on date. The Ministry expected these schools to be ready for use in September 2017.<sup>10</sup> These schools can accommodate up to 11,100 Pre-Kindergarten to Grade 8 students at full design capacity.

One agreement (Project 1) consists of six schools located on three sites in Regina in two school divisions—Regina School Division No. 4 and Regina Roman Catholic Separate School Division No. 81.

The other (Project 2) consists of twelve schools on six sites in Saskatoon, Martensville, and Warman located in three school divisions—Saskatoon School Division No. 13 (four schools), Prairie Spirit School Division No. 206 (two schools), and St. Paul’s Roman Catholic Separate School Division No. 20 (six schools).

In this chapter, we refer to these schools as the P3 joint-use schools.

## 3.0 AUDIT CONCLUSION

**We concluded that for the 12-month period ending April 30, 2017, the Ministry of Education had effective processes to manage the construction phase of the public-private partnership joint-use schools.**

**Figure 1—Audit Criteria**

**Audit Objective:**

The objective of this audit was to assess the effectiveness of the Ministry of Education’s processes for the 12-month period ending April 30, 2017, to manage the construction phase of the public-private partnership joint-use schools. This audit did not examine the management of on-going maintenance or life cycle costs of the public-private partnership arrangement for these schools.

<sup>6</sup> [www.saskbuilds.ca/projects/18%20Elementary\\_Schools.html](http://www.saskbuilds.ca/projects/18%20Elementary_Schools.html) (17 August 2017).

<sup>7</sup> [www.saskatchewan.ca/residents/education-and-learning/prek-12-education-early-learning-and-schools/joint-use-schools](http://www.saskatchewan.ca/residents/education-and-learning/prek-12-education-early-learning-and-schools/joint-use-schools) (17 August 2017).

<sup>8</sup> Ibid.

<sup>9</sup> Government of Saskatchewan Public Accounts 2016-17 (Schedule 9), p. 74. (The amount shown is the sum of 2016 and 2017 additions [of \$142.6 million and \$304.3 million respectively] and future obligations [of \$284.0 million]).

<sup>10</sup> [www.saskatchewan.ca/residents/education-and-learning/prek-12-education-early-learning-and-schools/joint-use-schools](http://www.saskatchewan.ca/residents/education-and-learning/prek-12-education-early-learning-and-schools/joint-use-schools) (17 August 2017).

**Audit Criteria:**

Processes to:

1. Mitigate Construction Risks on Projects
  - 1.1 Confirm construction risks (e.g., quality, time, cost, scope)
  - 1.2 Keep a risk management plan for projects current
  - 1.3 Execute action plans to reduce construction risks
2. Supervise Construction
  - 2.1 Establish project management governance (e.g., construction committee)
  - 2.2 Identify key construction milestones (i.e., contract deliverables)
  - 2.3 Keep informed of project progress
  - 2.4 Validate the status of project progress
  - 2.5 Obtain appropriate approval of any changes in deliverables
3. Keep partners informed (e.g., school divisions, SaskBuilds)
  - 3.1 Identify reporting expectations for key partners (e.g., who, when, how)
  - 3.2 Share risk reduction plans with partners
  - 3.3 Report project progress to partners

**Audit Approach:**

To conduct this audit, we followed the standards for assurance engagements published in the CPA Canada Handbook – Assurance (CSAE 3001). To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry agreed with the above criteria.

We examined the Ministry's relevant documentation, agreements, and procedures for managing P3 construction for the joint-use schools. We attended on-site reviews of a sample of projects to observe processes. We also interviewed Ministry staff and key partners.

## 4.0 KEY FINDINGS AND RECOMMENDATION

In this section, we describe our key findings and recommendation related to the audit criteria in **Figure 1**.

### 4.1 Responsibility for Managing Construction Phase Clearly Defined

The Ministry, in conjunction with SaskBuilds, assigned clear responsibility for management of the construction phase of each joint-use school project.

Each Project Agreement makes the Ministry responsible for managing each of the projects with the support and advice of SaskBuilds. SaskBuilds is the government agency responsible for leading the P3 procurement process and for developing and negotiating these agreements.

Also, each Project Agreement makes the Ministry responsible for securing the site on which each building is being built, and obtaining the rights and interest in those sites. In addition, it makes the Ministry responsible for paying the Project Co subject to the Project Co meeting the terms of the applicable Agreement.<sup>11</sup>

Specific to the design and construction phase of each project and as contemplated under each Project Agreement, the Ministry has designated an employee as Project Lead, to be its single point of contact for the Project Co.<sup>12</sup>

<sup>11</sup> Project Agreement for Saskatchewan Joint-Use Schools, section 3.

<sup>12</sup> Project Agreement for Saskatchewan Joint-Use Schools, Schedule 2, section 1.1.



In addition, as permitted by each Project Agreement, the Ministry has assigned some of its responsibilities for the P3 joint-use schools to the related school division.<sup>13</sup> To do this, the Ministry entered into an Accountability Agreement with each school division with P3 joint-use schools to set out each parties' respective rights and obligations.

Under an Accountability Agreement, the related school division will own and operate the P3 joint-use school built within its division. Also, through these Agreements, the Ministry has given school divisions the responsibility for supplying and paying for energy, scheduling for use of schools, and insurance coverage.<sup>14</sup> Divisions are to cover costs resulting from their actions (e.g., change of use of facility), and pay property taxes and insurance related to the completed P3 joint-use schools.

In addition, the Agreements allow the school division to appoint representatives to certain committees used to oversee the P3 joint-use school projects including the construction phase (see **Figure 2**). We noted evidence of school division officials being on site regularly to observe construction progress, and that they discussed their concerns at committees on which they participated.

As shown in **Figure 2**, the Ministry has established two types of committees to oversee the Project Agreements. It has two committees that oversee both projects—steering committee and strategic issues committee. It has three common committees established for each project—project implementation advisory committee, construction committee, and construction period joint committee.

Each of these committees are comprised of representatives of key partners for each project—the Ministry, SaskBuilds, and the schools divisions in which the P3 joint-use schools are built. Also, as shown in **Figure 2**, membership of committees varies depending on their purpose and role.

We found that each committee had terms of reference setting out each committees' roles and responsibilities. Committee members we interviewed showed familiarity with them. In addition, our review of committee meeting packages and minutes found each of these committees provided a forum for members to leverage expertise, consult, obtain, and exchange information with each other on important matters during the construction phase of the projects.

**Figure 2—Construction Oversight Committees**

| Committee Purpose   | Meeting Frequency       | Membership   |
|---|-------------------------|--|
| <p><b>Steering Committee (SC)</b></p> <p><i>Purpose: Identify and resolve issues to ensure that the technical development and construction processes respond to the needs of the users within the established scope of the Project.</i></p> | Quarterly/<br>as needed | <p><b>Ministry:</b> Assistant Deputy Minister (Chair), Chief Project Officer, Project Manager, Project Leads</p> <p><b>P1/P2 School Divisions:</b> Directors of Education, Chief Financial Officers (CFOs)</p> <p><b>SaskBuilds:</b> Project Director</p> <p><b>External Architect:</b> Lead Architect</p> |

<sup>13</sup> Project Agreement for Saskatchewan Joint-Use Schools, section 2.13.

<sup>14</sup> Accountability Agreement (Saskatchewan Joint-Use School Project).

| Committee Purpose  | Meeting Frequency                     | Membership   |
|--|---------------------------------------|--|
| <p><b>Strategic Issues Committee</b></p> <p><i>Purpose: Assist with resolving strategic level issues and risks. Reports to the Steering Committee.</i></p>   | As required by the Steering Committee | <p><b>Ministry:</b> Deputy Minister (Chair), Assistant Deputy Minister, Project Manager</p> <p><b>P1/P2 School Divisions:</b> Board Chairs</p> <p><b>SaskBuilds:</b> Advisor</p>   |
| <p><b>Project Implementation Management Team, one for each Project (PIMT P1) (PIMT P2)</b></p> <p><i>Purpose: Responsible for Project oversight during implementation. Operates as a senior decision-making and dispute management body and sets the overall policy framework for the Project.</i></p>   | Monthly                               | <p><b>Ministry:</b> Chief Project Officer, Project Lead, Operations Lead, Project 1/2 Project Manager (Design and Construction Lead)</p> <p><b>P1 School Divisions:</b> CFOs (Co-Chairs), Super Users,<sup>A</sup> Facilities Management Lead (Regina Public School Division), Operations Lead (Regina Roman Catholic Separate School Division)</p> <p><b>P2 School Divisions:</b> CFOs (Saskatoon Public School Division - Chair), Super Users,<sup>A</sup> Facilities Management Leads</p> |
| <p><b>Project Implementation Advisory Committee (PIAC)</b></p> <p><i>Purpose: Provide implementation strategic oversight for the project, monitor key deliverables and risks, and provide recommendations on significant project decisions. Assists the Project Implementation Management Teams.</i></p> | As needed                             | <p><b>Ministry:</b> Project Lead (Chair), Project Manager, Assistant Project Manager</p> <p><b>SaskBuilds:</b> Advisor</p> <p><b>External Architect:</b> Lead Architect (Consultant)</p>   |
| <p><b>Construction Committee, one for each project (CC P1) (CC P2)</b></p> <p><i>Purpose: Identify and resolve issues to ensure that the technical development and construction processes respond to the needs of the users within the established scope of the Project.</i></p>                         | Weekly                                | <p><b>Ministry:</b> Project Lead, Project 1/2 Project Manager (Design and Construction Lead)</p> <p><b>P1 School Divisions:</b> Construction Leads (Co-chairs)</p> <p><b>P2 School Divisions:</b> Construction Leads (Prairie Spirit School Division - Chair)</p> <p><b>External Architect:</b> Project 1: Lead Architect, Regina Lead Advisor; Project 2: Lead Architect, Saskatoon Lead Advisor, Warman/Martensville Lead Advisor</p>  |
| <p><b>Construction Period Joint Committee, one for each project (CPJC P1) (CPJC P2)</b></p> <p><i>Purpose: A formal forum for the parties to consult and co-operate in all matters relating to the facility during the construction period.</i></p>  | Monthly, more frequently as required  | <p><b>Ministry:</b> Project Lead, Project 1/2 Project Manager (Design and Construction Lead)</p> <p><b>P1/ P2 School Divisions:</b> Super Users<sup>A</sup></p> <p><b>Project Co:</b> Representative (Chair), advisors</p>   |

Source: Adapted from the Joint-Use School Project Implementation Plan.

<sup>A</sup> Super Users are school division representatives who are the focal point of information flow for the School Divisions.

## 4.2 Construction Risks Identified

The Ministry systematically identified and tracked significant risks identified in the Project Agreement and that arose during the construction phase of the project.

Each 32-year Project Agreement clearly allocates risks between the Project Co and the Government. For example, each related Project Co has agreed to assume all risks, costs, and expenses related to fulfilling its obligations under the Project Agreement. The Ministry has agreed to assume the risk of existing site conditions, owner-requested scope



changes, and utility costs. Each Project Co and the Ministry share the risk of cost of equipment, changes in law, and force majeure.<sup>15</sup>

The Ministry, in consultation with key partners (i.e., SaskBuilds, school divisions), tracked risks identified in each Project Agreement, and identified and tracked others related to the construction phase of each Project. For example, the Project Agreement identified design, construction, and schedule risks.

The Ministry clearly assigned responsibilities for keeping information about risks current and complete. For example, Chairs of Committees listed in **Figure 2** were responsible for updating and managing the day-to-day risks related to their assigned area. Project Managers assigned to each project were responsible for regularly updating risks.

In addition, for each identified risk, the Ministry worked with the related Committee to assess the severity and likelihood of the risk. This information helped the Ministry prioritize them.

The Ministry tracked identified risks and key information about them electronically using various systems. See **Figure 3** for examples of risk information tracked and assigned responsibility. It maintained information on each identified risk, the objective along with actions taken to address risks, and the individual assigned responsibility to keep risk information current and complete. It expected related committees to review risk information regularly for reasonableness, completeness, and currency.

**Figure 3—Types of Risk Information Tracked and Assigned Responsibility**

| Type of Risk Document   | Objective   | Responsibility                                    | Key Information Tracked   |
|---|---|---|---|
| Service Commencement Document – Project Risk Register               | Identified risks that may affect the timeline of the project (e.g., inability to identify and engage the right stakeholders and decision makers). | Project Managers                                  | Likelihood and impact, planned actions, deliverables, confirmation actions are complete       |
| Operating Risk Document – Project Risk Register – Operational Items | Included both construction and operating risks identified by the various committees (e.g., construction quality not meeting user expectations).   | Various Committees (e.g., construction committee) | Likelihood and impact, milestone impacted, planned actions, confirmation actions are complete |

Source: Adapted from Ministry information.

We found that the risks identified by the Ministry and its key partners reflected best practice (e.g., identified risks related to time, quality, and cost of construction). In addition, we found that those assigned responsibilities for keeping risk information current and complete possessed appropriate qualifications. Also, we found committees reviewed risk information regularly as expected.

<sup>15</sup> Force majeure is a contract provision that protects parties in the event that part of the contract cannot be performed given circumstances beyond their control.

### 4.3 Action Plans Set to Address Identified Construction Risks

The Ministry routinely involved key partners in identifying actions to address risks.

Membership of key partners in the various committees mentioned in **Figure 2** illustrates their involvement in committees. Key partners told us they were participating in identifying action plans.

We found action plans included appropriate risk responses, risk reduction factors, and assigned risk managers to carry out the action plan. In addition, we observed evidence of actions taken on risks identified in the project's risk document. See **Figure 4** for an example of this.

**Figure 4—Example of Action taken on Identified Risk**

| Risk Identified  | Planned Response                      | Action Taken   |
|--|---------------------------------------|--|
| Communications: Lack of consistent messaging to Government, Ministry, school boards, school divisions. | Engage Ministry communications group. | Consistent messaging to all key partners (stakeholders) the project has direct contact with. |

Source: Adapted from Ministry information.

### 4.4 Construction Phase Reporting Expectations Clear

The Ministry set clear reporting expectations in various documents (e.g., Project Agreement, agreements between Ministry and school divisions, committee terms of reference) to keep its key partners informed throughout the construction phase.

SaskBuilds helped the Ministry (and its committees) develop reporting requirements (e.g., Project Status Reports, Field Report). It provided input in developing reporting requirements set out in the project agreements, and later into the format and content of other reports. For example, each Project Agreement required:

- A monthly project report from Project Co - this report is to include updates on status of the project for key partners, for example, it includes issues and open action items.
- A monthly Independent Certifier Report - this report is to include status of projects (i.e., percentage of completion, project agreement changes, quality assurance information [such as design, quality control, construction schedule update]). The Independent Certifier is a third-party engineering firm hired jointly by the Ministry and Project Co to monitor the construction progress. It issues regular reports to certify the project's reported progress, quality, and compliance with the Project Agreement.
- A monthly Project Schedule - this schedule is to include milestones, open action items, requests for information, risks, and confirmation that service commencement date is still on target.
- A monthly equipment and furniture report from Project Co - this report is to include status of items procured or to be procured including delivery dates and authorized changes including financial impact.





We found that although school divisions were not involved in the development of the reporting requirements, they reviewed and agreed to them.

In addition, the Ministry identified key milestones based on the stages of completion of the project (i.e., 30%, 50%, and 95% complete). These milestones were indicators of whether the project was still on schedule, as well as key points of when payment was to occur. We found that the Project Co, Ministry, and Independent Certifier reports incorporated reporting on project progress and milestones.

In addition, the Ministry expected Committees to maintain minutes or notes of their meetings. We found that they did.

## 4.5 Experts Used to Help Monitor Construction Phase

The Ministry made use of experts to assist in monitoring progress, quality and compliance with the Project Agreement during the construction phase of the P3 joint-use schools.

Other areas the Ministry monitored were set out in the Project Agreement. These related to cost, quality, the environment, and safety (e.g., Leadership in Energy and Environmental Design [LEED] Silver Certification,<sup>16</sup> change reports, quality targets).

In addition, we observed that the Ministry's Project Managers were routinely on-site and actively involved in determining the project progress and compliance with the Project Agreement. We found that the inspection process of buildings was thorough and the system included all deficiency details. Deficiencies identified prior to service commencement date<sup>17</sup> provide the opportunity to identify and address issues.

The Ministry recognized that Project Managers assigned to each project did not have sufficient expertise to monitor all aspects of its monitoring responsibility.

To overcome this, the Ministry hired a Technical Advisor with architectural experience for each project to monitor and assess technical aspects of the projects including compliance with each project agreement. It made the Technical Advisor responsible for doing monthly on-site inspections and reporting on these inspections. We found the Technical Advisor recorded observations, identified issues and risks, and gave the Ministry and its key partners written monthly updates on the progress of the assigned project.

In addition, the Ministry used work and reports of the Independent Certifier, required under each Project Agreement, to help it assess the completion of milestones for each project. For each project, the Ministry and Project Co met each month. At these meetings, they vetted with each other the reports of the Independent Certifier. This helped all parties agree on the information in the reports prior to sharing them with the oversight committees.

For the monthly reports we reviewed for each project, we found the Independent Certifier reports contained the information that the Ministry expected and that was required under the agreement.

<sup>16</sup> LEED is a rating system devised by the United States Green Building Council to evaluate the environmental performance of a building and encourage market transformations toward sustainable design. ([www.concretethinker.com/solutions/LEED-Certification.aspx](http://www.concretethinker.com/solutions/LEED-Certification.aspx)) (26 July 2017)

<sup>17</sup> The Service Commencement Date was June 30, 2017.



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## 4.6 Construction Phase Monitored

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Construction committees provided appropriate oversight during construction of joint-use schools projects.

The Ministry established committees to provide oversight and monitor construction progress, clearly defining and documenting roles. The frequency of the meetings and the established membership for each committee was adequate to monitor the projects and compliance with the Project Agreements. See **Figure 2** for the committees responsible for overseeing construction and their membership listing.

The committees documented key decisions and actions in their minutes. Per our review of committee minutes, the topics discussed and the action items assigned are in alignment with the purpose of the respective committee.

We observed evidence of committees reviewing and commenting on the monthly reports.

We found that key partners receive appropriate and sufficient critical information through their involvement on oversight committees, receipt of reports, or by having the ability to access risk information and other reports. For example, for each project, they regularly received information on the status of construction progress to date, quality management, results of on-site inspections, estimated costs of requested changes, and costs of approved changes.

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## 4.7 Results of Monitoring Tracked

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Committees made sure issues identified in inspections were systematically tracked and resolved.

The various parties (i.e., the Ministry, Technical Advisor, Independent Certifier, and key partners) electronically documented issues identified from their various inspections, and reviews in different systems (e.g., issues logs, deficiency listings).

Because these systems did not automatically work together, the Ministry used deficiency reviews near project completion to catch all issues remaining. The Ministry, along with Technical Advisors, the Independent Certifier, and others as appropriate (e.g., architect), carried out deficiency reviews at key progress milestones. Technical Advisors look to verify that items are installed correctly. The Independent Certifier verifies the stage of construction progress.

For the deficiency reviews we observed, they were thorough and officials carrying out the review looked at every aspect of the facility. We found that the final deficiency listing included all issues we traced from the inspection logs. This showed the final deficiency listing was complete.

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## 4.8 Not All Monitoring Reports Received As Expected

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The Ministry received regular project monitoring reports except for the monthly equipment and furniture procurement report.



As noted in **Section 4.4**, each Project Agreement includes specific reporting by the Project Co. While the Ministry received most of the required reports, it did not receive the monthly equipment and furniture procurement report for either project after October 2015. Ministry officials indicated that they had requested these monthly reports and were aware they had not received them. The Ministry was unable to explain why it was not successful in obtaining these reports. Under each Agreement, the Ministry and the related Project Co share risks associated with the cost of equipment.

Schools need equipment and furniture to operate; knowing the status of the purchases of equipment and furniture helps determine a school's readiness for operation.

Reporting provisions in each Project Agreement are in place to enable timely and appropriate monitoring of the quality of service that the Project Co provides under each phase of the Agreement. Consistent enforcement of contract provisions during all phases is critical given the 32-year duration of the Project Agreements and scope of services provided under the Agreements (e.g., design, construct, maintain). In addition, it is critical given the value the Government expects to gain through use of a P3 arrangement (i.e., combined calculated savings of \$100.3 million for both projects as compared to use of a conventional procurement model).<sup>18</sup>

Not consistently enforcing provisions of the Agreements throughout each phase of the contracts increases the risk of not achieving the expected value. In addition, not obtaining required reports may result in delays in identifying issues and the Ministry not working with its partners to make appropriate and timely adjustments to ensure value is delivered as expected.

- 1. We recommend that the Ministry of Education enforce all reporting provisions of public-private partnership Project Agreements for which it is responsible.**

## **4.9 Project Changes Properly Approved and Supported**

The Ministry tracked and obtained appropriate approval for project changes prior to making them.

As noted in **Section 4.2**, the Ministry, through school divisions, is responsible for costs of changes to the P3 joint-use schools. The Ministry maintained a log of approved project changes as the projects progressed. This log provided a description of each change and the impact on the overall project cost and the Project Agreement.

The Ministry classified project changes as either major or minor. It required different levels of review and approval for each category of change.

- **Minor Changes** – These are changes less than \$100,000 in value. School divisions request these changes; the Ministry documents such requests in a change log. The log sets out the reason for change and related cost estimate. A Ministry representative must approve these requests prior to the change occurring. For example, in one project, Saskatoon School Division requested an additional flagpole at a school (cost of approximately \$9,500); the Ministry representative approved this request.

<sup>18</sup> [www.saskbuilds.ca/projects/18%20Elementary\\_Schools.html](http://www.saskbuilds.ca/projects/18%20Elementary_Schools.html) (17 August 2017).

- Major Changes – These are changes costing more than \$100,000. School divisions request these changes through the completion of a change report. The change report includes estimated costs and project impacts. The Assistant Deputy Minister or the Deputy Minister must approve these requests prior to the change occurring. For example, the Assistant Deputy Minister approved the Regina Roman Catholic Separate School Division's request to move up the timing of a relocatable classroom delivery into the current year at a cost of approximately \$2.3 million.

For changes we reviewed, the Ministry followed the appropriate review and approval process. For those changes, we saw evidence that it considered reasons for the request, and impact on the project, and reviewed the estimated cost of the requested change for reasonableness prior to approving each change.

## 4.10 Key Partners Kept Informed

The Ministry kept key partners informed throughout the construction phase.

The Ministry consulted with key partners on various aspects of the projects throughout the construction phase to gain understanding of their needs and expectations. As noted in **Section 4.4** it established reporting requirements to meet those needs. In addition, the Ministry reported information on the projects' progress, cost, and status regularly.

Key partners kept current on the projects through their involvement with the committees that oversee the construction phase (e.g., Construction Period Joint Committees).

The Ministry consulted key partners throughout the construction phase on any risks identified. The risk documents discussed in **Section 4.2** were accessible to all key partners.

In addition, all key partners had access to all joint-use school team documents through the online sharing portal. These documents included the monthly reports, which include information on cost, schedule, quality, and environmental and safety concerns.

We found that overall, key partners with access to all the relevant reports, indicated they received information suitable for their needs, and were satisfied with the communication.

## 5.0 SELECTED REFERENCES

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## Chapter 22

### Education – Monitoring Kindergarten Students' Readiness to Learn in the Primary Grades

#### 1.0 MAIN POINTS

In 2014, Saskatchewan's education sector established an early learning goal associated with Kindergarten students' readiness to learn. The Ministry of Education is responsible for monitoring the achievement of this goal and helping school divisions work towards its achievement.

By June 2020, the sector aims to have 90% of students exiting Kindergarten ready to learn in the primary grades (i.e., Grades 1 to 3). As of June 2017, teachers determined, using a Ministry-facilitated Early Years Evaluation assessment tool, that about 80% of them were ready.

Other than the following areas, the Ministry had effective processes to monitor improving the percentage of Kindergarten students scoring within the appropriate Early Years Evaluation range. To improve its monitoring processes, the Ministry needs to:

- Analyze data to identify those school divisions whose students are most at risk of not being ready to learn in the primary grades when exiting Kindergarten. Having better analysis would help school divisions and the Ministry determine and understand the reasons for Kindergarten students not being ready to learn, and provide information critical to developing effective Kindergarten environments and programs.
- Co-ordinate its analysis of action plans of school divisions at risk of not achieving the early learning goal. Knowing whether those divisions have adequate plans is key to addressing reasons for lower than desired student performance, and avoiding delays in putting appropriate actions in place.
- Actively monitor the Kindergarten programs delivered by school divisions and take specific actions to assist school divisions whose students are most at risk of not being ready to learn in the primary grades when exiting Kindergarten. Monitoring whether school divisions take sufficient actions and sharing best practices will help the Ministry know if divisions deliver effective Kindergarten programs. Focusing the Ministry's efforts on school divisions struggling to improve Kindergarten students' readiness to learn will help improve the chances of future students in those divisions being ready to learn in the primary grades.

#### 2.0 INTRODUCTION

The Ministry is responsible for all matters relating to early learning, elementary, and secondary education. The Ministry is to lead and co-ordinate all areas, including developing goals, objectives, and educational planning for the present and future growth and development of the Kindergarten to Grade 12 educational system.



*The Education Act, 1995* makes the Ministry responsible for overseeing school divisions. The Ministry carries out this responsibility by working with the 28 locally elected boards of education and appointed directors of education, and by reviewing and approving school divisions' objectives and programs.

This chapter sets out the results of our audit of the Ministry's processes to monitor improving the percentage of Kindergarten students scoring within the appropriate Early Years Evaluation range to meet the sector goal of 90% by 2020. At September 30, 2016, 13,700 Kindergarten students were in Saskatchewan's provincially funded education system (September 30, 2015: 13,800).<sup>1</sup>

## 2.1 Importance of Early Learning

Research shows that quality education early in life leads to better health, education, and employment outcomes later in life, especially for children from disadvantaged backgrounds.<sup>2</sup> During the first six years of a child's life, a child develops the basic skills, knowledge, and abilities that the child will build on throughout life.<sup>3</sup> Students who learn more in Kindergarten are more likely to attend post-secondary school, earn more, and save for retirement.<sup>4</sup>

In 2014, the Ministry and school divisions established a sector-wide strategic plan called the Education Sector Strategic Plan (ESSP).<sup>5</sup> The ESSP includes a goal of having 90% of Kindergarten students within the appropriate Early Years Evaluation (EYE) range by June 2020 (early learning goal).

The EYE is a skill-based assessment tool the Ministry has adopted for use in Saskatchewan. Industry designed this tool to help teachers assess the skills of young children in five domains related to readiness to learn at school and to read.<sup>6</sup> See **Figure 1** for details. Students scoring in the appropriate EYE range mean they are ready to learn and should experience success in subsequent grades.

**Figure 1 – Five Domains of Early Years Evaluation**

The EYE's five domains are:

- Awareness of self and environment
- Social skills, behaviour, and approaches to learning
- Cognitive skills
- Language and communication
- Physical development

Source: [www.earlyyearsassessment.com/images/site\\_docs/early%20years%20evaluation\\_implementation%20guide\\_vf\\_310320\\_11.pdf](http://www.earlyyearsassessment.com/images/site_docs/early%20years%20evaluation_implementation%20guide_vf_310320_11.pdf). (1 March 2017).

<sup>1</sup> Adapted from the Ministry of Education's enrolment reports for 2015 and 2016.

<sup>2</sup> Auditor General New South Wales, *Early childhood education: Department of Education*, (2016), p. 6.

<sup>3</sup> Ministry of Education, *Saskatchewan's Early Years Plan 2016-2020*, p. 3.

<sup>4</sup> David Leonhardt, *The New York Times: The Case for \$320,000 Kindergarten Teachers*, (2010).

<sup>5</sup> The Ministry and school divisions formed a Provincial Leadership Team to establish the ESSP. The team is composed of employees from the Ministry, each school division, and representatives from the First Nations' school system.

<sup>6</sup> Community-University Partnership for the Study of Children, Youth, and Families, *Review of the Early Years Evaluation – Teacher Assessment*, (2011), pp. 2-3.

Cabinet approves the Ministry's public plan.<sup>7</sup> Each school division's board of education approves its division's strategic plan.

The ESSP requires the Ministry and each school division to develop an action plan for achieving their goals. This is to include actions for increasing the percentage of students exiting Kindergarten ready to learn in the primary grades.

The Ministry and school divisions are each responsible for achieving their plans. In addition, the Ministry is responsible for monitoring achievement of the ESSP goals and helping school divisions work towards achieving those goals. The Ministry has made its Early Years Branch responsible for monitoring the early learning goal.

In 2016-17, 80% of about 14,000 Kindergarten students exiting Kindergarten scored within the appropriate range of the five domains as measured by the EYE<sup>8</sup> (2015-16: 80%).<sup>9</sup>

Assessing students early in Kindergarten helps identify those who may be in need of professional services such as speech pathologists or additional school supports. The longer student needs go undiagnosed and unsupported, the more difficult it is for students to catch up with their peers.<sup>10</sup>

Effective monitoring processes help the Ministry identify and assist school divisions in addressing challenges and barriers to Kindergarten students' readiness to learn in the primary grades. Without effective processes to monitor EYE scores of Kindergarten students, the Ministry risks placing students at greater risk of not achieving their academic, financial, and social potential.

### 3.0 AUDIT CONCLUSION

**We concluded that for the 12-month period ended April 30, 2017, the Ministry of Education had, except in the following areas, effective processes to monitor improving the percentage of Kindergarten students scoring within the appropriate Early Years Evaluation range to meet the sector goal of 90% by 2020. The Ministry needs to:**

- **Analyze data to identify those school divisions whose students are most at risk of not being ready to learn in the primary grades when exiting Kindergarten and take specific actions to assist those school divisions**
- **Co-ordinate its analysis of action plans of school divisions at risk of not achieving the early learning goal**
- **Actively monitor the Kindergarten programs delivered by school divisions**

<sup>7</sup> <http://finance.gov.sk.ca/Plansfor2017-18>. (21 July 2017).

<sup>8</sup> Adapted from information provided by the Ministry of Education.

<sup>9</sup> The Learning Bar, *Early Years Evaluation Annual Report Saskatchewan Ministry of Education 2015-2016 Summary*, p. 9.

<sup>10</sup> Understanding the Early Years Regina, *Measuring Early Childhood Development in Regina*, (2009).

**Figure 2—Audit Objective, Criteria, and Approach****Audit Objective:**

The objective of this audit was to assess, for the 12-month period ended April 30, 2017, the effectiveness of the Ministry of Education's processes to monitor improving the percentage of Kindergarten students scoring within the appropriate Early Years Evaluation range to meet the sector goal of 90% by 2020.

**Audit Criteria:**

Processes to:

1. Assess progress towards achieving provincial scoring targets
  - 1.1 Require school divisions to periodically report results
  - 1.2 Analyze school division results to identify opportunities and barriers
  - 1.3 Adjust plans in response to identified opportunities and barriers
2. Support school divisions in improving Kindergarten students' readiness to learn
  - 2.1 Support school divisions' achievement of provincial scoring targets (e.g., guidance, resources, tools)
  - 2.2 Manage risks to timely completion of key actions
  - 2.3 Facilitate co-ordination with key non-education partners as needed

**Audit Approach:**

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (CSAE 3001). To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the above criteria.

We examined the Ministry's criteria, policies, and procedures that relate to monitoring Kindergarten students' EYE scores. We analyzed EYE data and assessed the Ministry's related processes and reports. We interviewed Ministry staff and staff at selected school divisions.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 2**. Unless otherwise noted, references to the Ministry refer to activities of the Early Years Branch of the Ministry of Education.

### 4.1 Kindergarten Students' Readiness to Learn in the Primary Grades Assessed Using Consistent Tool

School divisions assess all Kindergarten students' readiness to learn in the primary grades using the same externally developed assessment tool—the Early Years Evaluation—Teachers Assessment. Each school division submitted the EYE data twice a year as and when expected.

Since 2012, the Ministry, through a contract with an external service provider, makes the assessment tool and related IT system available to all 28 provincially funded school divisions along with interested qualified independent schools (i.e., schools owned or operated by a person or an organization other than the government). In addition, the external service provider makes training resources available and provides support to teachers using the assessment tool and related IT system.

The Ministry has a protocol document for its staff and school division staff that outlines the frequency of administering EYE assessments, and which students should be assessed. In addition, it sets out submission deadlines for when teachers must enter the results of their evaluations. The Provincial Leadership Team communicates EYE assessment expectations to school divisions through meetings and reports. Each school division establishes an EYE co-ordinator.



Using this common assessment tool, teachers evaluate students' readiness to learn in the primary grades by observing students over time. The assessment indicates each student's developmental levels as either appropriate development (tier one), experiencing some difficulty (tier two), or experiencing significant difficulty (tier three) for each of the five domains described in **Figure 1**. Teachers enter assigned scores online into the IT system.

Teachers, at the Ministry's request, assess Kindergarten students using the EYE in the fall (i.e., within four to six weeks after the beginning of the school year) and in the spring.

In the fall, school division teachers use the assessment tool to assess all Kindergarten students, including children with intensive needs and children who are learning English as an additional language. In the spring, teachers reassess students whose fall EYE scores were in tiers two or three (i.e., those experiencing some or significant difficulty).

We found that the Ministry, its external service provider, and assigned school division EYE co-ordinators actively monitor when teachers complete the entry of Kindergarten student scores into the IT system. The Ministry also sends out reminders to school divisions about the submission deadlines.

On a weekly basis around the submission deadlines, the external service provider monitors the entry of each school's Kindergarten student scores, and notifies the Ministry of issues, if any. The Ministry follows up with EYE co-ordinators at school divisions to ensure the divisions submit the assessment of each Kindergarten student by the submission deadline.

We found that for spring and fall 2016, each of the school divisions had submitted scores for the required students for all of their schools within the submission deadlines.

The IT system automatically compiles the scores of students. It makes student scores and other related data available electronically in a way that can be readily sorted (e.g., by division, by school, by tier) and compared to the early learning goal of 90%. The Ministry has access to all of the data, and each school division has access to scores and related data for students within its division. School divisions include summarized EYE data for their own students within their annual reports.

## **4.2 Analysis of Kindergarten Student Scores and Related Data Limited**

The Ministry does limited analysis of the Kindergarten student EYE scores and related data to identify those school divisions at risk of not achieving the early learning goal.

The Ministry and its external service provider generate reports from the IT system that present the data in the EYE system in various ways (e.g., student scores provincially, by tier, by school division, by school). School divisions can also create reports directly from the IT system for their own students' EYE scores. These reports include various data about Kindergarten students, including:

- Gender
- Age



- Socio-economic status
- First Nations, Métis, or Inuit status
- Location (i.e., school division, school)

While there is a large amount of data available in the IT system and the Ministry has sorted the data in various ways, we found the Ministry performed limited analysis to identify those school divisions at risk of not achieving the early learning goal. Our analysis of the EYE data for Kindergarten students for 2015-16 found that, of the provincial students who were not ready to learn in the primary grades (i.e., students with spring EYE scores in tier two or three), almost two-thirds resided in eight school divisions—both urban and rural.

We did not see evidence that the Ministry placed more attention on these eight divisions even though their success could have the greatest impact on achievement of the ESSP's early learning goal of having 90% of students being ready to learn in the primary grades upon exiting Kindergarten by June 2020. For example, we did not see that the Ministry worked on determining the root causes for the lower than desired performance of Kindergarten students in these divisions, or that it gave the action plans of these divisions more attention, working with them as necessary. Such activities are key to making sure timely actions related to early years learning programs are taken to address identified root causes.

Better analysis of data related to the development of Kindergarten students would assist the Ministry in identifying the school divisions at risk of not achieving the early learning goal and the possible root causes (e.g., common characteristics between those school divisions identified). Not having robust analysis increases the risk that the school divisions and the Ministry do not determine or understand the reasons for Kindergarten students not being ready to learn in the primary grades.

**1. We recommend that the Ministry of Education more thoroughly analyze data related to the development of students to identify those school divisions whose students are most at risk of not being ready to learn in the primary grades when exiting Kindergarten.**

While the Ministry can improve its identification of risks to students' readiness to learn in the primary grades, we found it identified some risks to achieving the ESSP early learning goal. Some risks include poor student attendance and teachers having minimal training in early childhood learning. It documented these within its action plan and highlights from its bi-annual meetings with school divisions' early years representatives.

In addition, we found that the Ministry has designed some steps to mitigate these risks or address them in its action plan (e.g., expand professional development options for Kindergarten teachers). However, at April 2017, it was too early to determine whether the risk mitigation strategies were working.

### 4.3 Better Co-ordination of Reviews of Action Plans Needed

The Ministry does not co-ordinate its review of school division action plans to ensure staff reviewing them have sufficient knowledge to assess whether the plans contain adequate actions to increase Kindergarten students' readiness to learn in the primary grades.

The Ministry reviews and adjusts its plan for achieving the early learning goal based on the Provincial Leadership Team's action plan. As previously noted in **Section 2.1**, each year, school divisions provide the Ministry with their action plans for achieving the ESSP goals including the early learning goal. The Ministry's Strategic Policy and Planning Branch reviews each school division's plan for alignment with ESSP outcomes. While this Branch reviews whether school divisions have planned actions towards the ESSP's outcomes, it does not assess the adequacy of those identified actions. In addition, staff in the Early Years Branch, those who have the knowledge required to determine whether the plans contain adequate actions to increase Kindergarten students' readiness to learn in the primary grades, are not involved in this review.

In addition, as previously noted in **Section 4.2**, we found that the Ministry did not focus on the adequacy of plans of school divisions with higher proportions of students struggling to learn to determine whether the planned actions will address identified root causes (e.g., lack of student transportation to school programs, poor oral communication skills of children).

Not assessing the adequacy of plans of school divisions at risk of not achieving the early learning goal, and not using Ministry staff with the subject matter knowledge to do those assessments, increases the risk that neither the school division nor Ministry will understand or address the reasons for the lower than desired performance of Kindergarten students. This could delay putting appropriate actions in place, resulting in future students not being ready to learn in the primary grades upon exiting Kindergarten.

2. We recommend that the Ministry of Education co-ordinate its analysis of action plans of school divisions at risk of not achieving the early learning goal to assist them in increasing the number of students who are ready to learn in the primary grades upon exiting Kindergarten.

### 4.4 Active Monitoring of Kindergarten Programs Needed

The Ministry does not actively monitor Kindergarten programs.

We found the Ministry does a reasonable job monitoring Pre-Kindergarten programs with a view to increasing student readiness to learn. Every second year, the Ministry reviews a Pre-Kindergarten quality improvement plan and report from each school division. The quality improvement plan includes information about the school division's Pre-Kindergarten environment (e.g., indoor or outdoor), focus of the learning program, child development, family engagement, supporting staff, professional learning, and the selection process for allowing students into Pre-Kindergarten. The school divisions also record their planned strategies and actions for Pre-Kindergarten for the next two years.



The Ministry meets with each school division to discuss these plans and reports and to provide additional resources and supports based on the school division's needs.

For the five school division Pre-Kindergarten quality improvement plans and reports we reviewed, the Ministry met with each of the divisions to discuss their plans, actions, and possible adjustments to the plans.

Contrary to how it monitors school divisions' Pre-Kindergarten programs, we found that the Ministry does not actively monitor Kindergarten programs delivered by school divisions. It does not require school divisions to submit quality improvement plans for Kindergarten.

Without complete information about school divisions' Kindergarten environment and programs, the Ministry cannot evaluate whether school divisions are taking sufficient action to improve Kindergarten students' readiness to learn in the primary grades. In addition, it does not enable the Ministry to identify and share best practices related to Kindergarten programs.

**3. We recommend that the Ministry of Education actively monitor the Kindergarten programs delivered by school divisions.**

## **4.5 Guidance Provided but Not Specifically Directed to At-Risk School Divisions**

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The Ministry provides guidance to all school divisions regarding responding to EYE data, but does not take specific action for school divisions whose students are at risk of not being ready to learn in the primary grades when exiting Kindergarten.

The Ministry provides readily available guidance and tools (e.g., strategies for teaching and engaging families in learning) to school divisions to support early learning. It provides this guidance to school divisions online, through email, and in person. It also offers various early learning professional development options to school division staff, such as online courses, virtual site tours, in-person site tours, and in-person courses.

During its bi-annual meetings with school divisions' early years representatives, the Ministry provides information on topics to respond to the EYE student scores. The Ministry also developed Saskatchewan's Early Years Plan 2016-2020 (released in May 2016) to help address the education sector's needs.

The officials we interviewed at two school divisions expressed their appreciation of the work of the Early Years Branch. However, these officials also expressed concerns about the large quantity of guidance provided by the Ministry. They indicated school division staff and teachers find it difficult to identify which aspects of the guidance are the core resources. To address this, the Ministry, in collaboration with the Provincial Leadership Team, is drafting a document to clarify best practices. It expected to issue this document in September 2017. Our review of the draft best practices document found it addresses the concerns raised.

The Ministry also funds various programs and initiatives to help young children. For example, in 2016-17 it provided \$18.8 million to school divisions, regional health

authorities, and community organizations for KidsFirst<sup>11</sup> and Early Childhood Intervention Programs.<sup>12</sup> However, the Ministry does not collect data about how these programs contribute towards achievement of the ESSP early learning goal and whether there is an opportunity to leverage these programs in advancing early learning.

In addition, while the Ministry provides school divisions with many supports to assist with early learning, the Ministry does not take specific actions to assist the school divisions whose students are at risk of not being ready to learn in the primary grades when exiting Kindergarten (as noted in **Section 4.2**). Actively assisting school divisions struggling to improve Kindergarten students' readiness to learn would reduce the risk of future students not being ready to learn in the primary grades upon exiting Kindergarten.

4. **We recommend that the Ministry of Education take specific actions to assist those school divisions whose students are most at risk of not being ready to learn in the primary grades when exiting Kindergarten.**

## 4.6 Co-ordination with Non-Education Partners

The Ministry effectively co-ordinates the education sector's involvement with non-education partners to support young children.

The Ministry is part of a Senior Inter-Ministry Steering Committee that has an Early Years Working Group. This Group is comprised of representatives from the Ministry of Education, and non-education provincial Ministries (i.e., Government Relations, Justice, Health, and Social Services). The Group meets about five times each year. We found that it collaborated on how each ministry can support early years learning.

The Ministry, through its Invitational Shared Services Initiative,<sup>13</sup> provides annual funding of \$150,000 towards partnerships between school divisions and First Nations education organizations to improve educational outcomes. Under this initiative, partnerships must focus on supports addressing the targets identified in the ESSP.

We found that none of the Invitational Shared Services Initiative partnerships had plans related to early years during 2016-17. Whereas, in 2015-16, two of them had plans related to early years programming (e.g., administering the EYE assessment, professional development, providing for a speech language pathologist and literacy tutor). For each partnership, the school division and the First Nations education organization determine their areas of focus.

Some of the education sector's other non-education partners include family centres,<sup>14</sup> public health services, childcare centres, and Early Childhood Intervention Programs.

<sup>11</sup> KidsFirst is a voluntary program that helps families in vulnerable situations. The program enhances parenting knowledge, provides support, and builds on family strengths.

<sup>12</sup> Early Childhood Intervention Programs support families of children ages 0-6 who experience developmental delays or are at risk of delays.

<sup>13</sup> Invitational Shared Services Initiative partnerships form part of the Government's ongoing commitment to improving educational outcomes for First Nations and Métis students, as outlined in both the *Saskatchewan Plan for Growth* and the ESSP. These partnerships bring together the provincial education system and First Nations education organizations to provide students and teachers living on-reserve with the same supports available in provincial schools.

<sup>14</sup> Family centres are located in Regina, Sandy Bay, and Yorkton.



The Ministry provides school divisions with the ability to determine which non-education partners they use. The Ministry provides information about relevant activities of various non-education partners at its bi-annual meetings with school divisions' early years representatives. In addition, the Saskatchewan's Early Years Plan 2016-2020 contains information about its investment in non-education partners to address the health and wellness of young children (e.g., children's therapy services, services for children with autism, early childhood immunizations, targeted fetal alcohol syndrome prevention programs).

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## Chapter 23

### Environment – Detecting Wildfires

#### 1.0 MAIN POINTS

Over one-half of Saskatchewan is forested, with the people of Saskatchewan owning most of those forests (crown lands).<sup>1</sup> These forests are vital to the province's economy and environment.

The Ministry of Environment is responsible for detecting wildfires in Saskatchewan. Costs in managing wildfires can vary significantly from year to year (e.g., \$123 million in 2015-16 and \$48 million in 2016-17). Detecting these wildfires quickly can reduce the impact on people, the environment, and the economy.

This chapter reports on the effectiveness of the Ministry of Environment's processes to detect wildfires in Saskatchewan wildfire management areas. While the Ministry is doing a number of things well, the chapter identifies two key areas for improvement. It recommends that the Ministry:

- Work actively with other government sources to obtain up-to-date information on values-at-risk (i.e., human life, communities, significant public and industrial infrastructure, commercial timber, remaining structures, natural resources and commercial/industrial operations, wildlife habitats).
- Actively obtain wildfire prevention and preparedness information from industrial and commercial operators that the law requires them to submit. This information is to set out the location of operations and personnel, and related contact information.

Not having complete and up-to-date information about values-at-risk increases the risk of the Ministry not prioritizing its wildfire detection activities appropriately and not developing suitable fire suppression strategies.

#### 2.0 INTRODUCTION

### 2.1 Wildfires Place Saskatchewan Forests at Risk

Saskatchewan forests provide wildlife habitats, watershed protection, erosion control, ecosystem stability, recreational opportunities, employment, carbon storage, and aesthetic values. Saskatchewan's forests are a vital part of the province's economy and environment.

Approximately 11.7 million hectares of the provincial forest are viable for timber harvesting and receive the most impact from human activities. Each year, the forest industry generates over \$1 billion in forest product sales, over \$800 million in exports, and 6,000 direct jobs.<sup>2</sup> In addition, boreal forests store carbon and purify air and water.<sup>3</sup>

<sup>1</sup> [www.saskatchewan.ca/business/invest-and-economic-development/key-economic-sectors/forestry](http://www.saskatchewan.ca/business/invest-and-economic-development/key-economic-sectors/forestry) (7 December 2016).

<sup>2</sup> [www.saskatchewan.ca/business/invest-and-economic-development/key-economic-sectors/forestry](http://www.saskatchewan.ca/business/invest-and-economic-development/key-economic-sectors/forestry) (16 December 2016).

<sup>3</sup> Ministry of Environment, *2017 State of the Environment Report*, p. 15.



Experts predict increases in precipitation and annual temperatures to occur from 2015 to 2100 in Saskatchewan. Due to their northern locations, Saskatchewan forests are exposed to greater increases in temperature than the global average.<sup>4</sup> Experts also expect Saskatchewan to remain vulnerable to periodic drought in that they expect much of the projected increase in precipitation to occur in the cooler months. Furthermore, they predict longer wildfire seasons with drier, more intense burning conditions and larger areas of burn.<sup>5</sup>

## 2.2 Responsibility for Detecting Wildfires

Wildfires are unplanned fires that burn organic soil, grasses, forbes, shrubs, trees, and associated vegetative fuels in their natural or modified state. They do not include structural, vehicle, or landfill fires.<sup>6</sup>

Under *The Wildfire Act*, the Ministry of Environment is responsible for the prevention, detection, control, suppression, and investigation of wildfires within provincial wildfire management areas, including provincial forests. In addition, the Ministry's responsibility includes keeping the public informed of wildfires in Saskatchewan.

Provincial wildfire management areas include provincial forests, parkland, vacant Crown land, and every quarter section of land lying wholly or partly within 4.5 kilometres of the boundaries of a provincial forest.<sup>7,8</sup>

The Wildfire Management Branch within the Ministry manages wildfires. The Branch has about 127 full-time equivalent employees excluding front-line staff (e.g., fire fighters). The Wildfire Management Branch has three fire centres located in La Ronge, Buffalo Narrows, and Prince Albert. These centres oversee 12 forest-protection areas.<sup>9</sup>

In 2016-17, the Ministry spent almost \$48 million in managing wildfires.<sup>10</sup> **Figure 1** shows the variability in annual costs to suppress wildfires for the last 10 years. Suppression costs exclude costs of aiding fire fighters in communities, other provinces, or other countries (if requested).<sup>11</sup> They also do not include costs associated with evacuating and sheltering people from wildfires, or costs to replace private property lost to a wildfire.

## 2.3 Wildfires in Saskatchewan

Wildfires are the single largest source of natural disturbance in the boreal forest in Saskatchewan.<sup>12</sup> As shown in **Figure 2**, lightning and humans are the only causes of wildfires. In 2015, lightning caused about half of all wildfires but accounted for almost 97% of the total area of forests burned.<sup>13</sup> Over the last 10 years, humans (resident, recreation, incendiary, and industry) caused half of Saskatchewan wildfires.<sup>14</sup>

<sup>4</sup> Ministry of Environment, *2015 State of the Environment Report*, p. 25.

<sup>5</sup> *Ibid.*

<sup>6</sup> *The Wildfire Act*, s. 2.

<sup>7</sup> *The Wildfire Act*, s. 2(gg).

<sup>8</sup> According to *The Wildfire Act*, the Ministry is not responsible for detection on land within any city, town, village, hamlet, northern village, northern hamlet, northern settlement, regional park, and resort village or resort subdivision.

<sup>9</sup> The Wildlife Management Branch has divided the province into 12 forest protection areas.

<sup>10</sup> Ministry of Environment, *2016 Wildfire Statistics Report*, p. 35.

<sup>11</sup> The Ministry recovered about \$2.165 million of the 2016 fire season costs (2015: \$0.6 million), primarily from Alberta. The Ministry also recovers costs from commercial operators if an investigation determines an operator started a fire.

<sup>12</sup> Ministry of Environment, *2015 State of the Environment Report*, p. 56.

<sup>13</sup> Ministry of Environment, *2017 State of the Environment Report*, p. 20.

<sup>14</sup> *Ibid.*



**Figure 1 – Number of Wildfires, Hectares Burned, and Costs (2007-2016)**

| Fire Season | Number of Wildfires <sup>A</sup> | % Caused by Lightning | Total Hectares <sup>B</sup> Burned (in thousands) | Hectares Burned in High Values-at-Risk Areas (in thousands) | Wildfire Management Costs <sup>C</sup> (in millions) |
|-------------|----------------------------------|-----------------------|---|---|--|
| 2007        | 370                              | 36                    | 213   | 1   | \$43.5   |
| 2008        | 599                              | 47                    | 1,130   | 385   | \$67.1   |
| 2009        | 511                              | 36                    | 38  | 16  | \$48.1   |
| 2010        | 571                              | 40                    | 1,735   | 14  | \$56.1   |
| 2011        | 303                              | 21                    | 344   | 53  | \$46.6   |
| 2012        | 409                              | 49                    | 228   | 16  | \$48.0   |
| 2013        | 429                              | 37                    | 364   | 44  | \$43.7   |
| 2014        | 403                              | 49                    | 343   | 16  | \$47.3   |
| 2015        | 720                              | 52                    | 1,722   | 679   | \$123.1  |
| 2016        | 364                              | 53                    | 242   | 14  | Not yet available                                    |

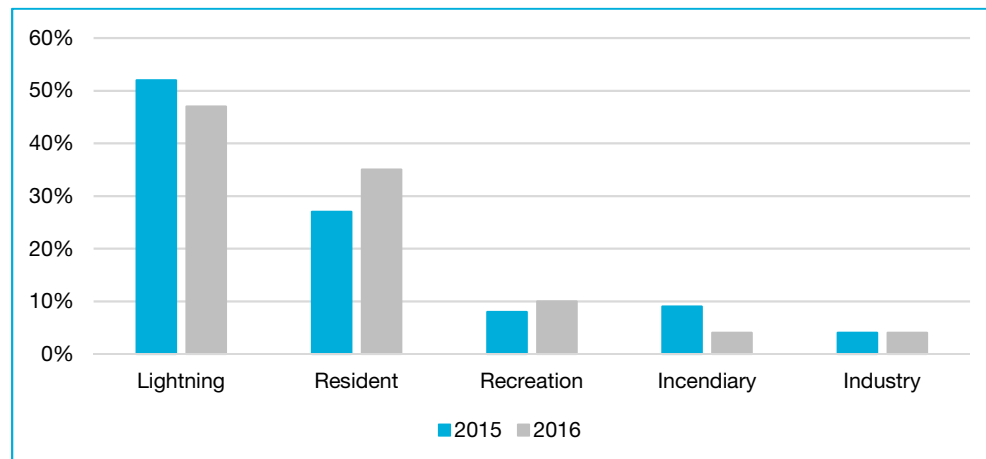
Source: Ministry of Environment 2017 *State of Environment Report*, p. 20.

<sup>A</sup> In both primary and secondary areas. Primary areas include community, primary timber area, wildfire management area, and federal land area. Secondary areas include secondary timber area, rural/urban land base, and area north of primary area.

<sup>B</sup> A hectare is 10,000 square metres—about the size of a baseball field.

<sup>C</sup> Wildfire Management costs exclude recoverable fire suppression operations and forest fire capital projects (Government of Saskatchewan, *Public Accounts Volume 2, 2007-08 to 2016-17*).

Also, as shown in **Figure 1**, the number, hectares burned, and cost of wildfires in Saskatchewan varies significantly from year-to-year. This variability is attributable to variation in weather patterns, particularly precipitation, temperature, and lightning activity. In some years, wildfires were located in areas that threaten more values-at-risk.

**Figure 2—2015 and 2016 Saskatchewan Wildfires by Cause**

Source: Ministry of Environment, Wildfire Management Branch.

The recent severe wildfire seasons in Saskatchewan (2015), Alberta (2016), and British Columbia (2017) have highlighted the potential threat that wildfires can pose to public safety, property, and vital natural resources. Detection warnings must get to those at risk in a timely manner, and must contain clear, useful information to enable proper responses.



## 2.4 Importance of Wildfire Detection

Detecting wildfires early allows timely decisions on a strategic response to threats. Early detection and timely decisions can reduce the impact on people, the environment, and the economy. This includes decisions on when to suppress wildfires and when to allow them to burn.

Wildfires can play a natural and beneficial role on the boreal landscape if values-at-risk are minimal. Saskatchewan's wildfire strategies recognize the ecological benefits of wildfire in the management of forests.<sup>15</sup>

Timely initial detection can also help keep fire suppression costs to a minimum. Fast and effective initial detection of wildfires can significantly shorten the reaction time and limit wildfires to smaller, manageable sizes.

Firefighters have the best chance of putting out a wildfire if they can react quickly when it ignites. Quick response time allows the Ministry to position crews to attack the wildfires and to warn the public to be extra cautious in those areas, or evacuate early if needed.

If not detected and acted upon at an early stage, wildfires become increasingly difficult to control which can result in significantly increased suppression costs. For example, in 2015 suppression costs for fires less than 100 hectares were on average less than \$10,000 per fire (460 fires; total cost \$4.5 million). Suppression costs for fires greater than 100 hectares were over \$700,000 per fire (72 fires; total cost \$50.2 million).<sup>16</sup>

The impacts of wildfires and costs are large and diverse. They can threaten lives, structures and homes.

## 3.0 AUDIT CONCLUSION

**We concluded that, for the 12-month-period ended March 31, 2017, the Ministry of Environment had, except in the following areas, effective processes to detect wildfires in Saskatchewan wildfire management areas. The Ministry needs to actively obtain wildfire prevention and preparedness information from industrial and commercial operators that the law requires them to submit. In addition, the Ministry needs to actively work with other government sources to obtain information on values-at-risk.**

**Figure 3—Audit Objective, Criteria, and Approach**

**Audit Objective:** The objective of this audit was to assess whether the Ministry of Environment had effective processes, for the 12-month period ended March 31, 2017, to detect wildfires in Saskatchewan wildfire management areas.

<sup>15</sup> *FireSmart: The Benefits of Fire* [www.environment.gov.sk.ca/Default.aspx?DN=c0cc8a8a-da75-451b-a14c-4160bdcf92e7](http://www.environment.gov.sk.ca/Default.aspx?DN=c0cc8a8a-da75-451b-a14c-4160bdcf92e7) (18 July 2017).

<sup>16</sup> Ministry of Environment, Wildfire Management Branch, *Program Charter 2016-17*, p. 10. (cost and number of fire statistics are for the primary area only).

**Audit Criteria:**

Processes to:

1. Determine detection needs
  - 1.1 Identify vulnerabilities (e.g., fuel loads and fuel moisture content, values-at-risk)
  - 1.2 Systematically collect data on vulnerabilities identified (e.g., develop risk maps)
  - 1.3 Prioritize detection needs (e.g., camera placement, daily aerial patrols)
  - 1.4 Develop detection strategy
2. Implement detection system for wildfires
  - 2.1 Systematically search for wildfires (e.g., focused surveillance)
  - 2.2 Monitor wildfire spread and behaviour (e.g., current weather prediction)
  - 2.3 Continuously update wildfire status to suppression decision-makers
3. Communicate risk information and early warnings to public and commercial operators
  - 3.1 Have clear protocols for issuing accurate and timely warnings
  - 3.2 Identify tools/channels for communication of information to those at risk
  - 3.3 Disseminate information in a clear and understandable manner
  - 3.4 Notify local authorities in a timely manner for high-risk fires

**Audit Approach:**

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (CSAE 3001). We examined the Ministry’s detection policies and procedures that relate to detecting wildfires. We interviewed relevant Ministry staff. We discussed and observed detection methods and systems. We tested a sample of wildfires reported by Ministry staff or third parties to assess whether wildfires were detected timely, monitored, and their risks communicated with stakeholders.

To evaluate the Ministry’s processes, we used criteria based on our related work, reviews of literature, and consultation with experts in the area of wildfire. Ministry’s management agreed with the above criteria.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 3**.

### 4.1 Clear Wildfire Detection Priorities Set

The Wildfire Management Branch provides clear direction in its Wildfire Management Operational Policy and Procedure Manual (Manual) on wildfire detection priorities.

The Branch annually reviews the Manual’s policies and procedures regarding detection. We found that it had appropriately approved all policies.

The Manual requires a values-at-risk approach to decision-making relating to prioritizing wildfire activities, including detection, and when competing priorities exist. The Manual sets clear principles for detecting fires. They are the protection of the following: human life, communities, significant public and industrial infrastructure, commercial timber, remaining structures, natural resources and commercial/industrial operations, and wildlife habitat (i.e., values-at-risk).

The Manual assigns responsibility to the Forest Protection Officers, Fire Centre Duty Officers, and Provincial Duty Desk for developing daily preparedness plans, which include detection activities. It includes detailed policies and procedures related to preparedness planning and detection.



Given the dynamic nature of the Branch's operations during a wildfire season, the Branch prepares preparedness plans (including detection) daily during the wildfire season (typically from April 1 to September 30).

## 4.2 Up-to-Date Values-at-Risk Information Needed for Prioritizing Wildfire Activities

The Wildfire Management Branch updates values-at-risk information based on voluntary submission of information instead of systematically.

The Ministry classifies values-at-risk from wildfires into two categories—temporary and permanent. Temporary values-at-risk include forestry, tree planting, and mining exploration work camps. Permanent values-at-risk include the name and location of communities, major public and industrial infrastructure, commercial timber, structures, natural resources, commercial industrial operations, cottages, and cabins.

The Branch records key information about values-at-risk in its Wildfire Management database. Capturing this information makes it available for making decisions about managing fires. For example, the Branch creates interactive maps<sup>17</sup> from this database. These maps include pertinent information for both detecting and managing fires such as the location and specifications of values-at-risk, contact information of owners, etc.

### Information on Values-at-Risk of Industrial and Commercial Operators Not Actively Sought

The Branch does not actively obtain wildfire prevention and preparedness plans from industrial and commercial operations or request information from other Ministry of Environment branches to help it do so. The Branch estimates that industry caused, on average, 6% of wildfires over the last 10 years.<sup>18</sup> But beyond that, all workers are at risk from wildfires from any cause.

At March 2017, the Wildfire Management database included 336 commercial and industrial values-at-risk. Other Ministry of Environment branches issue temporary work-camp permits to some of these operators. These branches estimate they issue up to 50 permits for temporary work camps each year.

Since March 31, 2015, *The Wildfire Act* (s.20) requires industrial and commercial operators, operating during the wildfire season, to submit wildfire prevention and preparedness plans. These plans are to include the location, number of people, structures, and equipment at the operation and their contact information. Wildfire Management Branch management indicated it is developing the Industrial Wildfire Prevention Code based on best practice for wildfire prevention and preparedness plans. It expects to complete the Code in 2017-18.

The Wildfire Management Branch receives wildfire prevention and preparedness plans from some commercial operators, but not all. The Branch received 13 plans in 2016. The

<sup>17</sup> Interactive maps are live online maps that the Ministry can use to view, query, and print Geographic Information System (GIS) maps, databases, and images using an internet browser. The interactive design makes it easy to pinpoint a given location. The interactive maps offer more functionality than regular maps, including zoom and pan, and show data on mouse-over. The Branch overlays wildfires on the map so staff can see what is potentially threatened.

<sup>18</sup> Ministry of Environment, *2016 Wildfire Statistics Report*, p. 12.

Branch does not keep a list of operators required to submit plans. Management indicated that some of these operators do not notify the Branch for proprietary reasons (e.g., a mining operation may not want others to know where they are exploring).

In addition, the Act allows the Ministry to levy administrative penalties for operators not complying with the Act (i.e., not submitting their preparedness plans). It has not levied administrative penalties against industrial and commercial operations who have not submitted plans as the law requires. Laws to allow it to levy administrative penalties came in effect on March 31, 2015.

Wildfire prevention and preparedness plans of temporary industrial and commercial operations are especially important as the plans contain information to help the Ministry assess the risk of wildfires and to notify the operators in the event of wildfire threats. Not having complete information about temporary values-at-risk increases the risk of the Branch not prioritizing its wildfire detection activities appropriately, and not developing suitable related suppression strategies.

1. We recommend that the Ministry of Environment actively seek wildfire prevention and preparedness information from industrial and commercial operators that they are required by law to submit.

#### Information on Permanent Values-at-Risk Obtained on Ad-Hoc Basis

As shown in **Figure 4**, at March 31, 2017, Wildfire Management's database included over 3,200 permanent values-at-risk. The majority of these are recreational properties.

**Figure 4—Number of Permanent Values-at-Risk in Ministry Database at March 2017**

| Type of Permanent Values-at-risk              | Number by Type | % of Total |
|---|----------------|------------|
| Commercial (e.g., Outfitter camp)             | 298            | 9.2        |
| Crown (e.g., Provincial Park infrastructure)  | 141            | 4.3        |
| Industrial (e.g., mine)                       | 36             | 1.1        |
| Traditional (e.g., First Nations sweat lodge) | 348            | 10.6       |
| Recreational (e.g., cabins)                   | 2,445          | 74.8       |
| <b>Total</b>                                  | <b>3,268</b>   |            |

Source: Ministry of Environment, Wildfire Management Branch.

The Ministry advised us that it aims to update its database on a five-year cycle. Our analysis of when permanent values-at-risk were last updated found the Branch had updated all items listed in its database within the last six years. It updated almost two-thirds of the items more than four years ago, about one-quarter of them between two to four years ago, and the remaining items within the last two years.

We found the Branch had added only 15 new values-at-risk to its database in the last three years. This small number of additions differed from prior years. For the prior 8 years (2006 to 2013), the Branch had added on average 108 properties annually to its database. In addition, the small number of additions in the last three years seems contrary to the growth in the provincial economy during this period. This suggests that the Branch did



not spend as much effort in the last three years in keeping its database current as it did previously.

To update its database, in the 2016 wildfire season, the Branch primarily relied on information provided by firefighters, operations staff on the ground, the public, and commercial operators. The Branch acknowledged that it did not actively seek information from other government sources (e.g., other Ministry of Environment branches that issue building permits, the Ministry of the Economy that issues mining permits, SaskPower for location of and changes to power infrastructure).

In addition, we noted the Branch had identified 6% (194) of the values-at-risk in the database as “destroyed.” Most of these values-at-risk were destroyed in the 2015 wildfires. As evident in **Figure 1**, the province had an unprecedented number of wildfires in 2015 with 43 communities evacuated, and 679,000 hectares burned in areas with a high number of values-at-risk. The Branch acknowledged that it had not actively determined if structures identified as “destroyed” had been replaced by March 2017.

As previously noted, the Ministry requires a values-at-risk approach to prioritizing wildfire activities. Under this approach, knowing the nature and location of values-at-risk is the first step to protecting them. Not having current information or a correct understanding of the types of values-at-risk from wildfires increases the risk of the Branch not developing appropriate daily plans (including detection) and suppression strategies, and not prioritizing wildfire detection activities appropriately. In addition, including destroyed properties as values-at-risk may result in the Branch expending activities and resources for non-existent values-at-risk.

- 2. We recommend that the Ministry of Environment actively work with other government sources to obtain information on values-at-risk from wildfires.**

### **4.3 Data on Identified Fire Hazards Systematically Collected and Used for Detecting Fires**

The Wildfire Management Branch appropriately uses a risk-based approach for detecting wildfires.

Under this risk-based wildfire detection approach, the Branch identifies hazards (e.g., fuels, weather conditions). It systematically collects (e.g., seasonally, daily) and analyzes data on the identified hazards to focus its detection activities on areas with higher risks and monitors those areas for potential breakout of wildfires.

Key hazards include types of fuels, weather conditions, and topography. The Branch maintains current data on each of these primarily in its Geographic Information System (GIS). GIS integrates weather, fuels, and topography data to produce hazard maps.

For fuels, we found the Branch actively collects information on various vegetation types, trees, and forests. It uses satellite imagery, forest inventory maps, and topography to identify types of fuels (e.g., grass, boreal spruce).

Weather plays a major role in the ignition, growth, and extinguishing of a wildfire. For example, drought leads to extremely favorable conditions for wildfires, winds aid a

wildfire's progress, and rain can extinguish a wildfire. As described in **Figure 5**, temperature, wind, moisture, and lightning are four weather conditions that can affect wildfires.

#### Figure 5—Four Weather Conditions Affecting Wildfires

The following four weather conditions can affect wildfires:

- Temperature affects the sparking of wildfires. The sticks and trees on the ground receive radiant heat from the sun, which heats and dries potential fuels. Warmer temperatures allow fuels to dry, ignite, and burn faster.
- Wind has the biggest impact on wildfire's behaviour. Winds supply the fire with additional oxygen, further dry potential fuel, and push the fire across the land at a faster rate.
- Moisture works against the fire. Moisture, in the form of humidity and precipitation, can slow the fire down and reduce its intensity. Potential fuels can be hard to ignite if they have high levels of moisture, because the moisture absorbs the fire's heat. When the humidity is low, meaning that there is a low amount of water vapor in the air, wildfires are most likely to start. The higher the humidity, the less likely the fuel is to dry and ignite.
- Lightning is the only source of fire not ignited by people.

Source: Adapted by Provincial Auditor of Saskatchewan.

We found the Branch actively collects the following weather information: weather observations from its 75 provincial weather stations located throughout the province,<sup>19</sup> digital weather data from external sources such as NASA, and lightning data from Environment Canada. The Branch, through a contract with Environment Canada, electronically receives lightning data (latitude, longitude, and time) every time there is a strike.

The Branch meteorologists create different weather forecasts. Each day during wildfire season (typically April 1 to September 30), Branch GIS specialists create two lightning maps—a lightning map for the last 24 hours and a lightning map for the last five days. They overlay these on a fire danger map because a wildfire caused by a lightning strike may not be detectable for several days.

In addition, we found the Branch meteorologists forecast detailed weather up to two days in advance. Using this data, they provide twice-daily weather briefings to all Branch staff responsible for preparedness planning, including wildfire detection. Furthermore, the Branch uses weather data and fuel information to create about 18 different wildfire hazard maps. See **Figure 6** for examples of types of maps. These maps are colour coded daily to indicate areas with high risk of wildfires. During the fire season, the Branch GIS specialists create maps every day.

#### Figure 6—Examples of Maps Used in Wildfire Management Branch

The following are examples of the maps the Branch uses for wildfire management:

- Fine Fuel Moisture Code (FFMC): the dryness of the smallest forest fuels (surface litter, leaves, needles, small twigs, etc.) – classified into five categories
- Duff<sup>A</sup> Moisture Code (DMC): the dryness of the medium-sized surface fuels and upland duff layers (approximately 2 to 10 cm) – classified into five categories
- Drought Code (DC): the dryness of the largest surface fuels and deep duff layers – classified into five categories

Source: Ministry of Environment, Wildfire Management Branch.

<sup>A</sup> Duff is decaying vegetable matter covering the ground under trees.

<sup>19</sup> These stations automatically collect weather data and send hourly weather information to the fire centre in Prince Albert. Weather data includes temperature, relative moisture of the air, wind direction and speed, rain, and atmospheric pressure.



The Branch uses maps for different aspects of fire management operations. The Branch uses information on hazard maps to help monitor fire danger, predict fire behaviour, and detect fires.

All staff at the Branch can readily access the hazard maps through the Ministry’s Wildfire Management website. Branch staff responsible for detection use the maps when planning detection activities. The Branch holds daily conference calls during fire season to develop a preparedness plan for the day, and to prepare for the next day.

When we examined the Branch’s Wildfire IT system and website, we found it contained all expected fire hazard information (e.g., maps, weather forecasts, wildfire chronologies). In addition, the Ministry had made the system and website available to appropriate staff, and appropriately restricted the system and website from unauthorized access or changes.

## 4.4 Wildfires Systematically Searched For

The Wildfire Management Branch systematically looks for potential wildfires and identifies active wildfires.

The Branch has established aerial (fixed wing aircraft) and staff ground patrols, and its ForestWatch System (wildfire detection cameras) as the primary methods of its controlled detection program. As shown in **Figure 7**, detection patrols and cameras typically detect about one-third of the fires. Its Manual contains guidance on the reporting and monitoring expected of these methods.

**Figure 7 – Percentage of Wildfires Detected By Method By Wildfire Season**

| Detection Method   | Wildfire Season    |                    |
|--|--------------------|--------------------|
|  | % detected in 2015 | % detected in 2016 |
| Aircraft Detection Patrols                               | 12                 | 11                 |
| Wildfire Management Staff on Ground Patrols              | 11                 | 16                 |
| Cameras Located in Towers <sup>A</sup>                   | 4                  | 7                  |
| Sub-total  | 27                 | 34                 |
| Public <sup>B</sup>                                      | 32                 | 36                 |
| Other Aircraft - Other Ministry of Environment personnel | 27                 | 16                 |
| Other, including monitoring satellite imagery            | 9                  | 6                  |
| Aircraft, private and commercial <sup>C</sup>            | 5                  | 8                  |
| Total  | 100%               | 100%               |

Source: Ministry of Environment, Wildfire Management Branch, <http://publications.gov.sk.ca/documents/66/89626-12df5641-728b-47a4-8092-393f450d90c2.pdf> (26 October 2016).

Shading indicates detection methods controlled by the Wildfire Management Branch.

<sup>A</sup> In 2014, the Ministry completed its installation of 42 wildfire detection remote cameras across the province’s northern forests and discontinued its use of human wildfire tower observers.

<sup>B</sup> Percentage includes calls to 911 or Ministry wildfire hotline.

<sup>C</sup> Percentage includes commercial air traffic, bush pilots, and non-Ministry of Environment government aircraft used for different purposes.

The Branch has four aircraft on contract (three contracted for 100 days and one for 75 days during wildfire season) located in three bases—La Ronge, Buffalo Narrows, and Stony Rapids. Aerial staff are trained in detecting wildfires. Also, the Branch has seven



helicopters on contract (for 90 days during wildfire season). While it uses these aircraft and helicopters primarily to fight fires, it may use them to detect or verify reports of fires.

Each day during wildfire season, the Branch develops wildfire detection patrols plans, using information on forecasted weather and identified areas of concern (e.g., lightning, high fire hazard areas). It determines the frequency, routes, and type of aircraft for aerial detection patrols based on the potential for ignition, predicted fire starts (e.g., lightning paths), and known values-at-risk (see **Section 4.2** for our concerns about the currency of some of this information). If planes are not available, the Branch directs its staff on the ground to survey specific areas at risk.

We examined detection plans for nine days during the wildfire season, and noted evidence that daily detection planning appropriately integrated risk information (e.g., patrol routes flew over lightning patterns).

Forty-two cameras and the related IT system form the Ministry's ForestWatch system (detection camera system). The cameras are located on the towers originally used by human observers and are near high priority known values-at-risk. The Branch's staff located in Prince Albert monitor all camera images in real time during the wildfire season.

As noted in **Figure 7**, in the last two wildfire seasons, the public detected and reported over one-quarter of the wildfires. To encourage public reporting of wildfires, the Branch maintains a public webpage<sup>20</sup> and a 24-hour Firewatch Line (Report a Forest Fire). It makes this number readily available on the webpage and through use of posters and signage.

The Branch logs key information about wildfires in its Wildfire Integrated Information Network (Wildfire IT system). Key information includes who reported the wildfire and when, geographic location, description of the fire, fuels, smoke colour, fire size, report type, values threatened, etc.

The Ministry tracks, as a key indicator, the size of fires when detected (i.e., less than 100 hectares), as it is less expensive to suppress fires when detected early.

For 21 wildfires detected by Ministry of Environment staff that we tested, two were larger than 100 hectares based on size recorded when detected. For each of these fires, the Branch had sensible documented reasons for the fire being over 100 hectares on detection. For example, for one case, the municipality who was responsible for detecting and managing the fire asked the Branch to help them fight the fire when it grew large.

## 4.5 Wildfires Reported by Third Parties Verified

The Wildfire Management Branch consistently tracks and verifies reports of wildfires by third parties such as the public and commercial/private aircraft operators.

It verifies wildfires reported by other sources through its own patrols or camera system. The Branch does not have a set timeframe for verifying reports of wildfires. Rather it appropriately varies the timeframe based on its assessment of the probability of a fire, the extent of threat the fire presents, and staff or aircraft availability for verification. When

<sup>20</sup> [www.saskatchewan.ca/fire#utm\\_campaign=q2\\_2015&utm\\_medium=short&utm\\_source=%2Ffire](http://www.saskatchewan.ca/fire#utm_campaign=q2_2015&utm_medium=short&utm_source=%2Ffire) (12 May 2017).



making this assessment, it uses information from its daily hazard maps, known values-at-risk, etc.

For the sample of nine wildfires we tested where a third party reported the fire, the Branch verified each of them within a reasonable timeframe. For six of those nine fires, the Branch verified the fire and started its initial attack within one to four hours. For the other three, it documented a reasonable explanation why the verification did not occur until the next day (e.g., fire was reported in the area north of the primary and secondary areas and not an immediate threat to known values-at-risk).

## 4.6 Wildfire Spread and Behaviour Monitored

The Branch actively monitors the spread and behaviour of wildfires using daily hazard maps and current weather information.

Each day, Forest Protection Officers enter the status of active wildfires in its Wildfire IT system. The Branch consistently uses its Wildfire IT system to track key information about active wildfires (e.g., status of the fire, fire behaviour, progress made, actions taken, communication with the local authorities or affected parties). The IT system tracks all of the key information that we expected.

During the wildfire season, weather, detection and suppression personnel attend morning briefings. In addition, all have access to the Wildfire IT system. Daily briefings and information in the IT system provides personnel with real-time knowledge of detected fires, likelihood of spread (fuel moisture, weather, etc.) and known values-at-risk (see **Section 4.2** for our concerns about the currency of some of this information). Receiving up-to-date information daily helps them determine priorities and monitor individual wildfires for spread or movement. Not having current information about values-at-risk may result in them not prioritizing wildfire activities properly. See **Recommendations 1** and **2** about actively keeping values-at-risk information current.

In addition, the Branch may use fire modelling to project fire behaviour (e.g., fire growth) for high-risk fires (e.g., those threatening communities or commercial operations). It has access to two applications—Prometheus and Pegasus. See **Figure 8** for a brief description of each.

### Figure 8—Examples of Wildfire Modelling Applications Available to the Ministry

Prometheus is a software application available to Saskatchewan's Forest Protection Officers through an agreement with the Government of Alberta. It is a fire growth modelling application initially developed by Canadian Forest Service. Ministry GIS specialists can access Prometheus to predict wildfire behaviour and spread. For example, it may be used for large wildfires where significant values are at risk.

Pegasus is an online version of Prometheus. It is a simplified version on a web application. Personnel in the Branch can use Pegasus to do wildfire growth simulations.

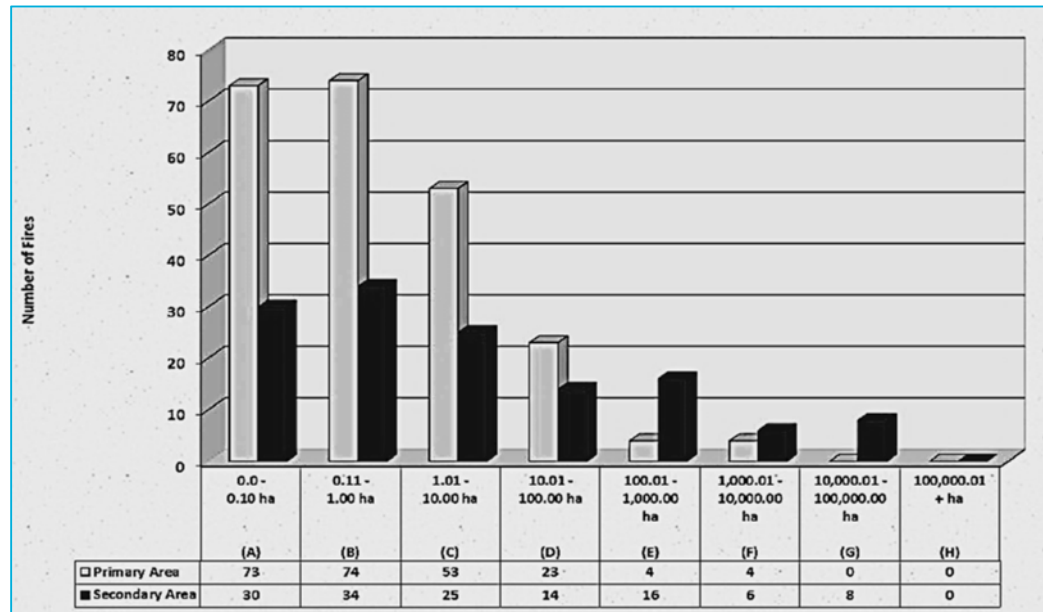
Source: Ministry of Environment, Wildfire Management Branch.

The Branch did not use modelling during the 2016 fire season. It indicated that none of the wildfires detected in 2016 significantly threatened communities or commercial operations.

In the 2016 wildfire season, the Ministry responded to 364 fires (2015: 720). **Figure 9** shows the number of fires by size which the Ministry responded to in 2016. As **Figure 9**

shows, in 2016, only 4% of wildfires in the primary area were larger than 100 hectares. This suggests the Branch successfully monitored the behaviour of existing wildfires.

**Figure 9—Number of Fires by Size Class in 2016**



Source: Ministry of Environment, Wildfire Management Branch, *Wildfire Statistics Report 2016*.

For all 30 wildfires we sampled, we noted evidence of staff actively monitoring fire behaviour and spread. We noted Forest Protection Officers updated the wildfires status to “finalized” in the Branch’s Wildfire IT system when the fire was out.

## 4.7 Clear Protocols to Issue Warnings of Wildfire Threats in Place

The Wildfire Management Branch uses clear and understandable policies to communicate information about potential wildfire threats to the public and other stakeholders (e.g., community leaders, local authorities, commercial operators, media).

One policy requires the Branch to ensure community leaders, local authorities, and the appropriate stakeholders receive immediate notification when a wildfire is threatening or may threaten an area where a community meets a forest (i.e., a wildland-urban interface).

This policy includes protocols for providing information to the public on potential wildfire threats. For example, it sets out who is responsible for issuing notifications, what information to convey about the wildfire (e.g., wildfire direction and speed, any potential road closures, how far the wildfire is from the community). It also requires documentation of communications (e.g., who approved the information, who presented the information, when the information was released and its details).

Another Branch policy provides clear guidance for communication with the media on high-risk wildfires.

All the Branch staff have ready access to Branch policies.<sup>21</sup>

<sup>21</sup> Staff can access Ministry policies through the Web-library within the Branch’s internal Wildfire Management website.



## 4.8 Threat of Wildfires Communicated

The Branch communicates risk of wildfires to stakeholders and the public in various ways.

In case of potential danger, the Branch notifies and provides updates to local authorities, commercial operators, or other stakeholders primarily by phone calls, emails, and the Ministry website. The Ministry of Environment is not responsible to order evacuations. Stakeholders make decisions to evacuate. In the event a wildfire threatens a community, the local authority may order an evacuation and collaborate with the ministries of Social Services, Health, and Government Relations to facilitate the evacuation.

The Fire Protection Officers in each Forest Protection Area are responsible for communicating risk information concerning particular communities, commercial operators, or other stakeholders (e.g., Ministry of Highways in the event a wildfire is expected to cross a highway, requiring road closure).

While the Branch does not have an established timeframe to contact local authorities, commercial operators, or other stakeholders, it aims to communicate wildfire risks as soon as it knows there is a potential hazard to people or values-at-risk as recorded in its Wildfire IT database. In the 2016 wildfire season, one commercial operator decided to evacuate personnel at a work camp due to a wildfire threat.

For 30 wildfires we tested, 2 fires were potential hazards to a community and an industry respectively. For these 2 fires, we found the following:

- Forest Protection Officers documented their communications with external stakeholders in their personal logbooks, as the Ministry requires and the Ministry had recorded key information about these communications in its Wildfire IT system
- The Branch had communicated with affected parties as soon as it recognized the potential hazard of the fire, provided regular updates on the status of the fire, and was in continuous contact with the local authorities and affected parties
- The Branch adjusted its suppression plan based on additional information about values-at-risk obtained from an affected party

The Branch publishes current wildfire information on the Ministry's website. In addition, for high-risk situations, it issues notices to the public through social media (e.g., Facebook, Twitter) or SaskAlert,<sup>22</sup> and, if needed, through local media outlets.

We found that the Ministry's website (i.e., [www.saskatchewan.ca/fire](http://www.saskatchewan.ca/fire)) includes:

- Interactive Map, which is updated hourly; it shows the location and information on current wildfires.
- Current Wildfire Activity, which is updated hourly; it shows the status of active wildfires.

<sup>22</sup> The Government of Saskatchewan's emergency public-alerting program that provides critical information on emergencies in real time, so people can take action to protect themselves, families, and property. [www.saskatchewan.ca/residents/emergency/saskalert](http://www.saskatchewan.ca/residents/emergency/saskalert) (17 May 2017).

- Daily Fire Danger Maps, which are available during the fire season (April to September). They show the forecasted fire hazards for the current and following day. These maps show the ease of fire ignition, and how quickly a wildfire will likely spread. They cover the agricultural, forest fringe, and forested areas of the province.
- Cumulative Wildfires to Date, which are updated hourly during the wildfire season; it shows location of active and extinguished wildfires.

## 5.0 GLOSSARY

**Boreal Forest**—Forests located in northern regions with predominantly evergreens and shrubs (coniferous).

**Digital Weather Data**—Weather data collected from satellite imagery, radar imagery, and weather information from around the world.

**Fire Modelling**—Mathematical models used to understand and predict wildfire behaviour. Examples of models used in Saskatchewan are Prometheus and Pegasus.

**Forbes**—Any herbaceous plants other than grass.

**Forest Inventory Maps**—Maps that provide information about forest cover such as the predominant types of vegetation and trees at different locations in Saskatchewan.

**Fuel**—Fuel is any organic material that is living or dead that can ignite and burn. Wildfires spread based on the type and quantity of fuel that surrounds it. Smaller fuels such as leaves, twigs, and grasses are more readily available for combustion as they dry out quicker than larger fuels such as branches and logs.

**Incendiary**—Purposefully started fires (e.g., burning scrub brush).

**Topography**—Topography is a detailed map of the surface features of a place, region, or land (for example, its hills, valleys, or rivers).

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## Chapter 24

# Government Relations—Proposing Education Property Tax Mill Rates

### 1.0 MAIN POINTS

By law, Cabinet is responsible for determining the amount of education property taxes levied each year to help pay for the delivery of Pre-Kindergarten to Grade 12 education, and the related mill rates. The Ministry of Government Relations is responsible for providing Cabinet with options for education property tax mill rates for its consideration.

For the 12-month period ending June 2017, the Ministry had effective processes to propose education property tax mill rates for Cabinet approval, other than the following key areas.

The Ministry needs to provide more robust analysis of proposed mill rate options to better explain the implications of potential changes in key assumptions, and the economic and social impact of the various proposals. Without robust analysis, Cabinet may not have sufficient information to make informed decisions regarding education property tax mill rates.

While the Ministry provided detailed guidance about its mill-rate proposal process, it needs to formalize certain aspects of its processes. This includes:

- Clarifying who should review and approve mill rate options and when
- Providing guidance on when to investigate changes to assessed property values
- Documenting its rationale for proposed mill rate options, and factors it considered and their impact when making assumptions about growth
- Confirming the reasonableness of estimated assessed property values

Formalizing these aspects of its processes would help ensure they are sustainable in the event of key staff turnover.

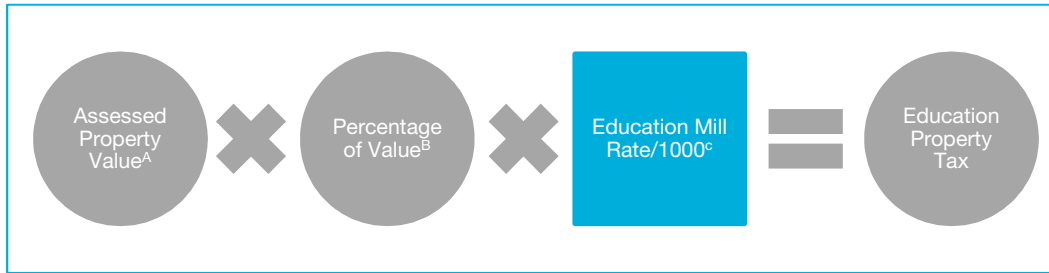
### 2.0 INTRODUCTION

This chapter provides the results of our audit of the Ministry of Government Relations' processes to propose education property tax mill rates for Cabinet approval.

As shown in **Figure 1**, in common with other property taxes, education property taxes are based on two key parts—the taxable assessment of a property (the product of assessed property value and percentage of value) and mill rate.



Figure 1 – Education Property Tax Calculation



Source: Adapted from [www.saskatchewan.ca/government/municipal-administration/taxation-and-service-fees/municipal-property-tax-tools](http://www.saskatchewan.ca/government/municipal-administration/taxation-and-service-fees/municipal-property-tax-tools) (4 October 2017).

<sup>A</sup> Determined by assessment service providers who are not part of the Government of Saskatchewan; assessed values are updated every four years or when changes to property occur (e.g., addition of a new building).

<sup>B</sup> Set by Cabinet for each property class under *The Municipalities Regulations*, *The Cities Regulations*, and *The Northern Municipalities Regulations*; education property taxes have four different property classes (i.e., agricultural, residential, commercial industrial, and resource) (Section 69 of *The Education Regulations*, 2015).

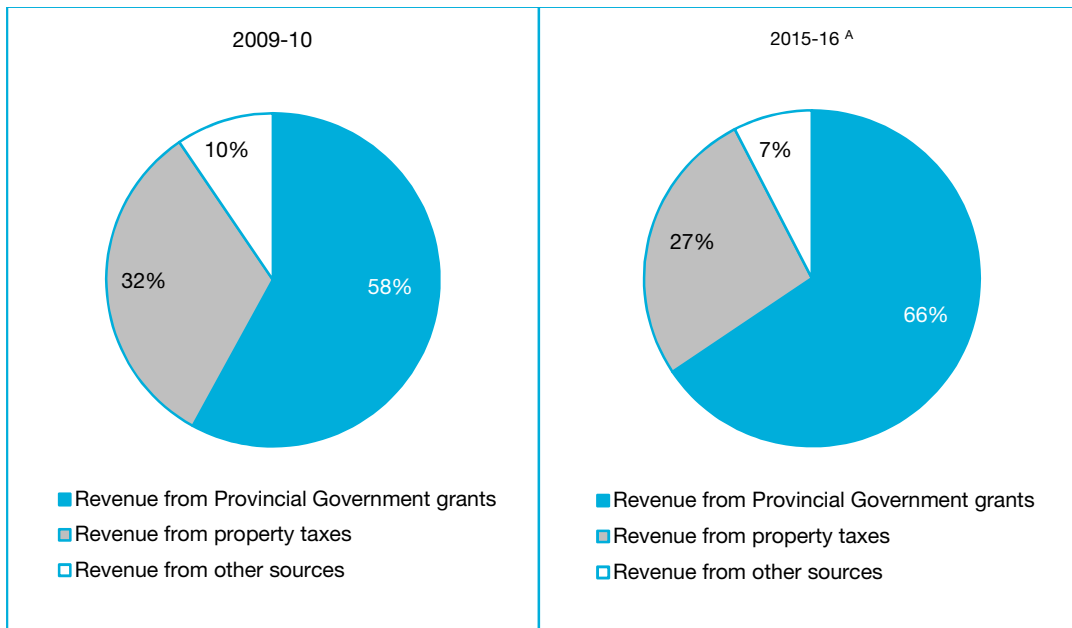
<sup>C</sup> Set by Cabinet using information prepared by Ministry of Government Relations. Property tax mill rates represent the amount, per \$1,000 of the taxable assessed value of a property, used to calculate education property taxes.

## 2.1 Education Property Taxes used to Fund PreK-12 Education

The Government funds Pre-Kindergarten to Grade 12 (PreK-12) education primarily using revenues raised from education property taxes and grants from the Ministry of Education. In 2015-16, education property tax revenues were \$651 million.

As shown in **Figure 2**, over the seven-year period from 2009-10 to 2015-16, the percentage of education property taxes as compared to total school division revenues declined 5% from 32% in 2009-10 to 27% in 2015-16. Over this period, grant revenue as compared to total revenues increased 8% from almost 58% in 2009-10 to 66% in 2015-16; and revenue from other sources (e.g., student fees) declined 3%.

Figure 2 – Combined School Division Revenues by Source of Funding



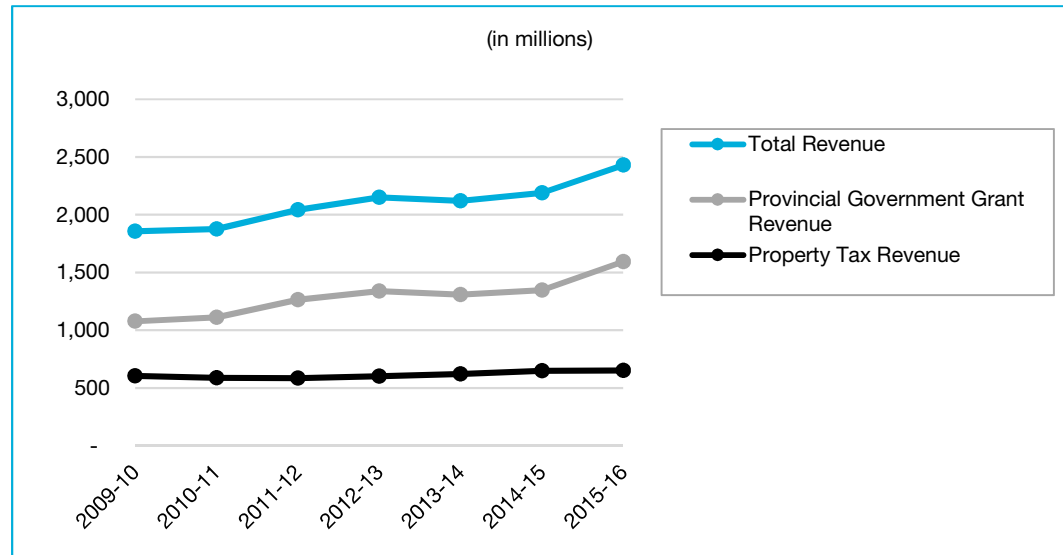
Source: Ministry of Finance information for Summary Financial Statements.

<sup>A</sup> 2016 school division revenues were the most recent available at August 2017.



Over the same seven-year period, the cost of delivering PreK-12 education in Saskatchewan increased 30%. School divisions normally operate on a break-even basis; thereby, their revenues for any given year are quite similar to their expenditures for that year. In 2015-16, school divisions had combined total revenues of \$2.4 billion as compared to \$1.8 billion in 2009-10 (see **Figure 3** for details).

**Figure 3—Combined School Division Revenues between 2009-10 and 2015-16**



Source: Ministry of Finance information for Summary Financial Statements  
2016 school division revenues were the most recent amounts available at August 2017.

In Saskatchewan, municipalities are responsible, by law, for charging and collecting the education property taxes using the Cabinet-approved mill rates. Municipalities include education property taxes on the same property tax bill as municipal property taxes. Municipalities must forward collected education property taxes to the appropriate school divisions within their municipality. Beginning January 1, 2018, municipalities must send the collected education property taxes to the Ministry of Finance instead of school divisions.<sup>1</sup>

## 2.2 Proposing Mill Rates to Cabinet

Cabinet, by law, is responsible for determining the amount of education property taxes levied each year to help pay for the delivery of PreK-12 education, and related mill rates.<sup>2</sup> It makes its mill rate decisions public through Orders in Council.

Cabinet, when setting the Provincial Budget, ultimately determines the amount of education spending and the mix of revenues from property taxes and grants (financed primarily through income taxes, resource revenues) used to deliver education.

<sup>1</sup> *The Education Property Tax Act* comes into force on January 1, 2018. Section 10(1)(b) of the Act requires municipalities to pay all proceeds of the school tax received to the Government of Saskatchewan (i.e., school divisions will no longer directly receive property tax revenues), except for those separate school divisions who choose to set their own rates.

<sup>2</sup> *The Education Act, 1995* (s.288(2)) states the Lieutenant Governor in Council, on the recommendation of the minister responsible for *The Municipalities Act*, shall determine the rate in mills. Order in Council 417/2017 assigns the Minister of Government Relations responsibility for the administration of *The Municipalities Act*.



The Ministry of Government Relations, on behalf of its Minister (by law), determines and recommends to Cabinet options for mill rates for education property taxes, other than for the City of Lloydminster<sup>3</sup> and separate school divisions.

- The City of Lloydminster, in accordance with *The Lloydminster Charter*, uses the Government of Alberta's legislation to determine its education property tax funding requirements.<sup>4,5</sup> The Ministry's role is limited to reviewing the accuracy of the City's calculations before seeking Cabinet's approval of them.
- Separate school divisions can pass bylaws to set their own education property tax mill rates.<sup>6</sup> As of September 2017, separate school divisions who have passed such bylaws have chosen to approve mill rates equal to those set by Cabinet.

The Ministry's role is to provide Cabinet with robust, objective, evidence-based mill rate options and advice so that Cabinet has a solid basis to make decisions about education property tax revenue it wants to levy. Cabinet ultimately decides which option, if any, to choose. Without effective processes to propose education property tax mill rates, the Ministry may not give Cabinet sufficient and appropriate information to make decisions. In addition, the Ministry may not achieve its goal of ensuring a fair and effective property tax regime.<sup>7</sup>

### 3.0 AUDIT CONCLUSION

**We concluded that, for July 1, 2016 to June 30, 2017, the Ministry of Government Relations had effective processes, except for the following areas, to propose education property tax mill rates for Cabinet approval. The Ministry needs to:**

- **Provide more robust analysis of proposed mill rate options that better explains the implications of potential changes in key assumptions and the impact of proposals on the economy and society**
- **Clarify who needs to review and approve mill rate options, and when**
- **Formalize certain processes to ensure they are sustainable in the event of key staff turnover**

**Figure 4—Audit Objective, Criteria, and Approach**

**Audit Objective:**

To assess the effectiveness of the Ministry of Government Relations' processes to propose education property tax mill rates for Cabinet approval for the period from July 1, 2016 to June 30, 2017.

The audit did not question whether Cabinet approved the most appropriate mill rate as this is a public policy decision.

<sup>3</sup> *The Education Act, 1995* (s. 288(3)(c)) allows establishing different mill rates for school divisions located in Lloydminster. The City of Lloydminster is located in both Saskatchewan and Alberta.

<sup>4</sup> *The Lloydminster Charter*, s. 302(2)(c), requires the City of Lloydminster to use the Government of Alberta's legislation to determine its education property tax funding requirements.

<sup>5</sup> Two school divisions operate in Lloydminster: Lloydminster School Division No. 99 and Lloydminster Roman Catholic Separate School Division No. 89.

<sup>6</sup> *The Education Act, 1995*, s.288.1.

<sup>7</sup> *Ministry of Government Relations Plan for 2017-18*, p. 6.

**Audit Criteria:**

Processes to:

1. Establish a framework for proposing mill rates
  - 1.1 Approve framework for proposing rates (e.g., policies, procedures)
  - 1.2 Establish information requirements (e.g., property assessment data, revenue requirements, municipal mill rates)
  - 1.3 Communicate information requirements (e.g., assessed property values)
  - 1.4 Periodically evaluate framework used to determine whether changes required
2. Receive and evaluate required information
  - 2.1 Gather and maintain relevant information
  - 2.2 Verify the accuracy and completeness of information received
  - 2.3 Maintain integrity of information (e.g., protect information from inadvertent or unauthorized changes)
3. Propose options for consideration
  - 3.1 Adjust property assessment data as necessary (e.g., for estimated assessment changes due to appeals, arrears, forecasted new construction)
  - 3.2 Develop education mill rate options (e.g., status quo, revenue neutral, change rate)
  - 3.3 Communicate options including recommendation to decision makers (e.g., Minister of Government Relations, Ministry of Finance, Cabinet)
  - 3.4 Communicate approved education property tax mill rates (e.g., to municipalities, school divisions, public)

**Audit Approach:**

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Ministry's processes, we used the above criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the above criteria.

We examined the Ministry's criteria, policies, and procedures that relate to proposing education property tax mill rates. We interviewed Ministry staff responsible for proposing education property tax mill rates, and reviewed documentation related to Ministry processes (e.g., process manuals, assessed property values, key assumptions used in analysis, calculations). We assessed controls over key IT applications used and tested key aspects of the Ministry's processes.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Guidance for Proposing Mill Rates Substantially Complete

The Ministry has set out, in detail, the process it uses to propose education property tax mill rates.

Other than not providing sufficient guidance to assist staff in identifying which changes in assessed property values to investigate, and documenting the basis of decisions on which mill rate options to propose, the guidance is complete and understandable.

#### Process Manuals Up-to-Date

The Ministry has assigned responsibility for developing education property tax mill rate options mainly to two key employees within its Policy and Programs Services Division—both have significant hands-on experience and knowledge of the process.

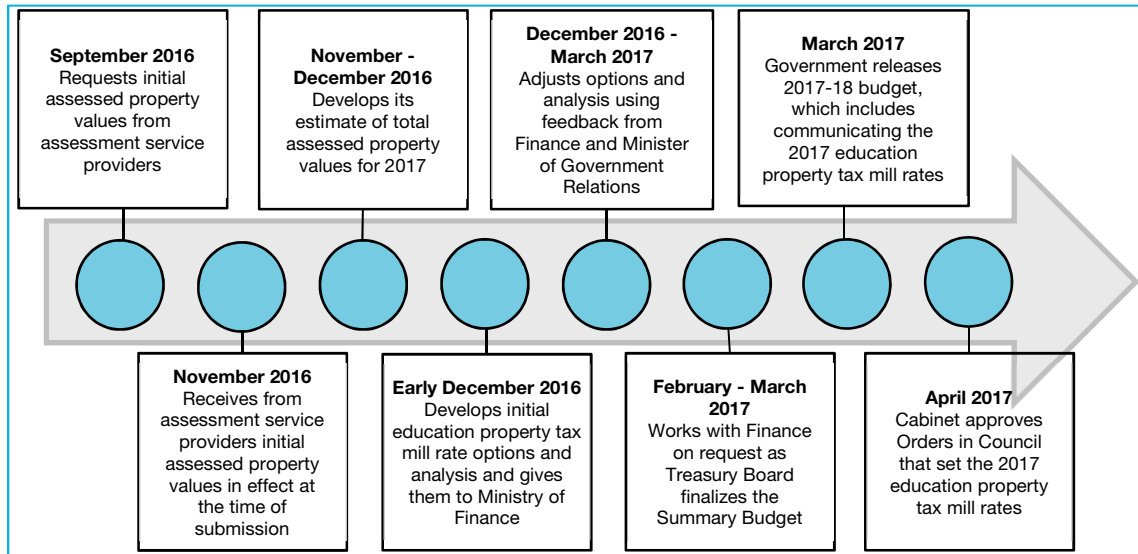
In 2015, the Ministry developed a Process Manual to document its process for proposing mill rates, and last updated it in December 2016. The Ministry's Process Manual gives



staff guidance on proposing education property tax mill rates for Saskatchewan. It includes guidance for:

- Collecting information (e.g., initial assessed property values)
- Validating information received and adjusting where needed
- Estimating the taxable assessment
- Preparing and reporting options for mill rates

**Figure 5—Government Relations 2017 Education Property Tax Mill Rate Process and General Timing**



Source: Developed by Provincial Auditor.

We also found the Process Manual aligns with Ministry guidance for setting municipal property taxes, and its process is similar to other jurisdictions.<sup>8</sup>

With respect to the City of Lloydminster’s mill rates, we found the Ministry had appropriate processes to confirm the accuracy of the calculations and followed its processes.

With respect to estimating the total assessed value of Saskatchewan properties for the upcoming year, the Process Manual recognizes this estimate is critical as it forms the basis of the education property tax calculation. It highlights complexities in making this estimate (e.g., information is from differing timeframes, assessed property values change continuously due to changes in property [new construction, change in classification]).

On the Government’s behalf, Saskatchewan’s almost 800 municipalities<sup>9</sup> calculate and collect education property taxes for Saskatchewan based on the calendar year (January to December). When preparing the Government’s summary budget, the Ministry uses information on education property taxes for the upcoming calendar year as an estimate for the Government’s fiscal year (i.e., April to March).

<sup>8</sup> The Ministry’s process for setting education mill rates is similar to that outlined in *Property Taxation in Ontario: A Guide For Municipalities*, and *Guide to property assessment and taxation in Alberta*.

<sup>9</sup> [www.saskatchewan.ca/government/government-structure/local-federal-and-other-governments/your-local-government/about-the-saskatchewan-municipal-system](http://www.saskatchewan.ca/government/government-structure/local-federal-and-other-governments/your-local-government/about-the-saskatchewan-municipal-system) (28 July 2017). At July 2017, Saskatchewan had 779 municipalities.

## Clearer Guidance Needed for Determining Changes in Assessed Property Values to Investigate

We found that the Ministry did not give staff enough guidance to help them determine whether certain changes or variances in assessed property values are significant (e.g., would significantly impact expected property tax revenues to the extent that Cabinet may select different mill rate options).

The Manual expects staff to investigate wide variations identified when verifying total assessed property values submitted. In this chapter, we refer to these values as initial assessed property values in that they reflect assessed property values in place at the time of assessment service providers' submission (in the fall).

In addition, it expects staff to confirm with assessment service providers whether significant changes in initial assessed property values occurred between the fall (when values are submitted) and the date of the release of the Provincial Budget (normally late March).

In absence of guidance, staff indicated they use an informal threshold of 1% of initial assessed property values to determine whether changes or variances are significant. We found this informal threshold for 2017 to be reasonable; we determined that a decrease in total assessed property values of just under 1% (approximately \$1.6 billion decrease) would decrease revenues from education property taxes by about 1% (or approximately \$7 million).

Because of the small number of staff involved in the mill rate option process (two or three individuals), using informal processes increases the risk of those processes not continuing as expected in the event of key staff turnover. Also, formal guidance on what the Ministry considers significant would help ensure it uses staff resources wisely (that is, only investigate differences viewed as important).

1. We recommend that the Ministry of Government Relations give staff guidance on when to investigate changes to assessed property values used in proposing education property tax mill rates.

## Requirement to Document Basis for Options Proposed Needed

The Process Manual does not require management to document the basis of their choices of which mill rate options it develops and proposes. As discussed in further detail in **Section 4.3**, we found management does not document this.

The Process Manual describes five possible mill rate options the Ministry may consider proposing (see **Figure 6**), and notes other options may be considered.

**Figure 6—Ministry of Government Relations Process Manual: Mill Rate Options**

1. Status quo (keep mill rates the same as in the prior year)
2. Revenue neutral (adjust mill rates to keep revenue raised from education property taxes at the same amount as in the prior year)
3. Adjust the share of total education funding provided by education property taxes vis-a-vis government grants (adjust the ratio between education property taxes and grants from the Ministry of Education)
4. Increase total education property tax revenues
5. Adjust distribution between property classes

Source: Ministry of Government Relations Education Property Tax Mill Rate Estimates Process Manual, December 2016.



With respect to developing mill rate options, the Process Manual includes detailed guidance on developing four of the five potential mill rate options for consideration. It provides less detail in the following two areas—adjusting the distribution of amounts collected through each property class and considering the impact of municipal mill rates when developing mill rate options.

Not documenting the rationale for decisions made could result in the Ministry being unable to show it proposed evidence-based and objective mill rate options to key decision makers, especially in the event of key personnel turnover.

2. **We recommend that the Ministry of Government Relations document its rationale for decisions made on which education property tax mill rate options to propose.**

## 4.2 More Needed to Confirm Reasonableness of Estimated Total Assessed Property Values

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The Ministry could do more to confirm the reasonableness of its estimate of total assessed property values for the upcoming year. This estimate provides the basis of its determination of mill rate options.

As described below, while the Ministry followed its established guidance to estimate total assessed property values for the upcoming year, the Ministry did not do the following. It did not document the factors it considered when estimating the growth in assessed property value. Also, it did not formally confirm that its estimate of assessed property value adequately considered significant changes to assessed property values between November 2016 and when the mill rate options were finalized in March 2017, if any.

### Accuracy of Initial Assessed Property Values Verified

The Ministry received initial assessed property values as requested from assessment service providers in the fall of each year, and verified their completeness and accuracy.

Each year, the Ministry:

- Sends letters to assessment service providers each fall requesting initial assessed property values. The letters included the desired format of the information, and the submission deadline. It sent these letters in September 2016 to five assessment service providers and asked for responses by the end of November 2016. Saskatchewan Assessment Management Agency is the most used assessment service provider; it assessed over one-half of initial assessed property values in Saskatchewan.
- Gathers other information (i.e., economic indicators like commodity prices and real estate supply and demand trends) to help it estimate assessed property values for the upcoming taxation year (e.g., 2017 calendar year).
- Requests property tax mill rate calculations from the City of Lloydminster (requested in February 2017 for the 2017-18 budget cycle).

Where assessment service providers did not provide initial assessed property values by the date requested, the Ministry followed up within a reasonable timeframe. We found that it had information for all properties within the province before it estimated assessed property values for the upcoming year.

To verify the completeness and accuracy of the initial assessed property values, the Ministry compared them to:

- The assessment roll confirmation reports that the Saskatchewan Assessment Management Agency maintains.<sup>10</sup>
- Taxable assessment information from municipalities. Each year, most municipalities complete the Ministry's annual mill rate survey to provide the Ministry with taxable assessment information.
- Its prior year estimate of assessed property value.

It adjusted initial assessed property values where it determined that adjustments were needed (e.g., changes as a result of new percentages of value and known or anticipated revaluations of property values).

In addition, the Ministry summarized the values received for use in estimating the assessed property values for the upcoming year. We checked that the summarized information agreed to the original information received from the assessment service providers and did not find any errors.

### **Key Factors Used to Make Growth Rates Assumptions Not Documented**

The Ministry did not document the factors it considered when assuming the rate at which assessed property values of each property class would grow in the upcoming year. Growth rates are the most significant assumption the Ministry makes when estimating assessed property value for the upcoming year.

Each year, the Ministry appropriately uses historical data to assess the accuracy of its prior year growth rate assumptions. For example in 2016, it used roll confirmation reports and taxable assessment information to assess the accuracy of its 2016 assumptions of growth in assessed property value. It determined actual overall 2016 growth was slightly higher than its 2016 growth assumptions. For example, for residential property it expected growth of 2.5% while actual growth was 2.82%.

Management told us that besides historical data, it considers the economic factors outlined in its Process Manual (e.g., number of building permits, commodity prices, status of large commercial and industrial construction projects). It indicated that it uses these factors to adjust its assumed rate of growth in assessed property value. For example in 2017, it increased its growth rate assumption for commercial property from 1.5% to 2%.

However, the Ministry could not show us the specific factors it considered when making growth rates assumptions or explain how these factors specifically impacted its selection of the 2017 assumptions.

<sup>10</sup> Roll confirmation reports contain the property assessment totals that municipalities use to bill property taxes. Saskatchewan Assessment Management Agency must annually confirm the totals before the municipality can enforce collection of property tax.





Not documenting how it makes assumptions about growth in assessed property values increases the risk of the process not continuing as expected in the event of key staff turnover. Furthermore, not having this level of documentation may result in the Ministry not being able to determine reasons for differences between actual and assumed growth rates or provide robust, evidence-based mill rate options to senior management and other decision makers.

**3. We recommend that the Ministry of Government Relations document the factors it considered and their impact when making assumptions about growth in assessed property values as part of its determination of education property tax mill rate options.**

### **Estimates of Uncollectible Taxes Reasonable**

The Ministry periodically assesses the validity of its estimate of uncollected education property taxes (i.e., education property tax cancellations and tax arrears); 2017 estimates of cancellations appear reasonable.

During 2013, the Ministry concluded year-to-year changes in tax arrears are too unpredictable to reasonably estimate. As such, the Ministry decided not to consider the impact of tax arrears when estimating assessed property values for the upcoming year. Tax arrears are taxes that property owners owe after December 31 of the current tax year.

Also, during 2013, the Ministry used reconciliations<sup>11</sup> from the prior three years to estimate cancellations. Using the average of the three years, the Ministry determined approximately 0.4% of taxes levied are cancelled. Cancellations can occur when a natural disaster, such as a fire, destroys a property. Since 2013, the Ministry continues to assume this percentage of taxes levied are cancelled when estimating assessed property value for the upcoming year.

We confirmed the continued validity of these assumptions. We did the following:

- For cancellations, we calculated the average cancellations to be 0.33% using data from the last six years. We found that using 0.33% instead of the Ministry's assumed cancellation percentage would not have significantly impacted the estimated assessed property values for the upcoming year and in turn the 2017 mill rates ultimately approved by Cabinet. For 2016, cancelled education property taxes totalled \$1.9 million.
- For arrears, we reviewed actual tax arrears over the last six years and agreed with the Ministry that a discernable pattern of changes is not evident, and as such, they are not predictable. Changes in education property taxes in arrears varied greatly from year to year, for example, an increase of \$2.3 million in 2016 to a decrease of \$5.7 million in 2011. Total outstanding tax arrears were about \$50 million in 2016 and about \$47 million in 2011.

<sup>11</sup> Reconciliations prepared by the Ministry of Education.



## Confirmation of Reasonableness of Estimated Assessed Property Values Informal

The Ministry used informal discussions to confirm the reasonableness of its estimated assessed property values for the upcoming year and did not document the results of its work.

As previously noted, the Ministry expects staff to confirm significant changes from initial assessed property values because they change continually.

Management said it determined no significant changes occurred to the 2016 initial assessed property values through conversations with assessment service providers in March 2017. It did not document these conversations. Initial assessed property values used to determine the 2017 education property tax mill rates totalled approximately \$163.1 billion.

We confirmed the 2016 initial assessed property values did not change significantly between November 2016 and March 2017 for the properties we examined. To determine if significant changes occurred, we compared total assessed property values as of March 1, 2017, for over one-half of the properties (from the largest assessment service provider, Saskatchewan Assessment Management Agency) to the initial assessed property values. We observed an increase of about \$500 million in total assessed property values (0.3% of initial assessed property values). We determined this size of an increase would not have resulted in a change in the proposed mill rates.

Using informal processes increases the risk that those processes will not continue as expected in the event of key staff turnover. Not confirming the basis of its estimated property values increases the risk that the Ministry may base its mill rate options on outdated assessed property values, which could result in the Ministry not providing robust information to Cabinet for making decisions on mill rates.

4. We recommend that the Ministry of Government Relations formalize its process for confirming the reasonableness of estimated assessed property values used in proposing education property tax mill rates.

## 4.3 Basis of Selection of Mill Rate Options and Analysis Unclear

The Ministry does not include its reasons for selecting the options proposed in the information it provides to decision makers about proposed mill rate options.

To help it develop options, Ministry staff obtained from the Ministry of Finance (in December 2016 for the 2017-18 budget cycle) an estimate<sup>12</sup> of revenue necessary to pay for the delivery of PreK-12 education in the upcoming year.

For the 2017-18 budget cycle, the Ministry initially gave the Ministry of Finance, then later its Deputy Minister and Minister, the first three mill rate options set out in **Figure 6**. Based on feedback from the Minister of Government Relations, staff considered and later prepared (and Cabinet ultimately approved) another mill rate option (i.e., rates to raise

<sup>12</sup> This estimate is subject to final review and approval through the Government's budget finalization process.



specific revenue amounts for each property class). In its communications with these parties, the Ministry did not document why it initially chose the three options.

As noted in **Section 4.1**, the Ministry does not require staff to document the reasons for choices made. We think it should. See **Recommendation 2**.

### **More Robust Analysis of Options Needed**

While the Ministry provides decision makers with impact analysis for each mill rate option proposed, the analysis could be more robust. We found gaps in some areas of the analysis provided.

We reviewed the Ministry's analysis for each of the four options proposed for 2017. We assessed the level of detail provided with respect to economic, social, and public policy impacts, and whether the analysis sufficiently conveyed the uncertainty resulting from the assumptions used to prepare the options.

We found:

- Pros and cons of each option was a high-level summary with limited detail (e.g., whether option generates additional revenue for government, impact on split of education funding between property taxes and government general revenues, general commentary regarding burden on taxpayers).
- For impact on public policy, discussion for each option that the Ministry prepared included a discussion of the expected impact of each option on the Government's public commitment to fund 60% of costs of education from general revenues (i.e., grants from the Ministry of Education) and 40% from property taxes. However, it did not include implications on other public policies related to provincial-municipal relations.
- For impact on average property owners (social and economic), discussion included the results of the Ministry's calculated expected education property taxes for each of the options for a sample of 24 different property categories located across the province (e.g., commercial, residential, agricultural and resource properties from 10 municipalities).

However, it did not include discussion of the known or expected impact of the overall property tax burden (that is, include consideration of known changes in municipal property taxes) and the combined impact on disposable income or the economy (e.g., reduced investments, less discretionary spending).

Also, the analysis did not consider the potential impact on the Ministry's assumption about uncollectible taxes, given the projected slower growth in the economy for the upcoming year could impact property tax owners' ability to pay. Rather, information only noted that adjusting mill rates may be seen by some in the commercial, industrial, and resource sectors as possibly dampening economic growth.

- For social impact, the analysis did not discuss the potential impact on housing affordability (e.g., general discussion of trend in housing affordability and whether options proposed are expected to impact that trend), given the cost of property taxes are borne not only by property owners but by renters.

- For sensitivity of the growth-rate assumptions, the analysis clearly set out the 2017 property value growth-rate assumptions as compared to prior year assumptions and actuals, high-level rationale for current year assumptions, and detailed calculations showing the impact of each option on estimated revenues and share of revenues by property class. It also clearly showed estimated revenues, by property class, both before and after applying growth-rate assumptions.

However, it did not explain the impact of potential changes in growth rates (from its assumed rates) on expected education property tax revenue. For example, a change in the 2017 rate of growth in the assessed property value growth rates of +/- 0.5% could change the expected education property tax revenues by approximately \$3.7 million (between \$230,000 to \$1.8 million for individual property classes).

- Analysis did not provide insight into the accuracy of the Ministry's prior year expected education property tax revenue (e.g., compare actual education property tax revenue raised in the prior year to prior year expected).

Without robust, objective, and evidence-based analysis of mill rate options, including an assessment of the impact of changes in key estimates (i.e., sensitivity analysis) and a high-level analysis of economic and social impacts, key decision makers may not have sufficient information to make informed decisions.

- 5. We recommend that the Ministry of Government Relations include the impact of potential changes in key assumptions (property growth rates) and more information on economic and social impacts when proposing education property tax mill rate options to decision makers.**

## 4.4 Clearer Process to Approve Proposed Mill Rate Options Needed

The Ministry has not formalized if and who must review and approve its proposed mill rate options and their basis before it shares these options outside the Ministry.

We found it unclear if and at what point Ministry-related decision makers (e.g., members of senior management, the Deputy Minister, the Minister) expect to see the mill rate options proposed, and the related analysis of their potential impact and basis before the Ministry proposes them externally (e.g., to the Ministry of Finance). The Ministry of Finance assists Treasury Board and Cabinet in reviewing the mill rate options as part of the Government's annual budget cycle. As a result, we could not determine if staff met expectations.

Guidance in this area is limited. The Process Manual:

- Requires a peer review of calculations used to estimate education property tax revenues under the status quo option, which is the basis for all other mill rate options. This review is to check the accuracy (including formulas) of relevant spreadsheets but not the reasonableness of the key assumptions used (e.g., growth rate) or robustness of the range of mill rate options proposed.



We found Ministry staff completed this level of review as expected and before the Ministry proposed mill rate options to the Ministry of Finance in December 2016.

- Indicates that the related Executive Director should review some of the work on a selective basis for accuracy.

Although management indicated that the Executive Director reviewed the 2017 mill rate options and related key estimates before the Ministry communicated them to the Ministry of Finance, we did not find evidence of this review.

In addition, it was unclear if the extent of the Executive Director's review considered whether the Ministry provided a sufficient range of options and whether its analysis of options was sufficiently robust.

We found that the Deputy Minister and Minister did not see the options prior to the Ministry proposing them to the Ministry of Finance. We noted that the Deputy Minister and Minister asked for, and were provided with, the options and their basis in January 2017.

Not having a clear or formal process for reviewing and approving mill rate options and their basis increases the risk of providing Cabinet with inaccurate or incomplete information. This may affect the ability of Cabinet to make informed decisions. There is also a risk that mill rate options proposed are inconsistent with senior management expectations, which could result in limited staff resources not being used efficiently (e.g., due to having to re-do work or doing work that is not necessary).

- 6. We recommend that the Ministry of Government Relations formalize which levels of management need to review and approve proposed education property tax mill rate options, and when.**

## **4.5 Education Property Tax Information Understandable and Mill Rates Shared Upon Approval**

The Ministry communicates understandable information on education property taxes including the Cabinet-approved mill rates to augment information included in the related Order in Council. It shares the rates promptly after Cabinet approval.

Because Cabinet approves education property tax mill rates through Orders in Council, the mill rates are publicly available on the Government's publications website.<sup>13</sup>

The Ministry's website<sup>14</sup> briefly describes how education property taxes are calculated, who collects them, and whether incentives and penalties apply.<sup>15</sup> In addition, it briefly explains how the Government determined the education property tax mill rates for the current year, and sets out the education property tax mill rates in effect for the current year as compared to the prior year.

<sup>13</sup> See [www.publications.gov.sk.ca/deplist.cfm?d=188&c=5119](http://www.publications.gov.sk.ca/deplist.cfm?d=188&c=5119) (9 September 2017).

<sup>14</sup> [www.saskatchewan.ca/residents/taxes-and-investments/property-taxes/education-property-tax-system](http://www.saskatchewan.ca/residents/taxes-and-investments/property-taxes/education-property-tax-system) (26 September 2017).

<sup>15</sup> As of January 1, 2013, discounts and incentives are no longer applicable to education property tax. Penalties may still be applied to education property taxes at penalty rates established by the municipality.

For Cabinet-approved education property tax mill rates for the City of Lloydminster, the Ministry does not publish additional information as information is available in the Order in Council and the City of Lloydminster provides information on the rates and related rate setting process on its website.<sup>16</sup> The Ministry could consider publishing additional information to make the public aware of the different process used to set education property tax mill rates for the City of Lloydminster.

In addition, the Ministry advised, in writing, all municipalities and school divisions<sup>17</sup> of the Cabinet-approved education property tax mill rates the same day Cabinet approved them (i.e., on April 27, 2017, for the 2017 mill rates). The Ministry's letters to each of them briefly explained how the Government determined the education property tax mill rates for the current year (similar to information included on its website).

The Minister of Finance had previously communicated in the Budget Address on March 22, 2017, that it was making education property tax mill rates adjustments to bring the contribution level of education property taxes to 40% of Kindergarten to Grade 12 school funding.<sup>18</sup> It announced the 2017 mill rates and indicated that it plans to collect an additional \$67 million of education property tax revenue in 2017-18, an increase of 9.8% from 2015-16.<sup>19</sup>

## 5.0 2013 TO 2017 EDUCATION PROPERTY MILL RATES AND PERCENTAGE OF VALUE BY PROPERTY CLASS

| Property Class for Purpose of Calculating Education Property Tax (description) <sup>A</sup>   | 2017   | 2016 | 2015     | 2014 | 2013 |
|---|--|------|----------|------|------|
|   | Education Mill Rate (MR) & Percentage of Value (POV) Other Than City of Lloydminster |      |          |      |      |
| Agricultural Property<br>Includes:<br>Non-arable (range) land and improvements<br><br>Other agricultural land and improvements  | MR 1.43  |      | MR 2.67  |      |      |
|   | POV 45%  |      | POV 40%  |      |      |
|   |  |      | POV 55%  |      |      |
| Residential Property (includes residential, multi-unit residential; and seasonal residential)   | MR 4.12  |      | MR 5.03  |      |      |
|   | POV 80%  |      | POV 70%  |      |      |
| Commercial Industrial Property (includes elevators; railway rights of way; land and improvements used or intended to be used for business purposes or institutional, government, recreational, or cultural purposes; and land and improvements not specifically included in another property class) | MR 6.27  |      | MR 8.28  |      |      |
|   |  |      | POV 100% |      |      |
| Resource Property (includes land and improvements designed, built, being built, used, or intended to be used for the extraction of a mineral resource; and a pipeline and other land and improvements used in conjunction with a pipeline)  | MR 9.68  |      | MR 11.04 |      |      |
|   |  |      | POV 100% |      |      |

<sup>16</sup> [www.lloydminster.ca/faq.aspx?TID=32](http://www.lloydminster.ca/faq.aspx?TID=32) (26 September 2017).

<sup>17</sup> *The Education Act, 1995*, section 289 requires the Minister of Government Relations to tell school divisions the Cabinet-approved mill rates for education property taxes.

<sup>18</sup> Government of Saskatchewan, *Saskatchewan Provincial Budget 17-18 Meeting the Challenge*, p. 11.

<sup>19</sup> [www.saskatchewan.ca/government/news-and-media/2017/march/22/budget-education-property-taxes](http://www.saskatchewan.ca/government/news-and-media/2017/march/22/budget-education-property-taxes) (18 August 2017).



| Property Class for Purpose of Calculating Education Property Tax (description) <sup>A</sup> | 2017   | 2016   | 2015   | 2014   | 2013   |
|---|--------|--------|--------|--------|--------|
| <b>Education Mill Rates for City of Lloydminster</b>  |        |        |        |        |        |
| Agricultural Property   | 2.8314 | 2.3955 | 2.2641 | 2.3954 | 2.4559 |
| Residential Property  | 2.8314 | 2.3955 | 2.2641 | 2.3954 | 2.4559 |
| Commercial Industrial Property  | 4.0185 | 3.5075 | 3.2930 | 3.5406 | 3.7042 |
| Resource Property   | 4.0185 | 3.5075 | 3.2930 | 3.5406 | 3.7042 |

Source: Orders in Council 172/2017, 173/2017, 56/2016, 188/2016, 177/2015, 210/2015, 159/2014, 172/2014, 430/2013, and 261/2013.

<sup>A</sup> Property classes as set out in *The Education Regulations, 2015*, section 69, for the purpose of education property tax. These classes combine certain classes set out in *The Municipalities Regulations, The Cities Regulations, and The Northern Municipalities Regulations*.

## 6.0 2009 TO 2016 REVENUES FOR PRE-K TO 12 EDUCATION SECTOR

| (in millions)  | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|---------|---------|---------|---------|---------|---------|---------|
| Total Revenue <sup>A, B</sup>  | \$1,857 | \$1,877 | \$2,043 | \$2,151 | \$2,121 | \$2,189 | \$2,429 |
| % Year-over-year change  | 4.74%   | 1.08%   | 8.84%   | 5.29%   | (1.39)% | 3.21%   | 10.9%   |
| <b>Total Revenue by Type and Percentage of Total Revenue by Type</b> |         |         |         |         |         |         |         |
| Property Tax   | \$603   | \$588   | \$584   | \$601   | \$620   | \$648   | \$651   |
| % of Total Revenue from Property Taxes                               | 32.5%   | 31.3%   | 28.6%   | 27.9%   | 29.2%   | 29.6%   | 26.8%   |
| Ministry of Education Grants <sup>C</sup>                            | \$1,077 | \$1,112 | \$1,265 | \$1,338 | \$1,307 | \$1,346 | \$1,593 |
| % of Total Revenue from Grants                                       | 58.0%   | 59.2%   | 61.9%   | 62.2%   | 61.6%   | 61.5%   | 65.6%   |

Source: Ministry of Finance Summary Financial Statement records.

<sup>A</sup> Revenue based on fiscal year of school divisions of September 1 to August 31.

<sup>B</sup> Total revenue includes all sources (e.g., property taxes, operating grants, capital grants, school-generated funds).

<sup>C</sup> Grant revenue includes operating and capital grants primarily from the Ministry of Education.

## 7.0 GLOSSARY

**Assessment service provider**—An organization that determines the value of every property within its jurisdiction and to which class each property belongs. Most municipalities in Saskatchewan use the Saskatchewan Assessment Management Agency (SAMA) as their

assessment service provider. The cities of Regina, Saskatoon, Prince Albert, Swift Current, Meadow Lake, and North Battleford, and the towns of Battleford and Nipawin do not.<sup>20,21</sup>

**Assessed value of a property (assessed property value)**—The value of a property for property taxation purposes as determined by law.<sup>22</sup> The assessed value of properties reflects a base date of January 1, 2015. Each municipality uses a service provider (assessment appraiser) to assess, for property taxation purposes, the value of every property within its jurisdiction. During the assessment of property value, the service provider also determines to which class each property belongs. Municipalities update assessed values every four years (i.e., revaluation). A revaluation occurred during 2017.

**Mill rate**—The amount of tax that is paid per \$1,000 of assessed property value. Each taxing authority (e.g., municipalities, separate school divisions and the Government of Saskatchewan [Cabinet]) can set mill rates to raise the revenue required by their current year budget to operate the municipalities and schools, respectively. In Saskatchewan, mill rates have two components—the municipal portion and the education portion. Municipalities establish the municipal mill rate usually after they have approved their budget for the year. Cabinet establishes mill rates for education applicable to all properties in Saskatchewan (other than for the City of Lloydminster). For the City of Lloydminster, the Governments of Alberta and Saskatchewan work together to establish a uniform education mill rate.

For example, if the mill rate (municipal and school) is 12.5 mills for every \$1,000 of assessment, the property owner will pay \$12.50 of taxes. Therefore, if the property is assessed at \$100,000 the tax bill would be \$1,250. Taxable Assessment X Mill rate / 1000 = Property tax amount.

**Property class**—The Government (Cabinet) establishes property classes for use by municipalities and itself to apply tax policy decisions (e.g., minimum tax, base tax). The Ministry re-examines property classes every four years in conjunction with revaluation. At September 2017, property classes for the purposes of provincial education property taxes included: agricultural, residential, commercial industrial, and resource.

**Percentage of value (Provincial Percentage)**—The taxable portion of the assessed value of a property based on the Government (Cabinet) established percentage for each property class. The Ministry re-examines these percentages every four years in conjunction with the revaluation. In November 2016, Cabinet approved the percentages of value for use in 2017 property tax calculations. *The Municipalities Regulations*, sections 39 and 40, set out property classes and a percentage of value in effect for each class, respectively.<sup>23</sup>

**Property assessment**—Assigning a value, for taxation purposes, for a property and assigning each property to a property class.

**Revaluation**—A periodic review of the value of all property in a municipality. In Saskatchewan, this is to occur, by law, every four years and serves to update the assessed value of each property

<sup>20</sup> Section 22 of *The Assessment Management Agency Act* makes SAMA responsible to provide direction and supervision for the assessment of all Saskatchewan properties every four years. Unless the cities of Regina, Saskatoon, Moose Jaw, and Prince Albert enter into an agreement with SAMA, these four cities must perform their own assessments. With the written consent of SAMA and the minister responsible for SAMA, any other municipality may perform its own assessments.

<sup>21</sup> The cities of Meadow Lake and North Battleford, and the towns of Battleford and Nipawin engage a private company as their assessment service provider. Effective January 1, 2018, these municipalities will use SAMA. The cities of Regina, Saskatoon, Prince Albert, and Swift Current use their own internal assessment departments.

<sup>22</sup> The assessed value of a property in accordance with *The Cities Act*, *The Northern Municipalities Act, 2010* or *The Municipalities Act* and *The Assessment Management Agency Act*.

<sup>23</sup> Property classes and percentage of value for each class for cities and northern municipalities are set out in *The Cities Regulations*, sections 12 and 13, and *The Northern Municipalities Regulations*, sections 27 and 28, respectively.



to a more current valuation base date. For the 2017 revaluation, the legislated valuation base date is January 1, 2015.

**Taxable Assessment (Taxable Assessed Value)**—A value based on multiplying the assessed value of a property by the applicable provincial percentage. The applicable provincial percentage is based on the class of the property. For example, the applicable provincial percentage for certain agricultural properties in 2017 is 45%.

## 8.0 SELECTED REFERENCES

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## Chapter 25

# Heartland Regional Health Authority—Minimizing Employee Absenteeism

### 1.0 MAIN POINTS

In 2016-17, the Heartland Regional Health Authority had the 7<sup>th</sup> highest sick leave usage among regional health authorities, with an average of about 10.5 sick days per full-time equivalent. It has not met its annual sick leave targets from 2012 to 2017. Employee absenteeism due to sick leave affects the Authority's ability to deliver healthcare services in a cost-effective manner to Saskatchewan people.

For the year ended June 30, 2017, Heartland Regional Health Authority had effective processes to minimize employee absenteeism, other than the following areas. It needs to:

- Support managers to enable more timely management of employee attendance
- Analyze the significant causes of employee absenteeism and develop strategies to address them
- Report to the Board how it is addressing causes of employee absenteeism

### 2.0 INTRODUCTION

This chapter sets out the results of our audit of Heartland Regional Health Authority's processes to minimize absenteeism. Absenteeism includes unscheduled paid absences of employees from work (e.g., due to illness, family leave, disability, and injuries).

Each year, about three-quarters of the Authority's costs are for salaries and benefits. In 2016-17, Heartland spent almost \$112 million including almost \$84 million on salaries and benefits to deliver health care services to residents in central Saskatchewan.<sup>1</sup>

Managing absenteeism effectively contributes to quality service delivery to the public, minimizes costs, and supports the well-being of employees. Employee absenteeism directly affects delivery of health services.

The Authority is responsible for the planning, organization, delivery, and evaluation of health services it provides in the region.<sup>2</sup> As an employer, Heartland Regional Health Authority must, at a minimum, adhere to labour standards established under *The Saskatchewan Employment Act*. The Act sets standards for various types of employment leaves such as scheduled leaves like annual vacation leave; maternity, adoption, and parental leave; unanticipated medical leaves; and bereavement and compassion care leaves. The Authority must also adhere to the varying terms for employment leaves set out in three collective bargaining agreements with its unions (see **Figure 4**).

<sup>1</sup> *Heartland Health Region's Annual Report 2016-2017*, p. 115 (Schedule of Expenses by Object). Heartland Regional Health Authority served communities around Macklin, Unity, Wilkie, Kerrobert, Kindersley, Eatonia, Eston, Biggar, Rosetown, Elrose, Dinsmore, Outlook, Lucky Lake, and Davidson.

<sup>2</sup> *The Regional Health Services Act*.



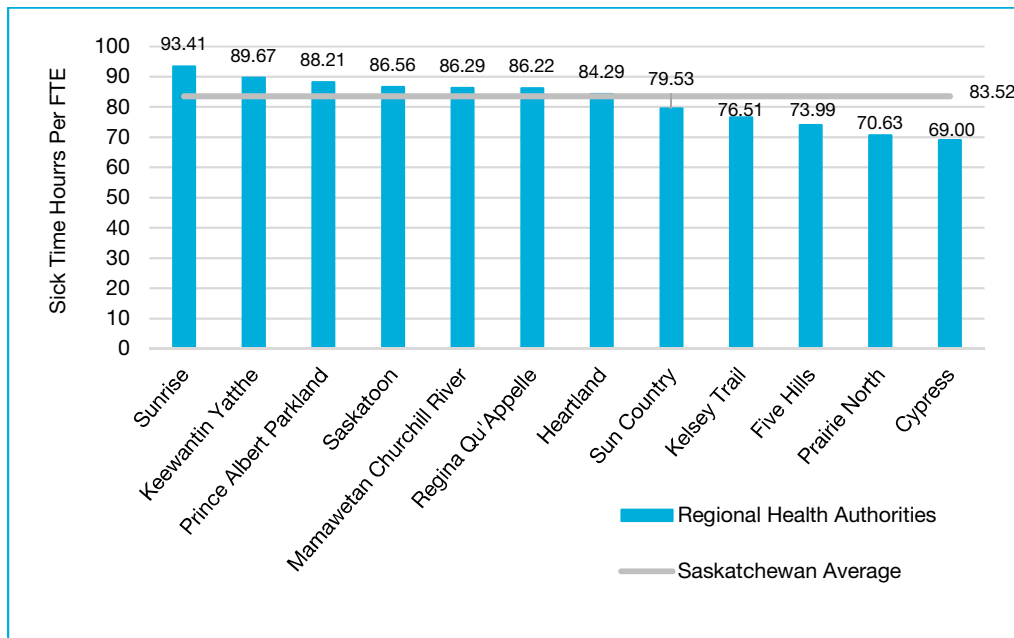
In 2016-17, the Authority and its affiliate, St. Joseph's Health Centre, employed 1,874 people in positions equating to 1,120 full-time equivalent positions (FTEs).<sup>3</sup> It has four employee groups—those not in a union (out-of-scope) and those belonging to one of three unions (i.e., Service Employees International Union West Canada [SEIU], Saskatchewan Union of Nurses [SUN], Health Sciences Association of Saskatchewan [HSAS]). Over 90% of its employees belong to a union. Almost 70% of its unionized staff belongs to SEIU. SEIU staff includes continuing care assistants, licensed practical nurses, cooks, housekeeping and maintenance staff, and laboratory and x-ray technicians.

## 2.1 Employee Absenteeism Costly

Like other health and public sector organizations (see **Figures 1 and 2**), the Heartland Regional Health Authority has higher-than-average employee absenteeism than the private sector. Sick leave accounts for the bulk of its employee absenteeism.

In 2016-17, Heartland Regional Health Authority had the 7<sup>th</sup> highest amount of sick leave per FTE of the 12 Saskatchewan regional health authorities with 84.29 hours per FTE (or about 10.5 days per FTE). Its sick leave was slightly higher than the Saskatchewan regional health authorities' 2016-17 average sick time of 83.52 hours per FTE (see **Figure 1**).

**Figure 1—2016-17 Average Sick Time per Full Time Equivalent in Saskatchewan Regional Health Authorities**



Source: Heartland RHA sick leave reports.

The health sector has higher than average medical leaves resulting from workplace injuries. Per the Saskatchewan Workers' Compensation Board, in 2016, the health authorities, hospitals, and care homes employer group had the most injuries.<sup>4,5</sup> Nurse aides, orderlies, and patient service associates was the highest occupation group in

<sup>3</sup> Heartland Health Region's Annual Report 2016-2017, p. 41.

<sup>4</sup> www.wcsask.com/wp-content/uploads/2013/10/2016-Annual-Report.pdf, p. 24. Saskatchewan Workers' Compensation Board reported 3,892 injuries at health authorities, hospitals, and care homes.

<sup>5</sup> Amounts include all claims reported and accepted in 2016, excluding self-insured.

Saskatchewan with injuries, and registered nurses was the fifth highest occupation with injuries in 2016.<sup>6</sup> For Heartland, these occupations are part of the SEIU and SUN employee groups respectively. In 2015-16, employees at the Authority had 73 injuries that resulted in employee time loss.<sup>7</sup>

### Figure 2—Employee Absenteeism Higher in the Public Sector

Statistics Canada found that in 2016 the public sector lost 13.5 days per worker compared to the private sector, which lost 8.3 days per worker.<sup>A</sup> It reported Saskatchewan had the second highest absenteeism rate by province of 10.6 days per employee (2011: 11 days per employee).<sup>B</sup> In addition, it reported the health and social assistance sectors had the highest absenteeism rate at 14 days per employee in 2011.<sup>C</sup>

The Conference Board of Canada reports:

- Only 46% of employers admitted they conduct any kind of absenteeism tracking.<sup>D</sup>
- Employees who are recovering are sometimes medically able to work part time but are not doing so. This is a missed opportunity for employers to gain productivity in the short term. It also makes it difficult to maintain connections with employees who may be slow to return to work.<sup>E</sup>
- The longer an employee is away from work, the lower the probability that the absent employee will return to any form of employment.<sup>F</sup>

<sup>A</sup> <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=2790035> (31 March 2017).

<sup>B</sup> <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=2790035> (31 March 2017). Data not available for 2017.

<sup>C</sup> [www.statcan.gc.ca/pub/75-001-x/2012002/article/11650-eng.htm](http://www.statcan.gc.ca/pub/75-001-x/2012002/article/11650-eng.htm) (31 March 2017). 2011 is most recent data available.

<sup>D</sup> Nicole Stewart, *Absenteeism Trends in Canadian Organizations – Missing in Action*, (2013), p. 1.

<sup>E</sup> Karla Thorpe and Louise Chenier, *Disability Management – Opportunities for Employer Action*, (2013), p. iii.

<sup>F</sup> Karla Thorpe and Louise Chenier, *Disability Management – Opportunities for Employer Action*, (2013), p.12.

In Saskatchewan, health care costs are rising each year. Excessive absenteeism significantly increases costs of delivering these programs and providing service.

Excessive absenteeism increases the direct cost of wages paid to absent workers, costs to replace workers (e.g., overtime pay for other employees and use of temporary staff), and administrative costs of managing absenteeism.

In 2016-17, the Authority spent 1.5% of its salaries and benefits (i.e., \$1.3 million) on overtime.<sup>8</sup> It did not meet its 2016-17 overtime target of 24 hours per FTE with 44.20 hours of overtime per FTE. In addition, its actual overtime was higher than the 2016-17 Saskatchewan health sector provincial average of 39.86 overtime hours per FTE.<sup>9</sup>

In addition, excessive absenteeism increases indirect costs from worker fatigue or understaffing, safety risks (e.g., insufficient healthcare services provided to patients, inadequately trained employees filling in for absent workers, staff rushing to catch up after arriving as a replacement), reduced morale of workers who fill in or do extra work to cover absent workers, and reduced productivity and service quality.

Managing employee absenteeism costs is a key aspect to controlling the costs of delivering Saskatchewan healthcare and providing employees with a positive work environment.

<sup>6</sup> [www.wcbask.com/wp-content/uploads/2013/10/2016-Annual-Report.pdf](http://www.wcbask.com/wp-content/uploads/2013/10/2016-Annual-Report.pdf), p. 24. Saskatchewan Workers Compensation Board reported 1,135 injuries for nurse aides, orderlies, and patient service associates and 794 injuries for registered nurses in 2016.

<sup>7</sup> *Heartland Health Region's Annual Report 2015-16*, p. 56. Data not available for 2016-17.

<sup>8</sup> *Heartland Health Region's Annual Report 2016-17*, p. 64.

<sup>9</sup> *Ibid.*, p. 63.



## 3.0 AUDIT CONCLUSION

We concluded that for the 12-month period ending June 30, 2017, Heartland Regional Health Authority had, other than the following, effective processes for minimizing employee absenteeism. Heartland Regional Health Authority needs to:

- **Better support managers to enable more timely attendance management**
- **Analyze the significant causes of employee absenteeism and develop strategies to address them**
- **Show how it is addressing employee absenteeism**

In January 2017, the Government of Saskatchewan announced that it plans to consolidate the 12 regional health authorities, including Heartland Regional Health Authority, into one Saskatchewan Health Authority by the fall of 2017. As a result, we have directed our recommendations to the Saskatchewan Health Authority. The Saskatchewan Health Authority will assume responsibility for minimizing employee absenteeism.

**Figure 3—Audit Objective, Criteria, and Approach**

**Audit Objective:** to assess the effectiveness of Heartland Regional Health Authority's processes, for the period of July 1, 2016 to June 30, 2017, to minimize employee absenteeism.

For the purposes of this audit, "absenteeism" includes unscheduled paid absences of employees from work. This includes absenteeism due to illness, family leave, pressing necessity, disability, and injuries.

The scope of this audit does not include absenteeism of employees due to scheduled leaves related to maternity leave, parental leave, education leave, jury duty, and union business provided under employer policy and/or governing collective agreements.

**Audit Criteria:**

Processes to:

1. Set expectations for employee attendance
  - 1.1 Define roles and responsibilities (e.g., employee, supervisor, union)
  - 1.2 Communicate expectations and policies for employee attendance
  - 1.3 Train supervisors
2. Implement strategies to support employee attendance
  - 2.1 Analyze absenteeism by employee (e.g., sickness and injury patterns)
  - 2.2 Use attendance management strategies that assist employees to stay at work (e.g., wellness, family assistance, return to work, disability prevention programs)
  - 2.3 Take timely action on absenteeism issues
3. Monitor attendance management
  - 3.1 Assess attendance information to identify absenteeism causes
  - 3.2 Report key absenteeism performance information to senior management and the Board
  - 3.3 Adjust attendance management strategies, as necessary

**Audit Approach:**

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate Heartland RHA's processes, we used the above criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Heartland RHA's management agreed with the above criteria.

We examined Heartland RHA's policies and procedures, sick leave reports, and attendance support guidelines that relate to employee absenteeism. We also interviewed a sample of managers throughout the region.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Employment Terms for Leaves are Clear

Heartland Regional Health Authority has set clear terms and conditions for employee leaves for each of its four employee groups.

The Authority's policies set out hours of work, and the nature and extent of paid leave available and general processes to access these leaves for out-of-scope staff. In addition, collective bargaining agreements between the Authority and each union set out hours of work, and the nature and extent of paid leave available and general processes to access these leaves for unionized staff.

Up to a maximum number of hours each year, the Authority allows each employee group to have paid medical, family, and sick leave in addition to earned vacation leave. It allows each employee to accumulate unused annual sick leave up to a prescribed limit (see **Figure 4**). In addition, the Authority permits employees to ask for leave of absence without pay when they reach the maximums.

**Figure 4—Hours of Leave by Employee Group in Collective Bargaining Agreements and Policies**

| Employee Group   | Number of FTE Positions | % of Total Workforce | Annual Amount of Leave per FTE |                      |                    | Maximum Allowed in Sick Leave Bank <sup>A</sup> (days) |
|--|-------------------------|----------------------|--------------------------------|----------------------|--------------------|--|
|  |                         |                      | Medical Leave (hours)          | Family Leave (hours) | Sick Leave (hours) |  |
| Service Employees International Union West Canada (SEIU) | 770                     | 69                   | 16                             | 45                   | 120                | 160  |
| Saskatchewan Union of Nurses (SUN)                       | 188                     | 17                   | 16                             | 40                   | 144                | 190  |
| Health Sciences Association of Saskatchewan (HSAS)       | 98                      | 8                    | 16                             | 40                   | 144                | 190  |
| Out-of-Scope (OOS)                                       | 64                      | 6                    | 37.5                           |                      | 120                | 85   |
|  | <b>1,120</b>            | <b>100</b>           |                                |                      |                    |  |

<sup>A</sup> Heartland allows unused annual sick leave to accumulate to a maximum number of days. For example, under the SUN agreement, sick leave accrues at a rate of 1.5 working days per month per FTE to a maximum of 190 days. Heartland deducts each employee's absences for sick leave from his/her accumulated sick leave amounts.

Source: *Heartland Health Region's Annual Report 2016-2017*, p. 41, and Heartland's collective agreements and policies for Out-of-Scope Terms and Conditions of Employment.

The hours of work and leave entitlements are not the same across employee groups. In addition, differences exist in the processes to obtain approval for leaves. Managers often supervise staff from more than one employee group. Differences in leave entitlements and processes between employee groups add complexity for managers managing employee absenteeism. See **Section 4.3** for further discussion.



## 4.2 Policies Outline Expectations for Managing Employee Absences

Heartland Regional Health Authority provides its employees and managers with clear expectations about employee attendance and managing leaves and employee absences.

The Authority is aware that its needs to improve the attendance of its employees. Since 2010, it has set clear expectations for supporting employee attendance at work.

Written policies (e.g., attendance support policy) and guidance (e.g., manager guide), available on its internal website, contain these expectations. It makes new staff and managers aware of attendance expectations through orientation programs and attendance management training. Managers are to reinforce them in their day-to-day management.

The Authority's attendance support policy (first developed in 2010) and progressive discipline policy (first developed in 2004) apply to all employee groups. Policies define both non-culpable (innocent) and culpable absenteeism and sets the Authority's expectations for handling employee absences.

The policies:

- Outline responsibilities of employees, out-of-scope managers who supervise staff (supervising managers), human resource staff, and the unions. In general, employees are responsible for their own attendance and are to report to work consistent with their employment contract (e.g., collective bargaining agreement). Employees experiencing persistent attendance problems are to work with their supervising manager to resolve attendance problems. In general, supervising managers are to ensure assigned staff fulfill their employment contract by regularly attending work. This includes reinforcing attendance standards with employees, identifying employees with excessive absences, and meeting with them to discuss and resolve issues regarding attendance.
- Indicate that the Authority will actively identify and flag for action an employee whose absenteeism exceeds the average sick hours or occurrences per full-time equivalent (FTE) for his/her peer group (excessive absenteeism).<sup>10</sup> To enable monitoring of sick leave by individual employee, the Authority calculates a peer group sick leave utilization rate. In addition, the Authority sets and monitors against senior leadership team-approved targets for sick leave each year.
- Expect, for non-culpable (innocent) absenteeism, the employee and supervising manager to identify the reasons for excessive absenteeism, and explore and take corrective steps. This process helps ensure employees understand what acceptable attendance standards are and receive periodic employer feedback to let them know how they are doing in relation to the attendance expectations. It makes employees aware of the consequences of not fulfilling their employment obligations if they have unacceptable attendance.

<sup>10</sup> Peer group is based on the relevant bargaining unit for the employee (i.e., SEIU, SUN, HSAS, Out-of-Scope) and/or the specific department or job classification.

The policy outlines a three-phased attendance support approach that it expects employees and supervising managers to use to address employee absenteeism. A multi-phase approach recognizes that some absenteeism problems take time to correct. As shown in **Figure 5**, phases move from informal discussions between the employee and supervising manager to formalized steps involving the Authority's human resources staff and union representative (if applicable). The policy allows managers to use discretion when applying the three-phased approach; that is, managers decide whether an employee has corrected the identified problem, should repeat a phase, or should progress to the next phase.

- Expect, for culpable (blameworthy) absenteeism, supervising managers to use a progressive discipline process. Progressive discipline is a discipline system where the severity of the penalty increases each time an employee breaks the rules. In general, as shown in **Figure 6**, supervising managers are to warn employees about unacceptable behaviour and progressively formalize this warning for repeated unacceptable behaviour. Uncorrected unacceptable behaviour can result in dismissal.
- Expect supervising managers (and human resources if involved) to keep records of meetings and steps taken in managing employees with excessive absences.

**Figure 5—Heartland Regional Health Authority's Attendance Support Approach to Address Absenteeism**

The attendance support approach includes the following three phases:

- Phase 1: initial consultation – face-to-face meetings between manager and employees who have high absenteeism. Managers are to record and retain the details of the meeting for future reference. The policy allows this phase to repeat more than once (usually at three to six months intervals).
- Phase 2: formal discussion – manager and employee hold discussions to build on the initial consultation meeting if an employee's absenteeism continues to be a concern. Managers are to record details of the formal discussion and forward them to the Manager of Labour Relations (i.e., member of human resource staff). The policy allows this phase to repeat more than once.
- Phase 3: written documentation – manager is to advise employee that the absenteeism concern now requires written documentation to the employee and may eventually lead to termination. Managers, after consulting with human resource staff, are to discuss and give employees and their union representative (in the case of unionized employees) a letter.

Source: Heartland Regional Health Authority's Attendance Support Policy.

**Figure 6—Heartland Regional Health Authority's Progressive Discipline Process to Address Absenteeism**

The progressive discipline process can progress through the following four phases:

- Verbal warning – manager meets with the employee to discuss why employee's behaviour was unacceptable. The manager makes note of the discussion, retains a copy, and provides a copy to the employee.
- Written warning – written reprimand includes a description of the performance problem, the employee's explanation, desirable behaviour that is required, and a future review date of the employee's behaviour. Managers are to provide a letter to the employee and place a copy of it on the employee's personnel file.
- Suspension – involves the temporary removal of the employee for a definite period without pay. The content of the written letter is the same as the written warning, with the inclusion of beginning and terminating dates of the suspension.
- Termination with cause – manager gives the employee written documentation regarding his/her termination and the undesirable behaviour or action justifying the termination. These include situations where employee's past records of absenteeism are excessive, and, in all probability, the employee is incapable of regular attendance in the future.

Source: Heartland Regional Health Authority's Progressive Discipline Policy





The policies do not set out defined timeframes within which the employer and supervising manager must resolve the reason for continued absences. Rather, as previously noted, it gives supervising managers discretion as to whether they think the reason for employee absence is resolved or further or escalated action is needed.

### 4.3 Absenteeism Support Strategies Not Improving Attendance at Work

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Managers are not applying attendance support policies as intended; employee attendance is not improving.

The following four factors suggest the attendance support program is not used as intended.

First, managers are not documenting their management of employees with excessive absenteeism as required. None of the managers we tested had documented records of absenteeism discussions between them and their employees that had excessive absenteeism as the policies required. Without proper records, managers cannot show if and how they were addressing the reasons for identified absences of employees with excessive absenteeism.

Second, very few employees progress beyond phase 1 of the attendance support approach and many employees have ongoing excessive sick leave. At the supervising managers' discretion, certain employees have remained in phase 1 of the program for an extended period.

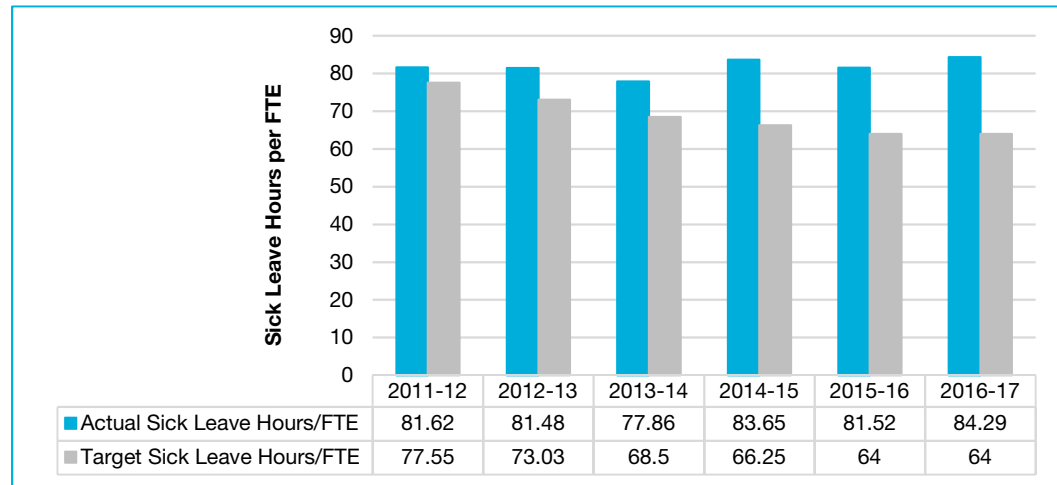
None of the 30 employees we tested with sick leave hours in excess of the Authority's 2016-17 sick leave target of 64 hours were in phase 2 or 3 of the attendance support program. From review of reports to senior management and the Board, we noted that only two employees were in phase 3 during 2016-17 even though 22% of the Authority's employees (i.e., 397 employees) have ongoing excessive sick leave (i.e., sick leave in excess of the region's sick leave target in at least two of the past three years). In the last five years, the Authority has not terminated any employees with non-culpable excessive absenteeism.

Third, the use of the employee and family assistance program is lower than the Authority expects. The Authority gives all staff access to an employee and family assistance program. The program can help employees address reasons for not coming to work (e.g., not handling stress). About 6.85% of all employees used this program in 2016-17 – slightly below the expected annual use of 8%. The lower than expected use of this program during a period where absenteeism remains a concern suggests managers and employees may not be sufficiently aware or understand the employee and family assistance program or its benefits.

Fourth, the Authority's sick leave rate per FTE is not showing sustainable improvement. The Authority has not met its senior leadership team-approved sick leave target since 2011-12 (see **Figure 7**).



**Figure 7—Comparison of Actual Average Sick Leave Hours per FTE to Target from 2011-12 to 2016-17**



Source: Heartland Health Region's Annual Reports 2011-12 to 2016-2017.

In the last six years, the Authority's actual sick time hours per FTE has ranged between a low of about 78 hours per FTE in 2013-14 (about 9.75 days per year) to a high of just over 84 hours per FTE in 2016-17 (about 10.5 days per year). The senior leadership team has gradually decreased its sick leave target over the last six years to 64 hours or about 8 sick leave days per year,<sup>11</sup> even though actual sick time has not decreased.

A lower annual target when actual sick leave is not decreasing results in a larger number of employees with sick leave above the senior leadership team-approved target which in turn increases the workload for supervising managers.

The Authority must further look for ways to improve employee attendance at work (e.g., share best practices among other integrated service areas, incorporate absenteeism management into performance appraisals).

### **Consider Better Leveraging of Human Resource Personnel**

Supervising managers do not have the capacity to complete their day-to-day activities and provide timely support to employees with excessive absenteeism given the large number of employees with excessive absenteeism.

Many supervising managers responsible for promoting and supporting employee attendance, in addition to their other day-to-day duties, are out-of-scope employees. Out-of-scope positions make up about 6% of the Authority's workforce.

As previously noted, the Authority's attendance support program and progressive disciplinary process makes supervising managers primarily responsible for promoting and supporting staff attendance, and for managing individual employee absenteeism issues. Under the attendance support program in place during 2016-17, human resource personnel primarily took a co-ordinating and support role. Supervising managers can ask human resource personnel to help at any time, and are to involve them in later phases of the program.

<sup>11</sup> The Government of Saskatchewan has a Ministry-wide initiative to reduce sick leave across ministries to 7 days of sick leave per FTE by 2018.



Managing employee attendance can be time consuming for managers. It takes time to review related reports, and to look into, discuss, and resolve excessive absenteeism issues with individual employees. As previously noted, the Authority has a large number of employees with excessive absenteeism. At March 2017, the average sick leave per FTE of almost 90% of its facilities (19 of 22 facilities) was in excess of the sick leave target of 64 hours (8 days per employee).

Managers we interviewed expressed concern about their workload given the large number of staff with excessive absenteeism, particularly those staff with mental health issues. We identified that about half of the Authority's 22 facilities have a single out-of-scope manager overseeing more than 80 employees. These employees could belong to any of the three unions or be other out-of-scope staff. As noted in **Section 4.1**, differences in hours of work and the extent and process for approving leaves makes managing staff attendance and leaves more complex.

Supervising managers receive both monthly and quarterly reports about sick leave.

- Each month, human resources personnel give managers sick leave reports that compare average actual sick time per FTE to date to prior year and to target by facility (e.g., Outlook and District Health Centre) and service (e.g., Home Care and Emergency Medical Services). The Authority has 22 facilities and services. The report highlights, in red, facilities or services that exceed the sick leave target.
- Each quarter, human resources personnel give managers reports that identify employees with higher than average sick leave to help managers initiate the progressive corrective process to address absenteeism issues. Human resources personnel require managers to give them the general cause of absence (e.g., chronic illness, single event illness, medical illness, disability) for each employee with excessive absences and the attendance management phase the employee is at presently. Managers are to consider specific employee circumstance (e.g., surgery) when looking into excessive absenteeism statistics, as some cases may not warrant attendance support.

In April 2017, the Authority started piloting a slightly different attendance support program with managers at two facilities with the highest amount of sick time per FTE—Rosetown and District Health Centre and Biggar and District Health Centre. The Authority's human resource staff is providing managers in these two facilities with more support throughout the pilot. They are more active in the day-to-day steps of the support program including advancing employees with continued high absences through the phases of its attendance support program. For example, in April 2017, human resource staff sent notification letters to employees with sick leave usage higher than the regional average.

At June 2017 (the end of the first quarter of the pilot), human resource staff advised us that they planned to have employees with continued sick time above the regional average go to the next phase of the attendance management process. The Authority expects their involvement to provide more timely action on individual employees with excessive absenteeism.

We noted that regional health authorities have a group of senior staff that discuss human resource issues and share practices. We found regional health authorities vary across the province as to who initiates initial absenteeism consultations with employees—some use human resource personnel and others use managers.

Involving human resource personnel differently is a way to reduce the workload for the managers. This may promote completion of absenteeism documentation to provide a basis for future decisions, and provide more timely absenteeism management particularly when a large number of individual staff has excessive absenteeism. The key is using an approach that improves employee attendance at work because employee absenteeism is expensive.

1. **We recommend that the Saskatchewan Health Authority reassess the role of human resources in promoting employee attendance to enable more timely resolution of issues causing employee absenteeism.**

### **Managers Need More Detailed Guidance and Better Support**

While Heartland Regional Health Authority maintains a guide to help managers encourage employee attendance and manage absences, the guide does not provide sufficient detail to promote robust discussions between busy supervising managers and employees with excessive absenteeism or ease documenting those discussions.

In 2010, the Authority developed a manager's guide to help managers implement its attendance support policy. It sets out various attendance management strategies to assist employees to stay at work. These include:

- Employment accommodation – accommodating employees to stay at work while experiencing limitations and managing symptoms of an illness or injury
- Variable work hours/job sharing – allowing employees to reduce their hours of work
- Employee and family assistance program – a program designed to assist employees with personal problems affecting their job performance
- Corrective discipline

In addition, the guide includes high-level and general templates for use in documenting meetings with employees who have excessive absenteeism. The Authority expects managers to use these meetings to determine the cause of excessive absenteeism and to create an action plan with the employee to reduce absences.

The Authority does not monitor managers' compliance with the guide's documentation expectations.

Furthermore, neither the guide nor the templates provide managers with sufficient detail to prompt discussion of specific items with employees. For example, they do not suggest discussing specific attendance management strategies, such as action plans, or provide ready access to available employee and family assistance programs. In addition, the templates do not prompt managers to record these aspects of their discussions.

As part of the April 2017 pilot, the Authority started piloting a new manager's guide with managers at the two facilities with the highest amount of sick time per FTE. It based the pilot manager guide on a guide in use in the Prairie North Regional Health Authority. The pilot guide contains more detail than the guide the Authority is using at the rest of its facilities. For example, it includes detailed discussion points/forms. The additional detail



reminds managers to discuss key information at each attendance management phase (e.g., discuss employee accommodation options) and makes it easier for them to document those discussions and consultations and agreed-upon actions.

The Authority expects to run the pilot for a year (until March 31, 2018) and then evaluate whether it is making a difference in reducing employee sick time. This means other managers will not have the benefit of additional guidance until the summer or fall of 2018.

Properly setting, documenting, and monitoring attendance action plans to reduce absenteeism provides evidence that managers are applying appropriate attendance management strategies. Making standard detailed templates available promotes documented and consistent attendance management.

Without proper records, managers cannot show if and how they were addressing the reasons for identified absences of employees with excessive absenteeism. In addition, documentation provides the basis of justification for future actions, including suspensions and terminations (if warranted), and facilitates supervision.

Not actively monitoring increases the risk that the supervising managers have not worked with employees as expected, took appropriate and timely steps to resolve reasons for employee absences, and sufficiently promoted a culture of supporting employee attendance at work.

2. **We recommend that the Saskatchewan Health Authority implement standard detailed checklists to aid in conducting and documenting meetings with employees who have excessive absenteeism.**
3. **We recommend that the Saskatchewan Health Authority monitor that those responsible for employee attendance management document discussions and actions taken with employees who have excessive absenteeism.**

#### **4.4 Causes for Absences Compiled but Not Analyzed**

While the Authority identifies and tracks certain causes of absenteeism, it does little analysis to determine whether its existing strategies reduce sick leave.

The Authority does not use information supplied by managers on general causes for sick time to determine how employees could use less sick leave or to identify systemic issues or needs. For example, it does not identify groups of staff with habitual excessive absences that could move through support phases quicker or with chronic illness or injuries that could benefit from workplace accommodations (e.g., reduced hours or trained for a different position).

While senior management receive, each quarter, summarized reports about excessive sick leave using data provided from managers, reports do not attempt to link excessive sick leave hours to sick leave causes, or provide insight on how well existing strategies reduce excessive sick leave or suggest alternate actions or options.

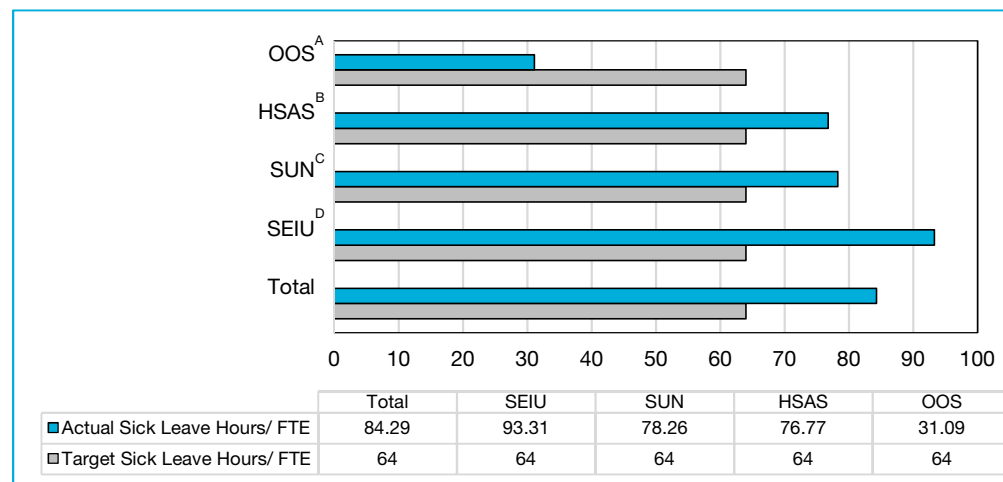
Managers indicated during our interviews that one of the causes of excess sick leave is poor mental health. In 2017, the Authority started to identify and track employees who

have sick time related to mental wellness issues in its quarterly reporting. Additional training may be required to assist managers in recognizing signs of mental health issues in employees.

In our review of monthly reports, we noted the March 2017 report showed that sick time per FTE had increased from the prior year in 50% of the 22 facilities/services and actual sick time per FTE was in excess of the senior leadership team-approved annual sick time target in almost 90% of the 22 facilities or services. The March 2017 report does not include reasons for the increases or why the Authority is not meeting its targets (see **Section 4.5 on Better Reporting on Strategies to Address Absenteeism Needed**).

Reports show unionized employee groups have more sick time per FTE than the out-of-scope employee group. Unionized staff are the front-line workers and can be in occupations with more workplace injuries (e.g., nurses lifting or moving patients). Reports also show one union (SEIU) had the highest amount of sick leave usage per FTE at 93.31 hours in 2016-17 (see **Figure 8** for details). This union includes occupations (such as continuing care assistants [nurse aides], orderlies, and patient service associates) that Saskatchewan Workers' Compensation Board cites as being the highest occupations in Saskatchewan with injuries in 2016. Continuing care assistants, who are members of this union, account for almost 50% of the total sick time.

**Figure 8–2016-17 Actual Average Sick Leave Hours per FTE Compared to Target by Employee Group**



<sup>A</sup> OOS – Out-of-Scope (includes managers and executive directors).

<sup>B</sup> HSAS – Health Sciences Association of Saskatchewan (includes therapist and dietitians).

<sup>C</sup> SUN – Saskatchewan Union of Nurses (includes registered nurses).

<sup>D</sup> SEIU – Services Employees International Union West Canada (includes continuing care assistants).

Source: *Heartland Health Region's Annual Report 2016-2017*, p. 66.

According to the Authority's annual reports, the most common workplace injury to employees is strains to the back and/or shoulders. Often the recommended corrective action on incident reports is to have employees attend training on transferring, lifting, and repositioning. The Authority does not know how much sick time is attributable to back and shoulder injuries, or to workplace injuries in general. In addition, it does not know if its training on transferring, lifting, and repositioning is reducing these types of injuries.

We found the Authority had not yet considered using targeted initiatives to reduce employee absenteeism through union negotiations as used in some other jurisdictions.



For example, University Health Network<sup>12</sup> during union negotiations proposed providing employees with a wage increase if employees reduced their absenteeism levels by a certain percentage over the next year; their absenteeism fell by 40%. In addition, during negotiations, the Network and the union agreed to reclassify full-time employees who took a certain amount of sick time or leave without pay per year (more than 115 hours) as part-time employees.

Analyzing causes of absences would assist in the development of actions to reduce employee absenteeism. Without sufficient analysis on absenteeism causes, the Authority cannot develop targeted attendance management strategies to address the causes identified or know whether its existing programs are sufficient.

- 4. We recommend that the Saskatchewan Health Authority analyze significant causes of its employees' absenteeism and implement targeted strategies to address them.**

## 4.5 Better Reporting on Strategies to Address Absenteeism Needed

Reports to the Board about employee absenteeism do not include reasons for not meeting annual senior leadership team-approved absenteeism targets or information about the success of its attendance supports.

The Authority's Board receives the same quarterly attendance management tracking reports as senior management. The reports outline, by facility/service, the number of employees in each phase of attendance management, the number of employees over the peer group sick time average, and the cause of absences (e.g., chronic illness, medical illness, disability, single event illness).

As noted in **Section 4.4**, more information and analysis is necessary to enable the Authority to provide its Board with periodic reports of its actions and progress on addressing the causes of employee absenteeism (e.g., annually). Such reporting would help the Board understand whether the Authority's actions and strategies effectively reduce employee absenteeism, and whether changes are necessary. As previously noted, salaries account for three-quarters of the Authority's spending, and employee absenteeism is costly. Addressing and reducing employee absenteeism can help control costs.

- 5. We recommend that the Saskatchewan Health Authority give the Board periodic reports on the progress of attendance management strategies in reducing employee absenteeism and related costs.**

## 5.0 SELECTED REFERENCES

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<sup>12</sup> *Top Tactics to Reduce Absenteeism*, Benefits Canada. [www.benefitscanada.com/benefits/disability-management/top-tactics-to-reduce-absenteeism-31299](http://www.benefitscanada.com/benefits/disability-management/top-tactics-to-reduce-absenteeism-31299). (11 July 2017). The University Health Network is based in Toronto Canada and is comprised of four Greater Toronto Area Hospitals. For further detail see [www.uhn.ca](http://www.uhn.ca) (18 September 2017).

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## Chapter 26

# Saskatchewan Gaming Corporation – Minimizing Employee Absenteeism

### 1.0 MAIN POINTS

For the period August 1, 2016 to July 31, 2017, the Saskatchewan Gaming Corporation had effective processes to minimize employee absenteeism, other than the following areas. It needs to identify root causes of absenteeism to confirm its attendance management strategies focus its resources in the right areas. To support this root cause analysis, it needs to provide its managers with guidance for analyzing patterns and trends in staff absences and for documenting reasons for not referring eligible employees to attendance support programs.

Similar to other organizations in the service and casino industries, SaskGaming identifies employee absenteeism as a continuing challenge. It has not met its annual targets from 2014 to 2017, although it has shown a gradual decrease in its employee absenteeism rate. The cost of absenteeism reduces its profits. These profits support Indigenous and other communities, as well as other government priorities such as education and health care in Saskatchewan.

### 2.0 INTRODUCTION

This chapter sets out the results of our audit of SaskGaming's processes to minimize absenteeism.

## 2.1 Employee Absenteeism—A Common Problem with Significant Costs

Organizations in both the private and public sectors face issues with employee absenteeism, though it is more frequent in public sector organizations. Absenteeism includes unscheduled paid and unpaid absences of employees from work, such as illness, family leave, pressing necessity, bereavement leave, disability, and injuries.

A 2016 Statistics Canada study found public sector organizations lost 13.5 days per worker compared to private sector organizations, which lost 8.3 days per worker.<sup>1</sup> The Conference Board of Canada indicated in 2013 that:

- Only 46% of employers admitted they conduct any kind of absenteeism tracking.<sup>2</sup>
- Employees who are recovering are sometimes medically able to work part time but are not doing so. The Report cited this as a missed opportunity for employers to gain productivity in the short term and noted it is difficult to maintain connections with employees who may be slow to return to work.<sup>3</sup>

<sup>1</sup> <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=2790035> (31 March 2017).

<sup>2</sup> Nicole Stewart, *Absenteeism Trends in Canadian Organizations – Missing in Action*, (2013), p. 1.

<sup>3</sup> Karla Thorpe and Louise Chenier, *Disability Management – Opportunities for Employer Action*, (2013), p. iii.



- The longer an employee is away from work due to a health issue, the greater the probability the employee will not return to work.<sup>4</sup>

Excessive absenteeism can significantly increase both direct and indirect costs of delivering programs and providing service:

- Direct costs include wages paid to absent workers, costs to replace workers (i.e., overtime pay for other employees and use of temporary staff), and administrative costs of managing absenteeism
- Indirect costs result from worker fatigue or understaffing, safety risks (e.g., inadequately trained employees filling in for absent workers, rushing to catch up after arriving as a replacement), reduced morale of workers who fill in or do extra work to cover absent workers, and reduced productivity and service quality

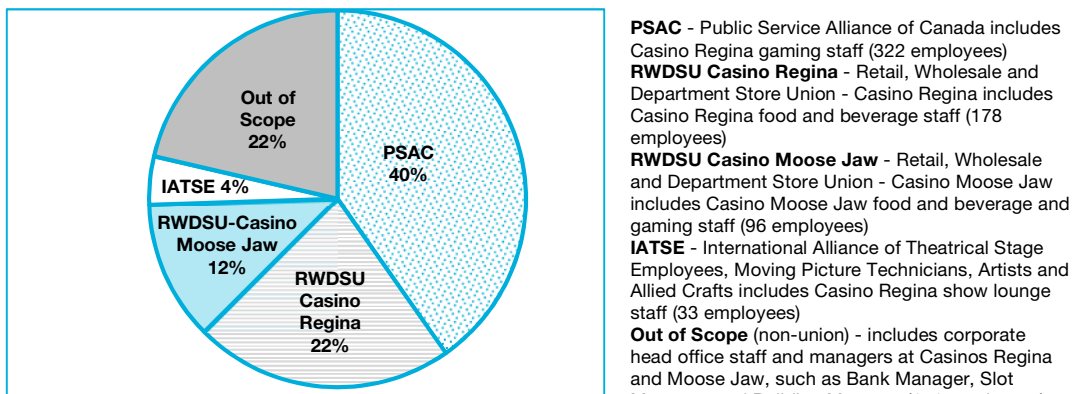
Statistics Canada’s absenteeism rates by province show that, in 2016, Saskatchewan had the second highest absenteeism rate of 10.6 days per employee (or 4.2% of total days worked).<sup>5</sup>

## 2.2 SaskGaming’s Workforce

SaskGaming operates two casinos located in Regina and Moose Jaw with a workforce of about 800 employees.<sup>6</sup> In 2017, about 42% of its workforce were Indigenous, 17% visible minorities, and 4% persons with disabilities.<sup>7</sup> In 2016-17, it spent \$37.2 million on salaries and employee benefits.

SaskGaming has about 40 departments, with over 40% of its employees assigned to the following departments: Table Games, Beverage, Operations Security, and Restaurant/Show Lounge. Over three-quarters of its employees belong to three unions under four collective agreements (see **Figure 1**). Almost all of its employees hold permanent positions.<sup>8</sup>

**Figure 1 – SaskGaming Employees by Employee Group**



Source: Adapted from SaskGaming records (2017).

<sup>4</sup> Karla Thorpe and Louise Chenier, *Disability Management – Opportunities for Employer Action*, (2013), p. 12.

<sup>5</sup> [statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labor60a-eng.htm](http://statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labor60a-eng.htm) (8 May 2017).

<sup>6</sup> SaskGaming records.

<sup>7</sup> *SaskGaming 2016-17 Annual Report*, p. 10.

<sup>8</sup> SaskGaming records.

As an employer, in addition to its own policies and collective bargaining agreements in **Figure 1**, SaskGaming must adhere to labour standards established under *The Saskatchewan Employment Act*. The Act sets standards for various types of employment leaves such as scheduled leaves like annual vacation, maternity, adoption, and parental leaves, and unanticipated leaves like medical, bereavement, and compassionate care leaves.

## 2.3 SaskGaming's Employee Absenteeism

SaskGaming identifies employee absenteeism as a continuing challenge. It faces challenges in managing absenteeism that are common to the service industry and to the casino industry.

The service industry requires many employees to work long hours that are outside typical business hours, can be physically demanding, and often require shift work that leaves little time for non-work commitments (e.g., family, friends, health). In addition, many employees in the casino industry handle cash and work under constant camera supervision. They must comply with gaming rules, and avoid costly mistakes.<sup>9</sup> This type of work environment, if not carefully managed, can lead to increased absenteeism.

For the last four years, SaskGaming's overall rate of absenteeism ranged between 9.5% and 8.3%—the rate is decreasing, although not meeting SaskGaming's annual targets (see **Figure 7**). In 2016-17, 2.2% of SaskGaming's salaries and benefits (i.e., \$820,000) related to additional costs because of employee absenteeism.<sup>10</sup>

Excessive costs related to absenteeism adversely affect SaskGaming profits. This, in turn, reduces funding available for supporting Indigenous and other communities, and essential government priorities such as education and health care in Saskatchewan.<sup>11</sup>

An effective process to manage absenteeism contributes to effective service delivery to the public, minimizes costs, and supports the well-being of employees.

## 3.0 AUDIT CONCLUSION

**We concluded that the Saskatchewan Gaming Corporation had, other than for the following areas, effective processes to minimize employee absenteeism for the period August 1, 2016 to July 31, 2017. SaskGaming needs to:**

- **Identify root causes of employee absenteeism to confirm attendance management strategies address them**
- **Give managers guidance for analyzing patterns and trends in staff absences**
- **Require timely documentation of reasons for not referring eligible employees to attendance management programming**

<sup>9</sup> Wan Yim King Penny, Chan Sow Hup Joanne, *International Journal of Hospitality Management, Casino employees' perceptions of their quality of work life*, (2013), p. 348.

<sup>10</sup> SaskGaming records.

<sup>11</sup> SaskGaming distributes half its net income to support government priorities and social programs, while the other half supports Indigenous and other communities in Saskatchewan.

**Figure 2—Audit Objective, Criteria, and Approach**

**Audit Objective:** to assess the effectiveness of Saskatchewan Gaming Corporation’s processes, for the period August 1, 2016 to July 31, 2017, to minimize employee absenteeism.

For the purposes of this audit, “absenteeism” includes unscheduled paid and unpaid absences of employees from work. Unscheduled absences include illness, family leave, pressing necessity, bereavement leave, disability, and injuries.

The scope of this audit does not include absenteeism of employees due to scheduled leaves, such as maternity leave, parental leave, education leave, jury duty, and union business provided under employer policy and/or governing collective agreements.

**Audit Criteria:**

Processes to:

1. Set expectations for employee attendance
  - 1.1 Define roles and responsibilities (e.g., employee, supervisor, union)
  - 1.2 Communicate expectations and policies for employee attendance
  - 1.3 Train supervisors (e.g., managers)
2. Implement strategies to support employee attendance
  - 2.1 Analyze absenteeism by employee (e.g., sick and injury patterns)
  - 2.2 Use attendance management strategies to assist employees to stay at work (e.g., wellness, family assistance, return to work, disability prevention programs)
  - 2.3 Take timely action on absenteeism issues
3. Monitor attendance management
  - 3.1 Assess attendance information to identify absenteeism causes
  - 3.2 Report key absenteeism performance information to senior management and the Board
  - 3.3 Adjust attendance management strategies, as necessary

**Audit Approach:**

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate SaskGaming’s processes, we used the above criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. SaskGaming’s management agreed with the above criteria.

We examined SaskGaming’s policies and procedures related to minimizing employee absenteeism. We analyzed attendance data from SaskGaming’s reports and IT systems. We interviewed staff and managers responsible for managing absenteeism at SaskGaming. We examined attendance information (e.g., schedule, timecard, attendance support files) for selected employees with high or unusual absences.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

### 4.1 Clear Attendance Policies Communicated

SaskGaming clearly defined roles, responsibilities, and expectations for absenteeism for all employees in its various policies (e.g., leave of absence, sick leave, attendance support), as well as in collective agreements for unionized employees.

SaskGaming’s policies outlined allowable leaves, acceptable use of leaves including use of accumulated unused sick leave, and required notifications of absences from work (see **Figures 3** and **4** for details). In addition, the policies required SaskGaming to compare actual absenteeism rates to its annually established target on an overall basis, and by unionized and out-of-scope employee groups.

We found SaskGaming reviewed its employee attendance policies bi-annually, as required by policy.

SaskGaming made its policies for employee attendance readily accessible to staff. It communicated policies and related expectations through a variety of means (e.g., intranet, memos, team meetings, information sessions).

**Figure 3—Key Policies related to Allowable Leaves and Employee Absences**

|  |
|--|
| <p><b>Leave of absence policy</b>—requires employees to report to work unless on an authorized leave.</p> <p><b>Sick leave policy</b>—requires employees to notify managers when they will be absent from work, and managers to document reasons for these absences. Managers are to use these reasons as basis of approving (or not) the absence type and hours, as well as identifying whether they require employees to provide additional information to support the leave (e.g., doctor's note).</p> <p><b>Attendance support policy</b>—expects employees and managers to address non-culpable (innocent) absenteeism. This includes identifying the reasons for excessive absenteeism and exploring steps to correct the concerns. It defines excessive absenteeism as exceeding SaskGaming's annual target absenteeism rate for two consecutive quarters. For each assigned employee with excessive absenteeism, managers must:</p> <ul style="list-style-type: none"> <li>➤ Review the employee's attendance reports and records</li> <li>➤ Meet with the employee to discuss attendance concerns</li> <li>➤ Identify the cause of absenteeism, if possible</li> <li>➤ Determine whether absences are culpable or non-culpable</li> <li>➤ Determine an appropriate attendance support strategy (e.g., participation in SaskGaming's Attendance Support Program)</li> </ul> <p>In addition, it requires SaskGaming to set an annual target absenteeism rate. It sets out the method to calculate actual absenteeism rates.</p> |
|--|

Source: Adapted from SaskGaming policies (2017).

We found these policies set clear expectations of employees to report to work, and for managers to be aware of reasons for their staff's absences. In addition, they expected managers to work with staff who had excessive absenteeism to address the reasons for those absences and improve their attendance at work. They clearly defined excessive absenteeism—as absences from work more often than SaskGaming's target absenteeism rate (threshold). As shown in **Figure 7**, SaskGaming's overall target for 2016-17 was 8.0%, which equates to about 16 days per employee per year.

In addition, each of the four collective agreements clearly set agreed-upon hours of work and employee benefits such as sick leave, family leave, pressing necessity, and leaves for disabilities or injuries (see **Figure 4**). For areas not covered in an agreement, SaskGaming's employment policies apply.

**Figure 4—Days of Paid Leave in Collective Bargaining Agreements and Policies**

| Policies/Agreement  | Amount of Paid Leave per Employee (days) |                |                |
|---|--|----------------|----------------|
|   | Sick <sup>A</sup>                        | Family         | Bereavement    |
| Policies (apply to all employees; additional detail exists in collective bargaining agreements—see below)     | 15                                       | 3 <sup>B</sup> | 3 <sup>B</sup> |
| Public Service Alliance of Canada (PSAC) Agreement  | 15                                       | 3 <sup>B</sup> | 3              |
| Saskatchewan Joint Board, Retail, Wholesale and Department Store Union—Casino Regina (RWDSU) Agreement        | 12                                       | -              | 3              |
| Saskatchewan Joint Board, Retail, Wholesale and Department Store Union—Casino Moose Jaw (CMJ RWDSU) Agreement | 12                                       | 3 <sup>A</sup> | 3 <sup>C</sup> |



| Policies/Agreement   | Amount of Paid Leave per Employee (days) |        |             |
|--|--|--------|-------------|
|  | Sick <sup>A</sup>                        | Family | Bereavement |
| International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States, its Territories and Canada Local 295 (IATSE) Agreement | 12                                       | -      | -           |

Source: SaskGaming's collective agreements and policies.

<sup>A</sup> Unused amounts accumulate from year to year.

<sup>B</sup> Deducted from the employee's available sick leave.

<sup>C</sup> Unused amounts accumulate to a maximum of 7 days.

We found SaskGaming employees earn slightly different amounts of leave benefits depending on the applicable agreement. As such, managers with employees in multiple unions must be familiar with each of these agreements. With respect to leaves, we found that managers were generally familiar.

## 4.2 Annual Absenteeism Targets Seem Achievable

SaskGaming's annual target for overall absenteeism seems achievable when compared to rates of absenteeism in a 2011 Statistics Canada study.

As shown in **Figure 7**, SaskGaming's annual targets have ranged between 8% and 9% over the last three years. SaskGaming based its targets on its actual prior year average absenteeism rates. Over the last three years, SaskGaming has decreased the annual target by one-half percentage point per year to emphasize that it expects employee attendance to improve. These annual targets are set to help it move towards its long-term target of 5.5%. SaskGaming's Board approved these targets.

The 2011 Statistics Canada study found full-time public sector employees working across Canada holding one job were absent from work for illness, disability, family responsibility, or other personal reasons 5.2% of the time. It found that the rate was higher for full-time workers that belonged to unions, workers with permanent jobs, and larger workplaces (over 500 employees).<sup>12</sup>

SaskGaming has many of the characteristics that the study associated with higher absenteeism rates, such as a workforce of 800 employees, 78% of its staff are unionized, and 97% of staff hold permanent positions.<sup>13</sup> This suggests having an annual target of about 8% and a long-term target of 5.5% are achievable.

## 4.3 Programs Available and Used to Support Employee Attendance

SaskGaming actively used two key programs to support employees with absenteeism concerns: the Attendance Support Program and the Managed Abilities Program.

With the help of consultants, SaskGaming developed each of these programs. During the development and implementation, it consulted with unions, employees, managers, legal counsel, and other Crown corporations.

<sup>12</sup> Statistics Canada, *Work Absences in 2011*, [www.statcan.gc.ca/pub/75-001-x/2012002/article/11650-eng.pdf](http://www.statcan.gc.ca/pub/75-001-x/2012002/article/11650-eng.pdf) (29 August 2017).

<sup>13</sup> SaskGaming records.

The programs are mandatory except where the manager exercises discretion based on the reasons for the absences (e.g., temporary personal or family issues). As noted in **Section 4.4**, SaskGaming does not consistently document the reasons for not placing eligible employees in the programs.

### **Attendance Support Program**

The Attendance Support Program is a program for employees with excessive non-culpable absenteeism. SaskGaming has offered this program since 2011. For this program, excessive absenteeism is where an employee takes more non-culpable leave than SaskGaming's annual target for two consecutive quarters.

As shown in **Figure 5**, this Program has three progressive stages. Managers decide if a participating employee must repeat the stages multiple times depending on the circumstances and improvements made by the employee, or require the next stage of support. To graduate from this program, the employee must demonstrate four consecutive quarters of absenteeism below SaskGaming's annual target. Graduation can occur when an employee is in any stage. SaskGaming Human Resources (and union representative, if applicable) must be involved in the last stage.

### **Figure 5—SaskGaming's Attendance Support Program**

- The Attendance Support Program has three stages as follows:
- **Stage 1:** comprised of face-to-face meetings between a manager and an employee who has excessive absenteeism. The manager re-emphasizes attendance expectations, communicates attendance is monitored, confirms attendance issues, and sets a target (i.e., personal goal) for the following quarter. The manager offers to assist the employee in identifying other resources and supports available. The manager records and retains the details of the meeting for future reference.
  - **Stage 2:** manager and employee discussions build on the Stage 1 counselling meetings if an employee's absenteeism continues to be a concern. They discuss progress and action taken by the employee to improve absenteeism and set revised goals for the following quarter.
  - **Stage 3:** face-to-face meetings with the employee, human resources, and a union representative will occur to discuss the employee's ongoing failure to meet attendance expectations. They build on the previous meetings with the employee. Managers advise that continued failure to demonstrate a significant and sustained improvement will result in termination. Termination is recommended if the employee does not improve.

Source: Adapted from SaskGaming's Attendance Support Policy (2017).

SaskGaming provides managers with templates for each stage that outline what it expects managers to discuss with employees in the counselling meetings. For files we examined, we found managers completed the templates and sent them to human resources after each stage, as expected. Human resources summarized each meeting in an expectation letter and provided it to the employee to emphasize what was discussed. Retaining information about meetings provides managers with a source of information to help them keep track of employee progress. It also shows they are implementing this program as expected.

At July 11, 2017, SaskGaming had 111 employees in the Attendance Support Program (14% of its employees).

### **Managed Abilities Program**

The Managed Abilities Program offers support to employees with non-culpable absenteeism concerns related to medical issues (e.g., injuries, mental health, addiction). SaskGaming began to introduce this Program in 2016-17. It is an early intervention program for eligible employees who meet one or more of the following criteria:





- Having more than 13 absences in the prior 13 months
- Work-related time loss injury
- Pattern absences where there is a reasonable explanation for the absences

In addition to eligible employees, managers can refer others, or employees can request, to participate in this program. Employees that will not voluntarily participate in this program are referred to the Attendance Support Program.

SaskGaming uses an external service provider to deliver this program at an annual cost of about \$110,000. The service provider monitors the employee's absences, meets with the employee, and assesses (from a medical specialist perspective) the best way to support the employee to return to work. This may include recommending SaskGaming provide the employee with work accommodation or leaves of absence (e.g., to deal with addiction or mental health issues).

SaskGaming removes employees from the Managed Abilities Program once the desired results are achieved (e.g., employee has addressed root cause of absenteeism). If the employee is not co-operating with the service provider or not achieving the desired results, SaskGaming moves the employee into the Attendance Support Program.

For files we examined, we found SaskGaming followed the processes for employees in this program, including later referral to the Attendance Support Program if required.

At July 11, 2017, SaskGaming had 20 employees in the Managed Abilities Program (2.5% of its employees).

#### **4.4 Guidance Needed for Documenting Decisions Not to Refer Employees to Programs**

SaskGaming did not require managers to document the basis for not referring employees who meet the established criteria to attendance management programming. It also did not set deadlines for when managers must complete and give human resources documentation of the basis of their decision not to refer employees to such programs.

Managers assess each eligible employee's situation to determine appropriate referrals to attendance management programming. When the manager determines the programs are not necessary due to the cause of absenteeism (e.g., not ongoing issues), there is no guidance (e.g., template) for documenting this decision.

We found that human resources staff use informal processes to request and document information about these manager decisions. For files we examined for employees with high or unusual absences, we found that management in one department did not always provide human resources staff with adequate reasons for their decisions. **Figure 6** describes how the lack of guidance contributed to this situation.



### Figure 6—Example of How Lack of Guidance Contributed to Not Referring Staff to Attendance Management Programs

For one high-absenteeism employee we examined, we found SaskGaming did not have a documented reason for the manager not placing the employee in an attendance management program. Human resources staff asked for the reason and received unsatisfactory responses from the manager of the employee. Human resources staff did not follow up timely.

Upon further investigation, we found that management in this department did not fully understand how it could use the programs to support its employees. As a result, management was reluctant to place certain eligible employees in the programs and provided vague responses to human resources. We found four such eligible employees during 2016-17. The department had over 50 employees.

When this issue persisted for several months, human resources staff escalated the matter to a director who required the management of this department to provide adequate reasons for the decisions, or refer the employees to the programs. In July 2017, management began to refer some of these employees to the programs.

Source: Adapted from SaskGaming records and interviews with SaskGaming employees (2017).

Not having clear guidance increases the risk of managers not understanding the requirement, process, or deadline for documenting and providing human resources with the basis for their decisions not to refer eligible employees to attendance management programming. In addition, not having clear guidance increases the risk of not providing employees with timely support to help minimize their absenteeism.

1. **We recommend that the Saskatchewan Gaming Corporation provide its staff with clear guidance for documenting the reasons for not referring eligible employees to attendance management programming.**

## 4.5 Attendance Training and Supports Provided

SaskGaming trained and supported managers and staff in its attendance expectations and in the use of its attendance management programs. It communicated its annual target absenteeism rate to employees each year in April.

SaskGaming primarily used on-the-job training to reinforce its attendance expectations of staff and managers, and to train managers on the use of its attendance management programs. It gave new employees attendance-management information through on-the-job orientation with their managers. Periodically, it provided or made available training about relevant topics related to managing absenteeism (e.g., identifying potential mental health issues). SaskGaming supplied managers with manuals and guides to assist in managing employee absenteeism.

It offered formal training to managers when it first implemented each attendance management program. In subsequent years, SaskGaming trained new managers on-the-job (one-on-one) because it had only a few new managers starting at the same time (i.e., low turnover of managers—three managers hired from August 2016 to July 2017).

Human resources staff supported managers in managing absenteeism, which included reinforcing the training received. Human resources staff gave managers regular reports on employee absences, and expected them to identify and address absentee issues related to assigned staff. SaskGaming allowed time for managers to review these reports and meet with their staff as required.



In addition, SaskGaming's computer systems captured and tracked key data related to employee absenteeism and attendance strategies.

Managers we interviewed felt that they received sufficient training and support.

## **4.6 Annual Job Appraisals Used to Reinforce Attendance**

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Besides its attendance management programming, SaskGaming assesses employee attendance in conjunction with each employee's annual job appraisal.

Incorporating review of attendance into the annual job appraisal of each employee helped SaskGaming to confirm employees understood attendance expectations. Both the employee and management sign the annual appraisal.

## **4.7 Better Guidance Needed for Analyzing Trends and Patterns**

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SaskGaming did not give managers sufficient guidance to help them efficiently identify and analyze employee absenteeism trends and patterns, even though it expects them to do so.

It did not provide guidance for the types of trends and patterns to include in the analysis, or how to carry out, use, document, and share results of the analysis.

Each month, managers received reports showing total absence hours for the month including paid sick, unpaid sick, and leave without pay by employee and absence hours by day of the week. Each quarter, managers received reports showing who took more leave in that quarter than the target. The reports did not highlight potential long-term trends or patterns (e.g., sick days following statutory holiday or vacation, comparisons for multiple periods).

Managers we interviewed indicated they focused on attendance patterns for employees with excessive absenteeism. We found the nature and extent of their analysis varied. The processes most of these managers used to look for patterns took a significant amount of manual effort and time. Furthermore, we found managers did not summarize or document their analysis so that it could be used for analysis at the department and overall organization level.

In addition, we found that SaskGaming did not provide a forum or way for managers to share best practices or lessons learned in looking for absenteeism trends and patterns.

Without adequate guidance for analyzing absenteeism trends and patterns, managers may not focus their absenteeism management efforts in the right places. Also, managers may not have sufficient information to support organization-wide analysis of root causes of absenteeism and the related evaluation of strategies to minimize absences.

2. We recommend that the Saskatchewan Gaming Corporation develop guidance to help managers analyze absenteeism trends and patterns of their employees.

## 4.8 Identification of Causes for Not Achieving Target Absenteeism Rates Needed

SaskGaming did not analyze organizational trends or patterns of employee absenteeism to identify potentially systemic reasons for not achieving its target absenteeism rates.

As shown in **Figure 7**, SaskGaming's actual overall absenteeism rates are gradually decreasing even though it has not yet achieved its target for overall absenteeism in any of the last three years. It is making slow progress towards achieving its long-term target of 5.5%.

As previously noted, SaskGaming expects continued improvement in employee attendance and sets annual rates to promote that improvement.

**Figure 7—SaskGaming Overall Absenteeism Rates from 2013 to 2016-17**

| Overall Absenteeism Rate <sup>A</sup> | 2013     | 2014 | 2015-16 <sup>B</sup> | 2016-17 | Long-term target |
|---------------------------------------|----------|------|----------------------|---------|------------------|
| Actual                                | 9.3%     | 9.5% | 8.9%                 | 8.3%    | --               |
| Target                                | None set | 9.0% | 8.5%                 | 8.0%    | 5.5%             |

Source: SaskGaming annual reports for 2014, 2015-16, and 2016-17.

<sup>A</sup> Employee Absenteeism is a weighted average of absenteeism rates by union and out-of-scope staff. Employee Absenteeism Rate = (absent hours for all employees/ total work hours for all employees) x 100.

<sup>B</sup> In common with other CIC Crowns, in 2015-16, SaskGaming changed its fiscal year-end to March 31 from December 31. For 2015-16, the results are for the 15-month period January 1, 2015 to March 31, 2016.

Each quarter, SaskGaming gave senior management a written comparison of its actual performance to its absenteeism target. The quarterly reports included high-level analysis of the results. For example, reports indicated an increased number of employees on extended leaves of absence as a reason for not meeting the target. Reports did not identify causes of extended leaves (e.g., medical leaves). In addition, reports did not set out systemic absenteeism trends, patterns, or root causes (i.e., reasons for not meeting targets).

We also found SaskGaming's monitoring of employee absenteeism focused primarily on individual employees with excessive absenteeism. It did not attempt to identify potential organization/department-wide absenteeism trends, patterns, or root causes. For example, it did not analyze trends or patterns of absences over multiple years, or by type of leave, department, or location.

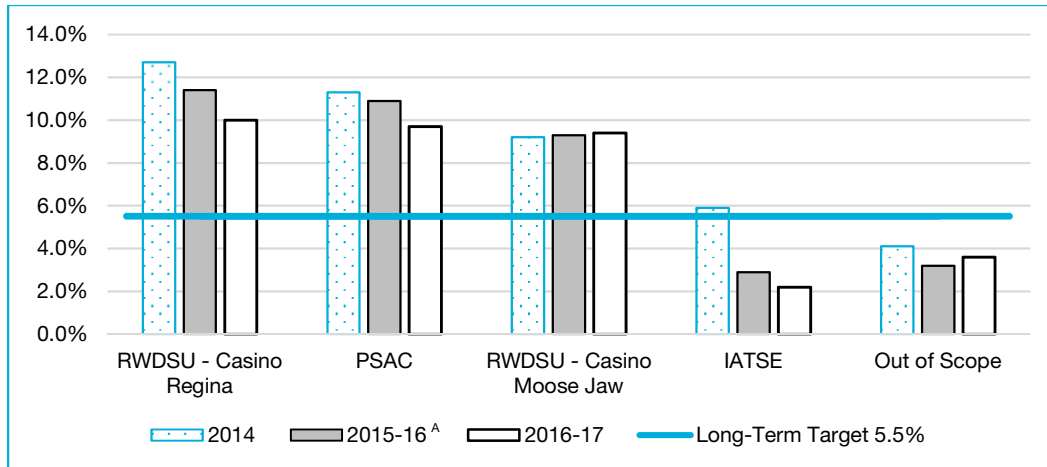
While SaskGaming management has assumed some root causes of absenteeism (e.g., shift work, non-traditional work hours, working with currency and the public, being a developmental employer), it had not determined whether actual absenteeism data supported these assumptions. Nor did it determine if additional unidentified root causes of absenteeism existed.



As described in **Section 4.7**, SaskGaming’s ability to do analysis, to some extent, was impeded by how and whether managers document their analysis of absenteeism for their department or area.

**Figure 8** shows the two largest employee groups (i.e., PSAC with 40% of total employees, and RWDSU-Casino Regina with 22% of total employees) have the highest absenteeism rates, but are showing improvement. Also, consistent with the Statistics Canada Study, absenteeism rates for the union employees are higher than for the out-of-scope employees.

**Figure 8—Long-Term Target and Actual Absenteeism Rates for 2014-2017 by Employee Group**



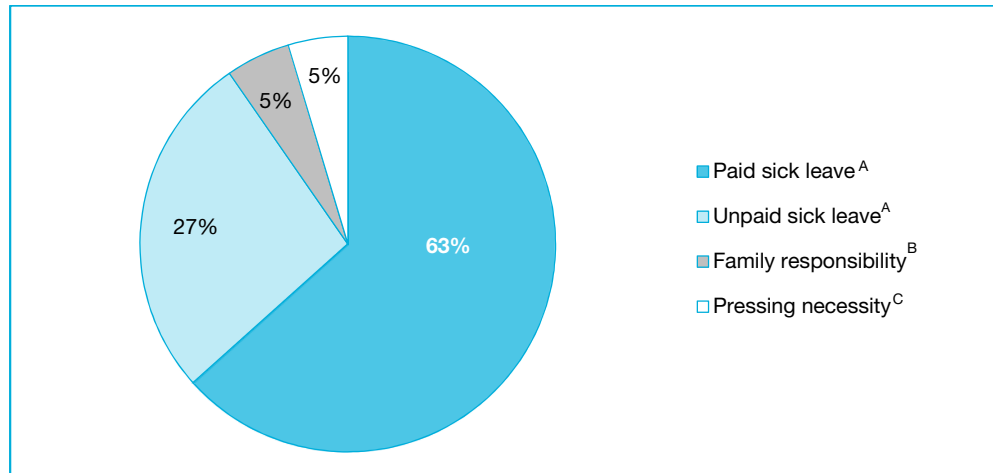
Source: Adapted from SaskGaming records (2017).

<sup>A</sup> In common with other CIC Crowns, in 2015-16, SaskGaming changed its fiscal year-end to March 31 from December 31. For 2015-16, the results are for the 15-month period January 1, 2015 to March 31, 2016.

By analyzing absenteeism data from August 2016 to July 2017, we found that almost two-thirds of SaskGaming absences related to sick leave with pay and about one-quarter to sick leave without pay (see **Figure 9**). We also found that four departments accounted for about half of all absences (Table Games: 24.2%, Beverage: 8.5%, Operations Security: 8.2%, Restaurant/Show Lounge: 7.9%). These four departments account for only 43% of all of SaskGaming’s employees. Improved employee work attendance for these departments could have a significant impact on improving SaskGaming’s overall absenteeism rate and reducing associated costs of absenteeism.

Analysis of year-over-year data by the types of absences and the departments and locations with higher levels of absenteeism could help SaskGaming direct time and resources to areas with high rates of absenteeism. Analyzing such trends and looking for patterns would help it confirm or determine root causes of absenteeism. This in turn, would help it determine and report to its Board whether existing strategies sufficiently address those root causes.

- We recommend that the Saskatchewan Gaming Corporation regularly analyze organization-wide employee attendance patterns and trends to help identify root causes of its employees’ absenteeism, and confirm its strategies address these causes.**

**Figure 9—SaskGaming Absenteeism Rates by Type of Leave (August 2016 to July 2017)**

Source: Adapted from SaskGaming records (2017).

<sup>A</sup> Sick leave includes bereavement leave.

<sup>B</sup> Family responsibility includes family illnesses or accidents, parent-teacher interviews, and pre-arranged medical or legal appointments.

<sup>C</sup> Pressing necessity absences are unforeseen circumstances characterized by adverse events over which the employee has little or no advance warning or control (e.g., fire or flood impacting an employee's primary residence, severe blizzard with road closures, vehicle breakdown where no alternative transportation is available).

## 4.9 Evaluation of Attendance Management Programs Anticipated

To monitor the success of its attendance management programming, SaskGaming regularly compares rates of actual absenteeism to targets. In addition, it expects to review its Managed Abilities Program.

SaskGaming, through its attendance management programming and monitoring against targets, recognizes employee absenteeism has real costs (additional wages and administrative costs) and can impact its staff morale and productivity.

SaskGaming's main strategy to handle absenteeism is its Attendance Support Program. SaskGaming used its overall absenteeism targets to measure the success of the Attendance Support Program in prior years when it had only one strategy. Management does not have a process to evaluate the success of the Attendance Support Program now that it has introduced additional strategies (e.g., Managed Abilities Program).

SaskGaming developed measures to help it evaluate the success of its Managed Abilities Program during its pilot in 2016-17. SaskGaming did not report to senior management and the Board on these measures at the end of the pilot as it determined these were not effective measures. In 2017-18, it worked with its service provider to develop a different set of measures. SaskGaming advised us that it expects to track these measures quarterly and review the Managed Abilities Program each year based on these measures. At July 2017, SaskGaming had not yet evaluated the Managed Abilities Program.

We found that SaskGaming adjusted strategies based on feedback from managers. Senior management and the Board of Directors reviewed and approved all adjustments.

As described in **Section 4.8**, analysis of trends and patterns of employee absenteeism may help SaskGaming confirm its strategies are minimizing absenteeism. This analysis



may also identify strategy improvements to help SaskGaming achieve its long-term target absenteeism rate of 5.5%.

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## Chapter 27

# Saskatchewan Housing Corporation – Providing Social Housing to Eligible Clients

### 1.0 MAIN POINTS

By law, the responsibilities of Saskatchewan Housing Corporation include promoting, encouraging, and undertaking activities to provide adequate housing options for Saskatchewan residents and to increase the affordability of housing for those in need.<sup>1</sup>

This chapter reports the results of our audit of processes SaskHousing uses to provide adequate social housing to eligible clients.

For the 12-month period ended July 31, 2017, SaskHousing had, other than the following, effective processes to provide adequate social housing to eligible clients. SaskHousing needs to:

- Have its housing authorities consistently follow its policies and procedures to calculate point scores (i.e., priority ratings) prior to placing applicants in suitable social housing, and record point scores in its provincial database. This would reduce the risk of biased decision-making and make sure applicants with the highest need are placed in housing units on a priority basis.
- Set timelines to notify applicants of decisions regarding program eligibility. This would reduce the risk that applicants may be living in housing that does not meet their needs longer than necessary.
- Have its housing authorities keep documentation that shows they based the assignment of applicants into social housing units on need. This information would also provide support for SaskHousing and housing authorities' decisions in the event of appeals.

### 2.0 INTRODUCTION

To help meet housing needs, SaskHousing, along with the Ministry of Social Services, offers several housing programs, services, and financial assistance to people with low to moderate incomes (e.g., seniors, families, people with disabilities). For example, they provide the affordable housing program, the senior housing program, and rental housing supplements.<sup>2</sup>

SaskHousing also provides affordable housing through its Social Housing Program. This Program provides subsidized rental housing to people who would otherwise not be able to afford safe, secure homes.<sup>3</sup>

<sup>1</sup> *The Saskatchewan Housing Corporation Act.*

<sup>2</sup> [www.saskatchewan.ca/residents/housing-and-renting/renting-and-leasing](http://www.saskatchewan.ca/residents/housing-and-renting/renting-and-leasing) (29 September 2017).

<sup>3</sup> Saskatchewan Housing Corporation, *The Housing Strategy for Saskatchewan Provincial Action Plan 2013-14*, p. 8.



## 2.1 SaskHousing's Social Housing Program

SaskHousing aims to help people most in need of housing support with its Social Housing Program. Its Social Housing Program provides subsidized rental housing through over 18,000<sup>4</sup> subsidized rental units in over 300 communities:

- To those who do not have the resources to otherwise rent adequate, suitable, and affordable housing (e.g., families, seniors)
- That may be more affordable and suitable than what is available in the community for those with accessibility needs (e.g., people with disabilities)

The Program is intended to serve low-income households. It gives priority to seniors (i.e., people 60 years of age and older), families with children or dependents, and people with disabilities. To be eligible to rent social housing, people:

- Must be legally allowed to be in Canada
- Have a gross income and household assets below maximum program limits<sup>5</sup>
- Able to live independently (or with support from family, community, or other agencies)<sup>6</sup>

SaskHousing sets rent at 30% of the household's income.<sup>7</sup> As a result, for seniors and people with disabilities who typically have limited changes in income, SaskHousing views its social housing as a long-term option. For families, because their household income is more apt to change, SaskHousing intends for social housing to be a shorter-term housing option. As families improve their economic circumstances and can afford housing in the private market, SaskHousing expects they will typically seek private rental housing or home ownership.<sup>8</sup>

In Saskatchewan, 260 local housing authorities locally manage and administer SaskHousing's housing programs and units. These authorities are agencies of SaskHousing with their own Government-appointed boards of directors. SaskHousing funds them.

Tenant rental revenue currently offsets most costs incurred by SaskHousing in delivering the Program. Direct operating costs for the 18,000 units fluctuate on an annual basis, ranging between \$104 million and \$112 million annually over the last two years.<sup>9</sup>

## 2.2 Importance of the Social Housing Program

Saskatchewan is a large geographic province with a relatively sparse population. It is experiencing an increasing amount of elderly people; economically and socially disadvantaged people; people with complex needs including mental health, drug and

<sup>4</sup> The number of units at July 2017.

<sup>5</sup> The *Social Housing Program Policy Manual* sets the current asset limits at \$250,000 for seniors and \$50,000 for families. Maximum household incomes depend on housing type (e.g., number of bedrooms, in an accessible unit) and currently range from \$36,500 for a tenant needing a single bedroom and having no disabilities, to \$76,400 for a family needing 4 or more bedrooms and having a disability.

<sup>6</sup> Saskatchewan Housing Corporation, *The Social Housing Program for applicants and tenants*, (2014), p. 2.

<sup>7</sup> *Ibid.*, p. 18.

<sup>8</sup> *Ibid.*, p. 1.

<sup>9</sup> Information provided by Saskatchewan Housing Corporation.



alcohol issues; and people with very low incomes. This shift has increased the cost and complexity of social housing requirements and tenancy management and services.<sup>10</sup>

Also, given the varied size of the population in large urban and small rural areas of the province, vacancy rates and housing needs vary between communities and within neighborhoods. For example, one neighborhood may have high vacancy rates, while another in the same community may have wait lists.

Furthermore, vacancy rates of social housing units, on an overall basis, are increasing. The average annual provincial vacancy rates for SaskHousing's Program has increased by 3.3% from 2014 to 2016 (see **Figure 1**). Growth in vacancy rates of housing units owned by SaskHousing may cause ineffective use of government resources.

**Figure 1 – Saskatchewan Housing Corporation's Average Provincial Vacancy Rates of Social Housing Units from 2014-2016**

| Year | Average Provincial Vacancy Rate |
|------|---------------------------------|
| 2014 | 10.1%                           |
| 2015 | 11.5%                           |
| 2016 | 13.4%                           |

Source: Information provided by Saskatchewan Housing Corporation.

Lack of access to social housing for those in the most need (i.e., low-income individuals, seniors, and disabled) can have a significant negative impact on their overall quality of life.

Adequate housing is essential for good health, employment, education, and community well-being. Without access to affordable housing, people may face homelessness or struggle to afford utilities, food, and other basic living costs. When people do not have a place to call home, life can be difficult. They are not able to achieve stability, plan for their future, or have a sense of belonging.<sup>11</sup>

### 3.0 AUDIT CONCLUSION

**We concluded that for the period August 1, 2016 to July 31, 2017, the Saskatchewan Housing Corporation had, other than the following, effective processes to provide adequate social housing to eligible clients. SaskHousing needs to:**

- **Have housing authorities consistently follow its policies and procedures to calculate point scores prior to placing applicants in suitable social housing**
- **Maintain accurate and complete point scores in its provincial database**
- **Set timelines for housing authorities to notify applicants of decisions regarding program eligibility in a timely manner**
- **Have housing authorities retain all documentation to show that the assignment of applicants into social housing units is based on need**

<sup>10</sup> Saskatchewan Housing Corporation, *The Social Housing Program for applicants and tenants*, (2014), p. 7.

<sup>11</sup> Ministry of Social Services, *Annual Report for 2015-16*, p. 6.

**Figure 2—Audit Objective, Criteria, and Approach**

**Audit Objective:** to assess the effectiveness of Saskatchewan Housing Corporation's processes for providing adequate social housing to eligible clients, for the period August 1, 2016 to July 31, 2017.

**Audit Criteria:**

Processes to:

1. Support use of the Social Housing Program
  - 1.1 Set out what constitutes adequate housing
  - 1.2 Forecast needs for social housing (e.g., location, type, features of social housing units) over the short and long term
  - 1.3 Support assigning and adapting social housing units equitably between locations and to those with the highest need
  - 1.4 Manage wait lists /waiting times for suitable housing
  - 1.5 Make the public aware of the current availability of social housing units, eligibility criteria, and method of assignment
2. Assign social housing units to eligible clients
  - 2.1 Assess eligibility of applicants within a reasonable period considering the priority of applicant's housing needs
  - 2.2 Match assessed needs of eligible clients (e.g., accessible for seniors and people with disabilities) to available units
  - 2.3 Advise applicant of assessment results within reasonable period
  - 2.4 Confirm appropriateness of rent rates regularly
  - 2.5 House eligible clients with the highest priority
3. Monitor whether program meets needs for social housing
  - 3.1 Conduct gap analysis (demand for housing to availability and housing supply)
  - 3.2 Analyze whether desired outcomes (e.g., vacancy rates, wait lists) are being achieved
  - 3.3 Adapt housing supply and eligibility criteria to manage forecasted needs over the short and long term
  - 3.4 Communicate results to the Board, senior management, and the public

**Audit Approach:**

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (CSAE 3001). To evaluate SaskHousing's processes, we used criteria based on our related work, reviews of the literature including reports of other auditors, and consultations with management. SaskHousing's management agreed with the criteria.

We did not audit other housing programs delivered by SaskHousing (e.g., Life Lease Housing for Seniors and Affordable Housing Program in rural and northern communities). Nor did we examine housing programs administered by non-profit groups, Métis and First Nation housing providers, co-operatives, and private property owners who own and manage low- and moderate-income housing on behalf of SaskHousing.

We examined SaskHousing's Social Housing policies and procedures, various monitoring reports (e.g., number of applicants waiting for a home and number of vacant units by region and reports to the Board of Directors), standard forms (e.g., application, prioritization, rent calculation forms), promotional material (e.g., newspaper advertisements, lawn signs), and other relevant documents. We also visited six housing authorities to interview staff (e.g., local managers and program operators), and tested a sample of tenant files.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 2**.

### 4.1 Social Housing Program Supported

SaskHousing supports the use of the Social Housing Program.

SaskHousing has defined adequate social housing for Saskatchewan and has adopted Canada Mortgage and Housing Corporation's definitions. Housing must be:

- Affordable (e.g., rent is less than or equal to 30% of the household's income)

- Suitable in size (e.g., the appropriate number of bedrooms for the size of family)
- Adequate in its state of repair (e.g., housing is not in need of major repairs such as defective plumbing or electrical wiring)

Policies exist to guide housing authorities in delivering the Program. SaskHousing expects staff to apply these policies when implementing the Program on its behalf.

It provides housing authorities with:

- Worksheets – to guide, for example, calculating income-subsidized rent and annually recalculating rent
- Detailed case examples – to guide rent calculations in varying situations (e.g., fluctuating incomes)
- Letter templates to issue in various situations (e.g., notice of lease expiry, notice requiring updated income information)

SaskHousing is in regular contact with the local housing authorities, keeping staff informed of Program and policy changes. It organizes bi-annual meetings with management of the authorities. These meetings support the Program by serving as a venue for exchanging ideas and information. They also help keep SaskHousing and authorities informed of current issues, changes and trends, and Program or policy updates SaskHousing is introducing or considering.

SaskHousing and housing authorities advertise the Program to the public (e.g., potential tenants) in ways suitable to their community (e.g., newspaper ads, lawn signs, pamphlets, websites). Housing authorities also promote the Program with local not-for-profit groups (e.g., Open Door Society).

## 4.2 Scoring and Prioritization Inconsistent

Not all authorities are following SaskHousing's applicant prioritization process (e.g., application form, needs scoring exercise). Also, inconsistencies between the scores in SaskHousing's provincial database and those kept by the housing authorities exist.

### The Application Process

SaskHousing has developed a standard application form that interested applicants must complete, sign, and return to a housing authority for consideration. The form collects all of the required information needed to assess an applicant's eligibility (e.g., household income, assets, rental history, references).

Staff are to calculate the applicant's points score using a standard form based on the information from the application. The points score provides an objective numerical score based on the applicant's core needs (affordability, suitability, and adequacy of current shelter). For example, applicants in domestic abuse situations are given the maximum score and ranked highest priority.



Authorities are to use point scores to prioritize placement of applicants, for example, placing the highest scoring applicants into the first suitable available unit.

Housing authorities are to enter the point scores into SaskHousing's provincial database.

### **Prioritizing Applicants Not Consistent**

Housing authorities are not applying the point score process consistently and not always entering the correct score into SaskHousing's provincial database.

Approximately one in five of the files we tested had no point scores calculated. When comparing point scores in a tenant file with that in the provincial database, approximately half of the scores we tested did not match. Differences in point scores ranged from 8% to 214%.

Managers from the housing authorities we visited also described variations in local practice in use of the point score process. For example, in one location, staff entered the preliminary point scores into the provincial database (determined based on information in the application). Staff would then gather more information (e.g., from a home visit or applicant interview). Using the additional information, staff would adjust the applicant's point score recorded in the applicant's file and in the housing authority's own tracking system (e.g., in an excel spreadsheet). However, staff would not always update the scores previously entered into the provincial database. As a result, the scores (excel spreadsheet and provincial database) differed.

In other housing authorities we visited, we found staff did not calculate applicant point scores. Management indicated they did not calculate a point score and simply placed the only approved applicant because the housing authority had high vacancy rates and no other applicants at the same time.

In another location, however, managers described occasions where the housing authority had a vacancy and a small group of applicants with very similar scores. Management stated the decision as to who to offer a unit to did not rely solely on the point score. Instead, the local board reviewed the applications, discussed the applicants, and selected the priority applicant. The housing authority did not keep documentation to corroborate why it placed one applicant before another.

Not following SaskHousing's process to place applicants using point scores may result in biased decision-making and the applicant with the highest need not being placed on a priority basis. Also, not consistently calculating point scores and entering them into the database results in inaccurate information in the provincial database. As SaskHousing uses data in the database to analyze the Program, inaccurate data may limit monitoring, planning, and decision-making.

- 1. We recommend that the Saskatchewan Housing Corporation have its housing authorities follow its policies to calculate point scores prior to placing applicants in suitable social housing.**
- 2. We recommend that the Saskatchewan Housing Corporation maintain accurate and complete point score data for social housing in its provincial database.**

### 4.3 Document-retention Guidance and Timelines for Application Assessments Needed

SaskHousing has not set timelines for completing assessments of Social Housing Program applications, nor has it identified what key documentation staff should keep.

SaskHousing has not set time limits for when housing authority staff inform applicants of the results of assessments of the Social Housing Program applications (i.e., whether they are rejected or approved). We found, for the applicants tested, authorities took between one day and five months to complete the assessment of the application. For 30% of the applicants tested, the authorities did not have documented evidence of when it completed the assessment. We also found for 26% of the files tested, the authorities did not document when its staff informed an applicant they were accepted into the Program.

Applicants are in a vulnerable situation when seeking social housing. Not setting timelines for completing assessments and informing the applicant of the results increases the risk that applicants may be living in housing that does not meet their needs for longer than necessary.

3. We recommend that the Saskatchewan Housing Corporation set timelines to assess applications for social housing and notify applicants of decisions regarding program eligibility.

We found that the housing authorities do not keep all the documentation to support the decisions made about applicants to the Social Housing Program. For example, the authorities do not retain the listing of all applicants and their point scores at the time of an individual's placement. Once an individual is placed in housing, the housing authority removes that individual from the list. Therefore, authorities could not show that they always assigned the highest priority applicant to a suitable available unit.

Without retaining all documentation to support decisions, neither the housing authorities nor SaskHousing can verify the appropriateness of a placement in a social housing unit, such as in an appeal.

4. We recommend that the Saskatchewan Housing Corporation require housing authorities to retain documentation to verify applicants are offered social housing units based on their point score priority.

### 4.4 Housing Authorities Manage Waitlists

Housing authorities actively track the number of applicants waiting for housing units.

At July 2017 on an overall basis for units managed by its 24 larger housing authorities, other than applicants waiting for a single unit, there were more vacant units than approved applicants on a wait list (see **Figure 3** for details). Larger housing authorities manage about 65% of the 18,000 social housing units. See **Section 5.0** for the listing of the larger housing authorities and the total number of units at July 2017.

**Figure 3—Approved Applicants Compared to Uncommitted Units by Housing Type for Units Managed by Larger Housing Authorities at July 2017**

| Housing Type | Total Number of Approved Applicants | % of Approved Applicants | Number of Vacant Units Uncommitted | % of Vacant Units Uncommitted <sup>A</sup> |
|--------------|-------------------------------------|--------------------------|------------------------------------|--|
| Senior       | 238                                 | 32                       | 573                                | 52   |
| Family       | 436                                 | 58                       | 510                                | 47   |
| Single       | 67                                  | 9                        | 14                                 | 1  |
| Total        | 741                                 | 100                      | 1,097                              | 100  |

Source: Saskatchewan Housing Corporation's Operations Summary Report.

<sup>A</sup>Percentage equals number of vacant units uncommitted by type divided by total number of uncommitted units.

Through the application process, applicants identify buildings (e.g., apartment, townhouse) or areas of communities where they would like to live. Housing authorities try to place the applicant in their preferred building or area. Where it is not possible, applicants may end up waiting. There are three reasons that an applicant may wait for a housing unit:

- The unit or community area they want has no vacancies
- A unit is available, but the applicant refuses the unit because it does not meet their preferences (e.g., no parking space, they do not like the school that their children would have to attend)
- A unit is available but it does not meet the applicant's needs (e.g., a family needs a three bedroom unit but there are none available)

## 4.5 Tenants Needs Met

Housing authorities place approved individuals in housing units to match the individuals' needs.

After the housing authorities assessed applicants, we found the housing authorities placed individuals in suitable housing units that met their needs (e.g., the appropriate number of bedrooms for family size, wheelchair accessible). The housing authorities put the onus on the tenants to inform them if specific housing needs change after placement (e.g., birth of a child, someone moves out).

The housing authorities work to accommodate changing needs by moving the tenant to a different unit or adapting their existing unit, if possible. For example, one housing authority granted approval to a tenant, with conditions attached, to install a ceiling track in the housing unit to help with mobility issues.

SaskHousing regularly surveys tenants<sup>12</sup> to help identify areas for improvement (e.g., adaptations to units needed). In 2016, SaskHousing reported that 83% of tenants surveyed were satisfied with their housing.<sup>13</sup> By 2018, SaskHousing wants a 90% tenant satisfaction rating.

<sup>12</sup> Tenant Satisfaction measures the percentage of tenants living in SaskHousing's housing portfolio that are either satisfied or very satisfied with their housing and the services received from the housing authorities. In addition to gauging tenant satisfaction, these surveys also give tenants an opportunity to provide feedback regarding their housing and the services provided. (Source: SaskHousing 2016 Annual Report).

<sup>13</sup> Saskatchewan Housing Corporation, *Annual Report for 2016*, p. 13.

## 4.6 Rent Reviews Conducted

Housing authorities complete annual rent reviews for all tenants, as expected.

SaskHousing calculates monthly rent based on 30% of the tenant's income with prescribed minimum and maximum rents. It cannot charge less than the minimum rent (i.e., \$326), nor can it charge more than the applicable maximum unit rent. For example, in the larger centres (e.g., Regina, Saskatoon), the maximum rent for a four bedroom single-family dwelling is \$1,700 per month.

Each year, housing authorities must review each tenant's rent to ensure the tenant is charged the appropriate amount. During these reviews, the housing authorities assess each tenant's income and current rent and verify the reported income with documentation (e.g., income tax, employer issued pay stubs).<sup>14</sup> The housing authorities adjust tenant's rents to reflect changes in circumstances (e.g., change in income).

Of the tenant files we tested, 90% had the rent reviews calculated within the last 12 months. For the remaining files, the housing authorities completed the reviews one to four months late. Authorities were late because of reasons such as tenant delay in providing required information or shifting review dates to align with the timing of other tenants' renewals (i.e., reviewing rent for all tenants in the same building at the same time).

For all tenant files tested, authorities calculated rent appropriately, and appropriately adjusted rent to accommodate mid-year income reductions.

## 4.7 SaskHousing Monitors and Forecasts Housing Needs

SaskHousing routinely monitors housing needs and gaps using a variety of tools.

### Operational Reviews Conducted

SaskHousing and housing authorities complete, on a rotational basis (i.e., every four to five years), operational reviews at each of the housing authorities. The operational reviews provide SaskHousing with outcome data in terms of its ability to meet the broader goals of its Program along with how well a housing authority is performing.

Operational reviews include SaskHousing staff visiting the housing authorities and completing detailed reviews of their local operations. They assess how well the authority is performing and identify areas for improvement. They interview local authority staff and Board members and survey tenants. Through self-reported data from tenants, SaskHousing assesses how well it is helping to provide safe and adequate housing to those who would otherwise not be able to afford such a home. As noted in **Section 4.5**, in 2016, 83% of tenants were satisfied with their housing.

Also, SaskHousing uses the documented findings to identify operational and strategic improvements, make plans, and verify housing authority compliance with SaskHousing policies and procedures.

<sup>14</sup> Tenants are required to send the housing authorities support for their income. If tenants do not comply, the housing authorities can evict them.



## Smaller Authorities Analyzed

SaskHousing periodically analyzes vacancies of smaller housing authorities.

SaskHousing has about 230 housing authorities with fewer than 300 units each (e.g., Regina Beach, Broadview, Wakaw).

In 2016, SaskHousing completed an analysis of communities that were experiencing long-term vacancies. SaskHousing identified 34 communities with a population of less than 300 where there are chronic vacancies of over 30%. SaskHousing developed options for addressing these vacancies. In June 2017, management presented these options to the SaskHousing Board and the Board decided to sell certain housing units.

## Vacancies at Large Housing Authorities Monitored

SaskHousing reviews regular reports (i.e., monthly and quarterly) from its 24 larger housing authorities. These reports track local demand and availability. These reports set out information such as:

- The total number of units available by type (e.g., senior, family, single)
- The total number of vacant units by type
- Of the vacant units, the number of units committed (i.e., the unit has been assigned to an individual, but the individual has not moved in yet), and the number of units uncommitted (i.e., remains vacant)

At July 2017, the housing authorities have vacant units for each type of housing (i.e., senior, family, and single). See **Figure 4** for the total number of units and the number of vacancies by housing type for the larger housing authorities as of July 2017.

**Figure 4—Total Number of Units and Vacant Units by Housing Type as of July 2017**

| Housing Type | Total Number of Units | Vacant Number of Units | Number of Vacant Units Committed | Number of Vacant Units Uncommitted |
|--------------|-----------------------|------------------------|----------------------------------|------------------------------------|
| Senior       | 6,091                 | 679                    | 106                              | 573                                |
| Family       | 4,634                 | 697                    | 187                              | 510                                |
| Single       | 360                   | 16                     | 2                                | 14                                 |

Source: Saskatchewan Housing Authority Operations Summary Report.

SaskHousing uses the information in these reports to monitor housing supply and current demand (e.g., vacancy rates and numbers of applicants awaiting placement) across its housing authorities, communities, and housing type.

It also monitors trends in national, provincial, and local housing data (e.g., market rents and vacancy rates) and then uses this information to help it forecast short and long-term Program demand.



## Social Housing Analyzed

SaskHousing completes an annual review of social housing in the province. This review describes relevant internal and external factors that can affect the Program. For example, the 2016 review looked at the provincial housing market, economic and demographic trends and changes, and internal challenges to its business (e.g., weaknesses with the provincial database, high turnover among housing authority management, challenges to its public reputation from high-profile cases of bed bugs and disrepair).

## 4.8 Key Results Communicated

The Board and public receive key information about the Social Housing Program.

Each quarter, the Board receives updates on key performance indicators related to social housing, such as vacancy rates, the number of approved applicants on the waitlist by type of housing, lone-parent families in social housing as a percentage of total tenants in the family portfolio, and non-senior singles as a percentage of total tenants in SaskHousing's total portfolio. In addition, it periodically receives the tenant satisfaction results.

SaskHousing uses private market vacancy rates, and tenant satisfaction to measure the success of its Social Housing Program. It uses its annual report to advise the public of its results using these key measures, and to highlight key activities related to social housing undertaken or planned. For example, SaskHousing's *2016 Annual Report* reported private market vacancy rates<sup>15</sup> in all but one of Saskatchewan's ten largest communities remained above the balanced range and 83% of tenants surveyed reported being satisfied with their housing.<sup>16</sup>

The Ministry of Social Services also advises the public about SaskHousing's Social Housing Program. For example, the Ministry of Social Services *2016-17 Annual Report* discusses the Ministry's Better Use policy used to evaluate SaskHousing properties with chronic vacancies to find ways to best use its existing housing assets, and shared the results of SaskHousing 2016 tenant survey.

## 5.0 TOTAL NUMBER OF SOCIAL HOUSING UNITS BY HOUSING AUTHORITY IN LARGE COMMUNITIES

| Housing Authority | Total Number of Social Housing Units |
|-------------------|--------------------------------------|
| Battleford        | 599                                  |
| Canora            | 104                                  |
| Esterhazy         | 116                                  |
| Estevan           | 293                                  |
| Humboldt          | 174                                  |

<sup>15</sup> Vacancy Rates measure the number of market rental units that are vacant and ready to be rented in relation to the total number of units. Generally, vacancy rates of between 2.5 to 3.5% are considered a balanced market. A balanced rental market is one that allows a variety of choice for renters but also a fair rate of return on investments for landlords. (Source: SaskHousing *2016 Annual Report*).

<sup>16</sup> <http://publications.gov.sk.ca/documents/17/98611-2016-SHC-Annual-Report.pdf> p. 9. (27 September 2017).



| Housing Authority                            | Total Number of Social Housing Units |
|--|--------------------------------------|
| Kindersley                                   | 106                                  |
| Lloydminster                                 | 194                                  |
| Martensville                                 | 15                                   |
| Meadow Lake                                  | 209                                  |
| Melfort                                      | 203                                  |
| Melville                                     | 164                                  |
| Moose Jaw                                    | 848                                  |
| Moosomin                                     | 132                                  |
| Nipawin                                      | 217                                  |
| Outlook                                      | 115                                  |
| Prince Albert                                | 953                                  |
| Regina                                       | 2,978                                |
| Rosetown                                     | 105                                  |
| Saskatoon                                    | 2,449                                |
| Swift Current                                | 312                                  |
| Tisdale                                      | 167                                  |
| Warman                                       | 52                                   |
| Weyburn                                      | 315                                  |
| Yorkton                                      | 265                                  |
| Total number of units by largest communities | 11,085                               |

Source: Saskatchewan Housing Corporation Operations Summary Report as of July 2017.

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## Audit Follow Ups

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## Chapter 28

# Advanced Education – Managing Risks Related to its One Client Service Model System

### 1.0 MAIN POINTS

By July 2017, the Ministry of Advanced Education had partially implemented the three recommendations related to managing risks related to its unsupported critical IT system, the One Client Service Model (OCSM) system. At July 31, 2017, the OCSM system hardware and software were vendor supported. The Ministry was negotiating changes to its service-level agreement with the Ministry of Central Services to address the outstanding recommendations. The Ministry is requesting periodic information from the Ministry of Central Services to enable it to analyze risks to the OCSM system, develop plans for upgrading and patching IT infrastructure, and outline responsibilities for upgrading and patching IT infrastructure.

### 2.0 INTRODUCTION

This chapter describes our follow up of management's actions on the recommendations we made in 2015. In 2015, we assessed the Ministry's processes to manage risks related to the OCSM system. Our *2015 Report – Volume 2*, Chapter 32 concluded that for the 12-month period ended August 31, 2015, the Ministry of Advanced Education had, except for the three areas reflected in our recommendations, effective processes to manage the risks to service delivery from its unsupported critical IT system, the OCSM system.

The OCSM system is used to deliver key post-secondary services of the Ministry, certain post-secondary institutions,<sup>1</sup> and the Ministry of the Economy. Key post-secondary services include student financial assistance, training programs, registration services and employment-related counselling.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

To carry out our audit engagement, we interviewed Ministry staff, reviewed committee minutes and relevant documents, and assessed the reasonableness of supporting documentation.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the

<sup>1</sup> Post-secondary institutions that use the OCSM system include the seven regional colleges, the Association of Regional Colleges, Saskatchewan Apprenticeship and Trade Certification Commission, and Gabriel Dumont Institute.



recommendation at July 31, 2017, and the Ministry's actions up to that date. We found that the Ministry has partially implemented our recommendations.

### 3.1 Updates to Service Level Agreement to Address Recommendations Not Complete

***We recommended that, to analyze risks and make decisions about its One Client Service Model system, the Ministry of Advanced Education periodically obtain information about its One Client Service Model system's:***

- ***Indirect costs***
- ***Information technology infrastructure end of life or end of support dates***
- ***Estimated information technology infrastructure upgrade costs to maintain vendor support*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Partially Implemented

***We recommended that the Ministry of Advanced Education develop and implement a plan, over the One Client Service Model system's expected remaining life, for upgrading and patching the information technology infrastructure on which the system resides.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Partially Implemented

***We recommended that the service level agreement between the Ministry of Advanced Education and the Ministry of Central Services clearly outline responsibility for upgrading and patching the information technology infrastructure on which the One Client Service Model system resides and the associated costs.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Partially Implemented

At July 2017, the OCSM system hardware and software were vendor supported<sup>2</sup> but the Ministry had not yet finalized a plan for upgrading and patching IT infrastructure over the system's expected remaining life.

Since our 2015 audit, the Ministry received information from the Ministry of Central Services (its IT service provider) on the OCSM system's IT infrastructure end of life or end of support dates, and IT infrastructure costs to upgrade the OCSM system to its current vendor-supported state. The Ministry requested from Central Services information on indirect costs (such as costs to repair the OCSM system's IT infrastructure), but had not received it.

<sup>2</sup> Vendor supported means that its vendor will provide technical support and updates to fix known security problems or vulnerabilities.

Also, as of July 2017, the Ministry was negotiating changes to its IT service-level agreement with Central Services. It was requesting that an appendix to the current agreement include the following:

- Central Services periodically provide the Ministry with information on the OCSM system's IT infrastructure end of life or end of support dates, and estimated costs for upgrading and patching the IT infrastructure to maintain vendor support
- Central Services and the Ministry work together to develop upgrading and patching plans to maintain the OCSM system in a current vendor supported state
- The specific responsibilities for upgrading and patching of IT infrastructure and for the associated costs of the Ministry and Central Services, respectively



## Chapter 29

# Agriculture—Regulating Livestock Waste

### 1.0 MAIN POINTS

By April 2017, the Ministry of Agriculture made good progress in addressing the one outstanding recommendation we initially made in 2013 related to our audit of the processes to regulate livestock waste. It reviewed and confirmed the existence and operational status of intensive livestock operations that it had permitted for operations before 1996 (pre-1996). It was working to have non-compliant operations implement sufficient controls to protect water resources. However, site inspections are still required to verify the compliance of the remaining 7% of intensive livestock operations confirmed to be operating.

### 2.0 INTRODUCTION

The Ministry is responsible for administering the intensive livestock provisions under *The Agricultural Operations Act* and regulations to ensure intensive livestock operations store and manage livestock waste in a manner that protects water resources.

Our *2013 Report – Volume 2*, Chapter 28 concluded that the Ministry had effective processes to regulate waste generated from livestock operations, except for a few areas. We made three recommendations.

Our first follow-up concluded, by July 15, 2015, the Ministry had implemented two of the three recommendations, and partially implemented the remaining one.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendation, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

We interviewed Ministry staff responsible for livestock waste regulation and discussed the actions taken to address the recommendation. We also obtained, reviewed and assessed the adequacy of documentation on the work being done to implement the outstanding recommendation.

### 3.0 STATUS OF RECOMMENDATION

This section sets out the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at April 30, 2017, and the Ministry's actions up to that date.





### 3.1 Good Progress Made in Regulating Pre-1996 Intensive Livestock Operations

***We recommended that the Ministry of Agriculture confirm that intensive livestock operations, that it approved prior to 1996, have sufficient controls to protect water resources.*** (2013 Report – Volume 2; Public Accounts Committee agreement November 26, 2014)

**Status** – Partially Implemented

While the Ministry has made good progress in reviewing and confirming that pre-1996 intensive livestock operations have sufficient controls to protect water resources, it had not verified the compliance of 7% of those operations with approved permits, and was working with another 17% to have them comply with approved permits.

At April 2017, it identified 812 farms with one or more valid pre-1996 approvals, and confirmed 331 intensive livestock operations with a pre-1996 approval were operating.

At April 2017, 927 pre-1996 approvals had been cancelled. Approvals are cancelled when plans have changed and a new approval is issued or when operations have ceased and the owners do not have plans to potentially operate the intensive livestock operation again.

The Ministry's regional staff worked with non-compliant pre-1996 operating intensive livestock operations to implement sufficient controls. Ministry management verifies that operations are in compliance with the Ministry-approved permits and have sufficient controls (e.g., earthen manure storage structures, runoff control dikes and ditches, holding ponds, liner systems).<sup>1</sup> It found 76% of the operating intensive livestock operations complied with approved permits and 17% did not.

By April 2017, the Ministry had not confirmed compliance with approved permits for 7% of operations with a pre-1996 approval. It expects to complete its work for the remaining 7% of the pre-1996 intensive livestock operations by March 31, 2018.

Adequate waste storage is key to protecting groundwater and surface water from potential contamination. The pre-1996 operating intensive livestock operations need to be reassessed to ensure sufficient controls are in place to mitigate environmental risk.

<sup>1</sup> The Ministry requires intensive livestock operators to submit an application to the Ministry for approval of their proposed waste storage plan. Once the Ministry has considered the size of the operations, collected site information (e.g., topographic maps) and completes a site visit, it approves the plan/permit if sufficient controls for waste management are in place.

## Chapter 30

# eHealth Saskatchewan – Protecting Patient Information in the Saskatchewan Lab Results Repository

### 1.0 MAIN POINTS

eHealth Saskatchewan is responsible for the provincial electronic health records (eHR), and the means by which healthcare providers access the electronic health information.

Electronically sharing health information presents security risks, including potentially inappropriate access to patient information. eHealth is responsible for protecting patient information in Saskatchewan Lab Results Repository (SLRR)—which forms part of the provincial eHR.

By August 2017, eHealth had fully addressed two of the five recommendations originally made in our 2015 audit of protecting patient information in the SLRR.

Since our 2015 audit, eHealth better supported removal of unneeded user access to patient data in electronic health records and enhanced ways to identify inappropriate access to lab results. But, more work remains to protect patient information. eHealth continues to need to:

- Establish a process to confirm access given to SLRR users remains appropriate
- Update its SLRR systems for critical vulnerabilities within a reasonable timeframe
- Follow its password expiry policy for privileged accounts that access SLRR

### 2.0 INTRODUCTION

Our *2015 Report – Volume 1*, Chapter 10 concluded that for the 12-month period ended March 31, 2015, eHealth had effective processes to secure patient information in SLRR other than matters reflected in our five recommendations.

This chapter describes our follow up of management's actions on those five recommendations.

SLRR is one of several repositories that form part of Saskatchewan's electronic health records. Besides lab results, the electronic health records (patient information) include:

- Medication information
- Immunization information
- Discharge summaries
- Medical imaging reports
- Clinical encounters



- Structured medical records
- Chronic disease information<sup>1</sup>

eHealth gives certain health care providers access to this data through eHR Viewer. eHR Viewer is a secure website that authorized health care providers can use to access patient information, no matter where a patient goes for care.<sup>2</sup>

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate eHealth’s progress towards meeting our recommendations, we used the relevant criteria from the original audit. eHealth’s management agreed with the criteria in the original audit.

We reviewed and assessed related reports, policies, and IT system settings with eHealth officials. We tested a sample of user account requests.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at August 31, 2017, and eHealth’s actions up to that date.

eHealth implemented two recommendations and made progress on two of the other three recommendations.

### 3.1 Reports Developed to Support Detection of Inappropriate Access

***We recommended that eHealth Saskatchewan assess risks of inappropriate access to lab results in the Saskatchewan Lab Results Repository and set up alerts to enable timely detection.*** (2015 Report – Volume 1; Public Accounts Committee agreement January 13, 2016)

**Status** – Implemented

Since our 2015 report, eHealth started collaborating with the regional health authorities to help identify risks of potentially inappropriate access to electronic health records.

eHealth continues to monitor instances where a user of eHR Viewer accesses patient data that is masked—meaning the patient has requested that their data only be viewed in special circumstances. eHealth also monitors when users from the Saskatchewan Disease Control Laboratory access non-SLRR data.

In 2016, eHealth started using a new electronic privacy audit and monitoring tool. Working with privacy officers at regional health authorities, they identified risks associated with potentially inappropriate access and eHealth developed related reports. As a result, at October 2017, the tool could generate reports outlining the following:

<sup>1</sup> [www.ehealthsask.ca/services/ehr-viewer](http://www.ehealthsask.ca/services/ehr-viewer) (16 October 2017).

<sup>2</sup> Ibid.

- Instances when a user of the eHR Viewer has accessed a medical profile of a patient with the same last name
- Trends in the number of patient records accessed in the eHR Viewer on a daily basis compared to expected daily averages
- Patients looked up after discharge

By using these reports, regional health authorities can further analyze the list of potential instances of inappropriate access.

In April 2017, eHealth formed a privacy audit and monitoring working group consisting of eHealth and officials from six regional health authorities. The group is to develop further enhancements to the privacy audit and monitoring tool, and identify specific events to monitor. By October 2017, the group had met several times. Future enhancements will continue to increase the effectiveness of detecting and investigating potential inappropriate access to patient data.

### 3.2 User Access Removed Timely but Policy Still Required to Confirm Access Periodically

***We recommended that eHealth Saskatchewan implement a policy to require prompt removal of user access to eHR Viewer upon request.*** (2015

Report – Volume 1; Public Accounts Committee agreement January 13, 2016)

**Status** – Implemented

eHealth has, through its service level agreements, established a turnaround time for removing eHR Viewer user access once requested.

Service level agreements between eHealth and its clients (e.g., regional health authorities) outline user account request turnaround targets (i.e., five days).

We tested a sample of user access requests and found eHealth processed requests in accordance with its turnaround targets.

***We recommended that eHealth Saskatchewan implement a policy to confirm periodically with healthcare organizations that existing users have appropriate access to the Saskatchewan Lab Results Repository through the eHR Viewer.*** (2015 Report – Volume 1; Public Accounts Committee

agreement January 13, 2016)

**Status** – Partially Implemented

eHealth began working towards periodically confirming users have appropriate access to SLRR.

In 2015, eHealth provided a list of eHR Viewer users to user account approvers to confirm appropriateness of access. eHealth has since been working on refining the report accuracy, and intends to confirm the list of users in 2017-18 and annually going forward.



Not requiring a periodic review of existing users increases the risk that users who no longer require access continue to have the ability to view confidential patient data.

### 3.3 Passwords Not Changed Periodically for Accounts with Privileged Access

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*We recommended that eHealth Saskatchewan follow its password expiry policy for privileged user accounts that access the Saskatchewan Lab Results Repository.* (2015 Report – Volume 1; Public Accounts Committee agreement January 13, 2016)

**Status** – Not Implemented

Contrary to its password expiry policy, eHealth continues to have accounts with privileged access (e.g., system administrator accounts) to SLRR with passwords that do not expire. Users with privileged IT access are able to change systems or data that ordinary users are not. Not using passwords that expire increases the risk that a password may be compromised and/or a system breached.

### 3.4 Available Security Updates to System Not Applied within a Reasonable Timeframe

---

*We recommended that eHealth Saskatchewan properly configure and update, on a timely basis, its Saskatchewan Lab Results Repository systems for critical vulnerabilities.* (2015 Report – Volume 1; Public Accounts Committee agreement January 13, 2016)

**Status** – Partially Implemented

eHealth has not updated its SLRR systems within a reasonable timeframe. As of August 2017, eHealth has not applied certain updates available since 2012 to its SLRR systems. eHealth did not have a documented risk analysis to explain why it did not do so.

eHealth applies security patches to servers that support SLRR within a reasonable period.

Not updating the SLRR systems within a reasonable period increases the risk of unauthorized access to eHealth's systems and data.

## Chapter 31

# Environment – Regulating Industrial Wastewater

### 1.0 MAIN POINTS

By July 2017, the Ministry of Environment had improved its processes to regulate industrial wastewater systems by implementing all four recommendations made in our 2015 audit of this area.

Since our 2015 audit, the Ministry implemented a new IT system to centralize inspection results and help monitor inspection frequency. It developed a new inspection guideline to help staff document inspection results consistently. It started to routinely prepare environmental compliance reports for high and extreme risk industrial wastewater systems. These reports document whether permit or legislative requirements were met and identified problems. In addition, its public reporting includes better information about its inspection activities and industrial wastewater operators' compliance with permit requirements.

Active regulation by the Ministry helps reduce the risk of industrial wastewater causing harm to human health and ecosystems.

### 2.0 INTRODUCTION

The Ministry of Environment is responsible for regulating industrial wastewater under *The Environmental Management and Protection Act, 2010*.

This chapter describes our follow up of management's actions on the recommendations we made in 2015. Our *2015 Report – Volume 1*, Chapter 11 concluded that, for the period of January 1, 2014 to December 31, 2014, the Ministry had effective processes to regulate industrial wastewater systems except for the areas related to the four recommendations made.

Industrial activities (e.g., mining) generate wastewater. Industrial wastewater can contain various contaminants that are harmful to human health and ecosystems. Provincial laws are in place to limit risks posed by these contaminants. For example, they require industrial site owners to have wastewater systems that reduce the negative impacts of industrial wastewater.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit.

We interviewed Ministry staff responsible for industrial wastewater regulation and discussed the actions taken to address the recommendations. We also obtained, reviewed, and assessed the adequacy of documentation (e.g., inspection reports) on the work being done to implement each outstanding recommendation.



## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at July 31, 2017, and the Ministry's actions up to that date. We found that the Ministry had fully implemented our recommendations.

### 3.1 Up-to-Date Records Kept on Inspection Frequency

***We recommended that the Ministry of Environment keep up-to-date records on the frequency of its inspections of industrial wastewater systems.*** (2015 Report – Volume 1; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

Since December 2014 (the time of our audit), the Ministry created an IT system, called the Customer Relationship Management System, to help it keep up-to-date records on the frequency of inspections and to facilitate monitoring of inspections. We found the Ministry had up-to-date information on inspections performed in this system.

The new IT system tracks and stores records on the frequency and outcome of the Ministry's inspections of industrial wastewater systems. This IT system also stores electronic versions of the related inspection reports.

The Ministry can produce reports from this new system to help it determine the frequency of which inspections have occurred on each industrial site. In addition, using the new system, the Ministry can easily review the findings from inspections and confirm that information in the system corresponds with supporting manual documents.

By having the ability to run these system-generated reports, the Ministry can more efficiently monitor whether inspections have occurred as often as required per *The Environmental Management and Protection Act, 2010* or any of its regulations such as *The Mineral Industry Environmental Protection Regulations, 1996* and take corrective action as needed.

### 3.2 Identification of Non-Compliance and Reporting of Enforcement Action Improved

**Non-Compliance Clearly Identified**

***We recommended that the Ministry of Environment require its staff to clearly document, for each industrial wastewater system inspected, the results of inspections as compared to the Ministry's permit requirements.*** (2015 Report – Volume 1; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

The Ministry has provided its staff (Environmental Protection Officers) with better direction on documenting the results of inspections of industrial wastewater systems.

In July 2016, the Ministry released a Field Inspection Guideline. This Guideline provided Environmental Protection Officers with direction on completing and reporting on inspections.

The Guideline described how to document and set up inspection reports in the Customer Relationship Management System—the new IT system. For example, the Guideline included an inspection report template. This template laid out information that Environmental Protection Officers are to include when completing inspection reports.

Since the Ministry established these guidelines, we found inspection reports provided more complete information around the findings of each inspection.

Having complete inspection records is essential in the event these findings are required to be used in legal proceedings. Appropriate documentation supports decisions made and work completed.

***We recommended that the Ministry of Environment require the annual preparation of environmental compliance reports for all higher-risk industrial wastewater systems.*** (2015 Report – Volume 1; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

The Ministry required, through a policy, the preparation of environmental compliance reports for all high and extreme risk industrial wastewater systems. These reports serve as useful tracking and monitoring tools. We found the Ministry's Environmental Protection Officers implemented this policy.

Environmental Protection Officers used permit requirements, legislation, and best practices for each industrial site to develop environmental compliance reports. By having these reports, they can track if requirements are being met, and identify systemic issues and desired actions to bring to the attention of permit holders. We found Environmental Protection Officers use these reports to discuss inspection findings with industrial site owners annually.

Better tracking and monitoring reduces the risk of non-compliance on higher-risk sites that could have a negative impact on the environment.

### **Public Reporting of Enforcement Action**

***We recommended that the Ministry of Environment provide the public with information on its enforcement actions (e.g., number of notices of violation, administrative penalties levied, court orders sought) related to its regulation of industrial wastewater systems.*** (2015 Report – Volume 1; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented





The Ministry released its *2016-17 Annual Report*, which included information on the enforcement actions taken during the year. It included statistics on the number of inspections that were completed, and the number of enforcement actions taken.

While the information included in the *2016-17 Annual Report* does not give the public insight into specific actions taken by the Ministry, it provides sufficient information on the results of the completed inspections, and the nature and extent of compliance of permit holders in the province.

## Chapter 32

# Five Hills Regional Health Authority—Provision of Nourishing and Safe Food Services in Long-Term Care Facilities

### 1.0 MAIN POINTS

By June 2017, Five Hills Regional Health Authority had improved its processes to provide nourishing and safe food services in its owned and affiliated long-term care facilities. It fully addressed the four outstanding recommendations we initially made in our 2012 audit. Five Hills:

- Reviewed and updated its *Nutrition and Food Services Policy and Procedures Manual*
- Had a registered dietitian regularly review modified menus to confirm that meals served met nutritional standards
- Followed its policy and procedures to serve food at the appropriate temperature and texture
- Conducted audits of its food services

### 2.0 INTRODUCTION

This chapter describes the results of our second follow-up of the actions of Five Hills on four outstanding recommendations from our 2012 audit of Five Hills' processes to provide nourishing and safe food services in its owned and affiliated long-term care facilities.<sup>1</sup> We made 11 recommendations. By March 31, 2015, as reported in our *2015 Report – Volume 1*, Chapter 22, Five Hills had implemented 7 of the 11 recommendations.

Under *The Regional Health Services Act*, Five Hills is responsible for the delivery of health care in its region, including long-term care. The Housing and Special-Care Homes Regulations outline standards for food service in long-term care homes.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Five Hills' progress towards meeting our recommendations, we used the relevant criteria from the original audit. Five Hills' management agreed with the criteria in the original audit.

To perform our follow-up on our recommendations, we reviewed Five Hills' policy and procedures manuals, temperature and meal substitution logs, audits, and other relevant documents. We visited two long-term care facilities and conducted interviews with Five Hills' officials as necessary.

<sup>1</sup> 2012 Report – Volume 2, Chapter 28.



## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at June 15, 2017, and Five Hills' actions up to that date. We found that Five Hills had fully implemented our recommendations.

### 3.1 Manual Reviewed and Updated

***We recommended that Five Hills Regional Health Authority review and update its Nutrition and Food Services Policy and Procedures Manual.***

(2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Implemented

Between 2013 and 2016, Five Hills completed its review and update of its *Nutrition and Food Services Policy and Procedures Manual*.

### 3.2 Modified Menus Reviewed

***We recommended that Five Hills Regional Health Authority have modified menus regularly reviewed by a registered dietitian to confirm that meals served met nutritional standards.*** (2012 Report – Volume 2; Public

Accounts Committee agreement February 12, 2015)

**Status** – Implemented

Five Hills has modified menus regularly reviewed by a registered dietitian to confirm that meals served meet nutritional standards.

Five Hills requires each facility to document menu substitutions on a substitution list. If changes are required, the facility must offer substitutions from the same food group (e.g., fruit for a fruit). We found that for the two facilities we visited, staff documented substitutions on the substitution list as required.

Five Hills also requires staff at each facility to submit the substitution list on a weekly basis to a registered dietitian for review. We found the dietitian tracks and monitors the weekly substitution list submissions by facility. If the facility does not submit lists or makes inappropriate substitutions, the dietitian discusses the issue with the responsible cook. This helps to ensure the nutritional requirements are met for the residents.

### 3.3 Food Served at Appropriate Temperature and Texture

***We recommended that Five Hills Regional Health Authority follow its policy and procedures to serve food at the appropriate temperature and texture.*** (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Implemented

Five Hills served food at the appropriate temperature and texture.

In July 2016, management began tracking and monitoring weekly temperature logs by facility. Five Hills requires staff at each facility to submit weekly temperature logs to management. If the facility does not submit logs or record temperature as required, management discusses the issue with the responsible cook.

We found that for the two facilities we visited, staff took and recorded the temperature of food as required before it was served. We also found that Five Hills was serving food in its appropriate texture. For example, it served all pureed food individually (i.e., did not mix the food together).

### 3.4 Audits and Reviews Completed As Required

***We recommended that Five Hills Regional Health Authority follow its policy for quality improvement by conducting annual risk-based audits or reviews of food services.*** (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Implemented

Five Hills conducted audits of food services.

In May 2015, Five Hills completed food service audits as required by its *Nutrition and Food Services Policy and Procedures Manual*. It completed the dining experience audit, sanitation audit, and food safety audit in seven of its ten facilities. Each audit had components relating to food services. For example, in the food safety audit, Five Hills reviewed whether facilities monitored food and recorded temperatures.

In the fall of 2016, to keep its audit process current, Five Hills began reviewing its audit approaches against British Columbia's 2016 *Nutrition and Food Services Audit Manual for Long Term Care Homes*.<sup>2</sup>

<sup>2</sup> This manual was adapted by Regina Qu'Appelle Regional Health Authority and shared with Five Hills.



## Chapter 33

# Health – Preventing Diabetes-Related Health Complications

### 1.0 MAIN POINTS

By September 2017, the Ministry of Health had made some progress in having effective strategies for preventing diabetes-related health complications. It had implemented 3 of 8 recommendations remaining from our 2012 audit of this area.

Since our 2015 follow-up, the Ministry documented its reviews of each of the regional health authorities' annual primary healthcare plans that included diabetes management and prevention strategies. In addition, it reported publicly on its progress in implementing strategies to manage diabetes and diabetes-related complications.

The Ministry of Health still needs to:

- Increase the number of patients living with diabetes with completed flowsheets in the Chronic Disease Management – Quality Improvement Program (CDM-QIP) to enable improved analysis of best practice care
- Obtain and analyze data on the programs and services delivered by regional health authorities for people with diabetes, including their related costs

Preventative measures and better disease management can reduce the prevalence of diabetes, the impact of the disease on the quality of life, and in turn, health costs.

### 2.0 INTRODUCTION

The Ministry of Health is responsible for ensuring people with chronic disease, such as diabetes, receive appropriate care.

In 2011, the Canadian Diabetes Association reported that Saskatchewan faced one of the highest combined prevalence of diabetes and pre-diabetes in the prairies. It reported 7% of Saskatchewan's 2010 population was diagnosed with diabetes and estimated this would increase to close to 10% of the population by 2020.<sup>1</sup>

In addition to the implications on quality of life, estimated annual per capita health care costs are three to four times greater for an individual with diabetes compared to one without the disease. Individuals with diabetes are over 3 times more likely to be hospitalized with cardiovascular disease than individuals without diabetes, 12 times more likely to be hospitalized with end-stage renal disease, and almost 20 times more likely to be hospitalized with non-traumatic lower limb amputations.<sup>2</sup>

<sup>1</sup> Canadian Diabetes Association, *Diabetes: Canada at the Tipping Point*, (2011), pp. 10-11.

<sup>2</sup> Public Health Agency of Canada, 2011 *Diabetes in Canada – Facts and figures from a public health perspective*, p. 16.



Our *2012 Report – Volume 2*, Chapter 32 concluded that the Ministry did not have effective strategies for preventing diabetes-related health complications. We made 12 recommendations. By February 2015, the Ministry had implemented four of them.

This chapter describes the results of our second follow-up on the implementation of the eight remaining recommendations related to preventing diabetes-related health complications.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

We reviewed the Ministry's quality improvement plans, and examined information the Ministry used to analyze and report on diabetes program performance. We also interviewed Ministry staff responsible for chronic disease management.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 30, 2017, and the Ministry's actions up to that date. We found that the Ministry implemented three of the recommendations and made some progress on the remaining five recommendations.

### 3.1 Tracking Services But Not Analyzing Whether Appropriate

***We recommended that the Ministry of Health establish processes to monitor that people with diabetes receive appropriate services to reduce their risk of developing diabetes-related health complications.*** (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status** – Partially Implemented

***We recommended that the Ministry of Health establish processes to monitor that people with diabetes have access to appropriate services in the province.*** (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status** – Partially Implemented

***We recommended that the Ministry of Health collect and analyze information to assess whether services delivered by physicians and care providers are effective and if they provide needed services to people with diabetes to prevent diabetes-related health complications.*** (2012 Report –

Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status – Partially Implemented**

As of September 2017, the Ministry did not know whether people with diabetes were sufficiently monitored, and received interventions to reduce their risk of developing complications. It also had not analyzed whether people with diabetes received a similar level of service from healthcare providers (e.g., physicians) across the province.

The Ministry uses data collected through the Chronic Disease Management - Quality Improvement Program (an IT system). This data is submitted into a chronic disease data repository (CDM-QIP) to track key indicators (e.g., A1C blood levels are tested twice a year for those living with diabetes) about health services provided to people who are living with at least one of four chronic conditions. The four chronic conditions are diabetes, coronary artery disease, chronic obstructive pulmonary disease, and congestive heart failure. The IT system is maintained by eHealth Saskatchewan.

The purpose of CDM-QIP is to improve care to people living with chronic conditions by providing best practice flow sheets and other tools to healthcare providers. Best practice flow sheets (both electronic and paper-based versions) support care according to best practice guidelines.

To September 2017, the Ministry has focused on increasing uptake of CDM-QIP (i.e., the number of providers using the program and the number of patients for whom best practice flow sheets are being used). The Ministry has goals and targets for the use of CDM-QIP.

By March 2017, the Ministry achieved its target enrolment of at least 765 healthcare providers using CDM-QIP flow sheets but did not achieve its target of 80,200 patients receiving best-practice care as evidenced by completion of the flow sheets.

At March 2017, 799 physicians and nurse practitioners were using CDM-QIP flow sheets. Also at March 2017, the Ministry records showed that the services received by about 49,000 patients with at least one of the four chronic diseases, including diabetes, were recorded using the tools available through CDM-QIP—about 60% of the patients planned. We found the Ministry had developed corrective actions to achieve its provider and patient targets for CDM-QIP.

Because of the lower than expected number of patients who are receiving care utilizing the flow sheets, the Ministry had not analyzed the chronic disease management data for services provided by physicians to people with chronic conditions like diabetes. Additional analysis of indicator data to assess appropriateness of care provided is planned.

Not having sufficient data or doing analysis increases the risk of people with diabetes not being appropriately monitored or receiving interventions that reduce their risk of diabetes-related complications. In addition, it increases the risk that people with diabetes do not receive a similar level of service across the province. Investing in information collection and analysis will enable a better quality of life for people with diabetes and long-term savings through effective diabetes management.





## 3.2 Further Information Needed to Assess Reasonableness of Resource Allocations and Programs across Regions

***We recommended that the Ministry of Health implement processes to accumulate, analyze and monitor provincial spending information on people with diabetes, and on diabetes-related complication prevention programs to assess the reasonableness of its resource allocations.*** (2012

Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status** – Implemented

***We recommended that the Ministry of Health work with regional health authorities to ensure resources on a regional basis are effectively deployed to manage diabetes and diabetes-related health complications.*** (2012 Report – Volume 2; Public Accounts Committee agreement September

9, 2014)

**Status** – Partially Implemented

***We recommended that the Ministry of Health collect and analyze information to assess the effectiveness of regional health authorities' programs to manage diabetes and the prevention of diabetes-related health complications.*** (2012 Report – Volume 2; Public Accounts Committee agreement

September 9, 2014)

**Status** – Partially Implemented

The Ministry took steps to systematically collect key information on its provincial spending on diabetes-related health care and programs, and had started to analyze data collected. But, because of incomplete data related to programs delivered by regional health authorities, the Ministry does not know the cost and effectiveness of health services and related programs to treat people with diabetes.

The Ministry collected some information on certain direct costs attributed to diabetes including medications, insulin pumps, certain hospital costs, and provincial education/resources. As discussed in **Section 3.1**, the Ministry is in the process of gathering data through CDM-QIP on the services diabetic patients received to allow them to assess if patients are receiving best practice care.

The Ministry periodically reviews its provincially-delivered chronic disease programs.<sup>3</sup> Since 2015, the Ministry completed internal reviews of two of these programs (including spending information) (i.e., LiveWell with Chronic Conditions Program and Enhanced Preventative Dental Services Program).

By September 2017, although it had attempted to, the Ministry had not determined whether regional authorities effectively managed, on a regional basis, diabetes and diabetes-related health complications.

<sup>3</sup> Provincial programs related to chronic diseases management include: LiveWell with Chronic Conditions Program, Chronic Kidney Disease Program, Insulin Pump Program, Chronic Disease Management – Quality Improvement Program (CDM-QIP), Enhanced Preventative Dental Services Program, and the Public Health Nutrition Program.

The Ministry gave each regional health authority discretion in use of annual funding the Ministry provided for general operations. That is, authorities decide how much to allocate to primary healthcare and chronic disease management. The Ministry gave them general guidelines<sup>4</sup> to help them decide.

In 2015, the Ministry gathered, using a survey of regional health authorities, information on diabetes programs and services delivered in each health region and on the number of staff involved in program delivery. As part of the survey, the Ministry asked authorities to provide program specific information<sup>5</sup> (e.g., the types of services available in the region, the healthcare providers who deliver the service, and the number of days diabetic patients waited to see a provider in the region) but did not ask for any cost information.

It did not receive some survey information from all regional health authorities (e.g., wait times to access services). The Ministry summarized information received. The Ministry recognized that there were data limitations in the summary and concluded that it could not determine if some regional programs or services are effectively deployed. Regardless, the Ministry noted it intends (once approved) to share the summary with authorities. In addition, it indicated it intends to enhance and repeat this work every two years.

The Ministry also required the regional health authorities to report whether they are meeting the provincial target for hospitalizations related to six chronic conditions, including diabetes. Overall, at March 31, 2016, regional health authorities were not meeting the target for hospitalizations. This indicator, along with others and complete survey information from regional health authorities, could be used to evaluate authorities' progress in implementing chronic condition strategies and reducing the cost burden on the healthcare system (i.e., hospital services cost more than community-based services).

Treating diabetes complications is a significant cost to the health system. Having complete program information and associated costs from the regional health authorities/Saskatchewan Health Authority would help the Ministry determine if programs to manage diabetes complications are designed correctly and are suitably available across the province.

### 3.3 Programs Assessed for Alignment with Ministry Strategies

***We recommended that the Ministry of Health review regional health authorities' Primary Health Care plans and programs to ensure they contain appropriate actions and align with the Ministry's strategies relating to chronic disease management including diabetes management and prevention of diabetes-related health complications.***

(2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status** – Implemented

Since 2015, the Ministry reviewed and assessed the annual Primary Health Care plans of each authority and gave them feedback. The reviews assessed the alignment of each plan

<sup>4</sup> Information is included in the Ministry of Health's annual accountability document.

<sup>5</sup> The categories of program information were: Screening/Assessment, Education/Counselling, Management, Support/Testing, Insulin Pumps, Pediatric, Gestational and Other (outreach, other services offered, use of telehealth and group medical visits).



with the Ministry strategies and direction, including how the plans relate to chronic disease management.

### 3.4 Progress Reported on Strategies

***We recommended that the Ministry of Health publicly report progress in implementing its strategies to manage chronic diseases separately identifying diabetes and prevention of diabetes-related health complications.*** (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

**Status** – Implemented

In the Ministry of Health's *2016-17 Annual Report*, the Ministry described its planned and actual results related to six chronic conditions, including diabetes. The annual report highlighted the actions the Ministry took during the year.

The Ministry's objective for 2016-17 was to ensure that people living with chronic diseases experience better health. Its targets and results, as outlined in its annual report, were:

- 30% decrease in hospital utilization related to six chronic conditions, by March 31, 2017. The target was changed in 2016 to be a 10% decrease in hospital utilization by March 31, 2017. The Ministry reported that as of March 2016, total hospitalizations (for all conditions combined) had increased 3.94% from baseline.
- 80% of patients with any of six chronic conditions receive best practice care as evidenced by the completion of flow sheets, by March 31, 2017. The target was changed in 2016-17 to be 45% of patients with any of four<sup>6</sup> chronic conditions receive best practice care as evidenced by the completion of flow sheets. The Ministry publicly reported progress on this target at March 2017, indicating that 27.7% or 49,283 discrete patients have data submitted through the CDM-QIP repository.

Making this information public helps keep legislators and the public informed about the Ministry's progress towards implementing strategies key to managing chronic diseases, and improving the quality of life of those affected while carefully managing associated health costs.

<sup>6</sup> Coronary artery disease, diabetes, chronic obstructive pulmonary disease, and congestive heart failure.

## Chapter 34

# Health – Regulating Personal Care Homes

### 1.0 MAIN POINTS

By August 2017, the Ministry of Health had improved its processes to regulate personal care homes in accordance with *The Personal Care Homes Act, 1991*. It fully addressed the one remaining recommendation we initially made in our 2012 audit by implementing an IT system to track personal care home inspection dates, non-compliance issues, required actions, and dates that personal care homes complete these actions.

### 2.0 INTRODUCTION

This chapter describes the results of our second follow-up of the actions of the Ministry on one outstanding recommendation from our 2012 audit of the Ministry's processes to regulate personal care homes in accordance with *The Personal Care Homes Act, 1991*.<sup>1</sup> We made five recommendations. By September 22, 2014, as reported in our *2014 Report – Volume 2*, Chapter 48, the Ministry had implemented four of the five recommendations.

The Ministry is responsible for regulating personal care homes in the province. This includes setting licensing requirements and standards for personal care homes, as well as inspecting personal care homes to ensure they meet established standards.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Ministry's progress towards meeting our recommendation, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

To perform our follow-up on our recommendation, we observed the IT system used to track personal care home inspection dates, non-compliance issues, required actions, and dates that personal care homes complete these actions. We also conducted interviews with Ministry officials as necessary.

### 3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at August 25, 2017, and the Ministry's actions up to that date. We found that the Ministry had fully implemented the recommendation.

<sup>1</sup> 2012 Report – Volume 2, Chapter 34.



### 3.1 Tracking System Used

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***We recommended that the Ministry of Health use a system to track personal care home inspection dates, non-compliance issues, required actions, and dates that personal care homes complete these actions.***

(2012 Report – Volume 2; Public Accounts Committee agreement January 15, 2015)

**Status** – Implemented

In September 2015, the Ministry began using a centralized IT system to track inspection results. The IT system tracks personal care home inspection dates, non-compliance issues, required actions, and dates that personal care home operators complete these actions.

The Ministry also publicly reports summarized inspection results for each home on its website.<sup>2</sup>

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<sup>2</sup> See <http://personalcarehomes.saskatchewan.ca/PersonalCareHomes> (24 August 2017).

## Chapter 35

### Health and Agriculture—Regulating Meat Safety

#### 1.0 MAIN POINTS

Since 2014 (the time of our last follow up), the Ministry of Health improved some of its regulatory meat safety processes related to the 66 health-licensed slaughter plants; but more work remains. In Saskatchewan, unlike other provinces, two ministries (the ministries of Health and Agriculture) are responsible for regulating meat safety.

As of September 2017, the Government of Saskatchewan was considering a unified meat inspection system where one Ministry would regulate all provincially licensed slaughter plants.

By September 2017, Health had fully implemented three recommendations and made progress on three others. Health surveyed provincially licensed slaughter plants to determine the number and types of animals slaughtered, implemented a new data management system to help it analyze trends in complaints, and began providing reports to senior management on the number of inspections performed and common deficiencies found during inspections.

Health still needs to approve its draft slaughter plant standards, monitor inspections performed by health authority inspectors, and establish regulations allowing the results of inspections to be released publicly.

Without making progress on the outstanding recommendations, the risk continues that meat inspections may not be carried out to the same standards as agriculture-licensed slaughter plants, resulting in unsafe meat.

#### 2.0 INTRODUCTION

In Saskatchewan, the Canadian Food Inspection Agency and the ministries of Health and Agriculture are responsible for meat safety. The Ministry of Agriculture and the Ministry of Health (through the regional health authorities) regulate slaughter plants using different regulations and standards for inspection. Agriculture inspects meat produced at slaughter plants it licenses.

Our *2012 Report – Volume 2*, Chapter 33 raised concerns about the Government’s lack of a consistent approach to regulating meat safety and noted an increased risk of unsafe meat being produced in Saskatchewan. Our 2012 audit concluded the Government of Saskatchewan, and the ministries of Agriculture and Health needed to strengthen their processes that help keep meat safe in Saskatchewan. It included ten recommendations— one directed to the Government of Saskatchewan, three to the Ministry of Agriculture, and six to the Ministry of Health. By September 30, 2014, the Government of Saskatchewan had partially implemented its recommendation, Agriculture had fully implemented its three recommendations, and Health had partially implemented its six recommendations.<sup>1</sup>

<sup>1</sup> See our *2014 Report – Volume 2*, Chapter 41.



This chapter reports the results of our second follow-up. To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Government of Saskatchewan and Health’s progress towards meeting our recommendations, we used the relevant criteria from the original audit. Health’s management agreed with the criteria in the original audit.

To do this audit, we examined the results of surveys of provincially licensed slaughter plants sent to the Ministry of Agriculture and Regional Health Authority licensed slaughter plants, reviewed draft regulations, assessed changes to policy, observed changes to Health’s IT system, assessed reporting provided to senior management, and had discussions with management.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 15, 2017, and management’s actions up to that date. We found that Health had implemented three recommendations and made progress on the remaining recommendations reported in our *2014 Report – Volume 2*, Chapter 41. The Government of Saskatchewan also made progress on its recommendation.

### 3.1 Changes in Regulating Meat Safety Under Consideration

***We recommended that the Government of Saskatchewan formally assess the risks related to uninspected meat and consider updating its regulations for the production of meat that is safe for human consumption.*** (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Partially Implemented

Since our 2014 follow-up, the Saskatchewan Government is considering moving towards a unified system where one ministry (e.g., the Ministry of Agriculture) would regulate the Ministry of Agriculture and Regional Health Authority licensed slaughter plants. It expects to decide in 2017-18. Until then, regulatory changes about the safety of meat under consideration were on hold.

At September 2017, the ministries of Health and Agriculture each remained responsible for ensuring slaughter plants under their responsibility are inspected. To inspect these facilities, Health uses public health inspectors employed by the regional health authorities, whereas Agriculture relies on third-party inspectors. Agriculture is responsible for inspecting the meat produced at the slaughter plants it licenses. At September 2017, 80 health-licensed and 10 agriculture-licensed facilities that process meat operate in Saskatchewan. In addition, some facilities are regulated federally.

Using 2012 data, Health estimates that at least one-tenth of beef and about one-twentieth of pork consumed in Saskatchewan is not inspected (it did not estimate the extent of uninspected poultry consumed). Health officials scanned the provincial public health notifiable disease tracking database and did not find a correlation between health-licensed slaughter plants and cause of illness.

Saskatchewan does not regulate meat sold by farmers to consumers (i.e., farm gate). We note some other jurisdictions do. For example, in Alberta, if you wish to sell your meat at the farm gate; from your farm store; to restaurants, institutions, and public markets; or online, you will require a food-handling permit for the storage and transport of the meat to your customers. If you handle, repackage, portion, or cut any unwrapped product, then these actions are considered to be processing. To process, you require a distinctly separate area of your home or farm that will be considered a food establishment, and this area must meet all Alberta Health Services requirements.<sup>2</sup>

As reported in our *2012 Report – Volume 2*, Chapter 33, provincial governments are responsible for regulating meat safety within each province. Saskatchewan is the only province in Canada that assigns this responsibility to two different ministries.

Having two ministries responsible for this task increases the risk that the Government will not know how many animals are slaughtered in the province or how much meat enters the food chain without being inspected. As each ministry has different regulations and requirements on reporting, having two different ministries responsible increases the risk that inspections may not be conducted to the same standard. In addition, the Government must ensure its regulatory framework appropriately addresses risks related to uninspected meat consumed in Saskatchewan.

## 3.2 Better Information Gathered to Assess Risks to Meat Safety

***We recommended that the Ministry of Health obtain more information to help it assess risks to meat safety, including the number of animals slaughtered, in slaughter plants licensed under The Sanitation Regulations, 1964.*** (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Implemented

Health has gathered additional information to help it assess risks to meat safety.

In the fall of 2016, the ministries of Agriculture and Health surveyed the 90 Ministry of Agriculture and Regional Health Authority licensed slaughter plants in operation at the time; 60 plants responded. The survey results provided information on the nature of processing activities; the scope and volume of meat slaughtered and processed; and the plants' size, age, and future plans. Respondents cited concerns about farm gate sales of meat, and expressed varying views about changing the inspection of facilities that process meat.

<sup>2</sup> [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex15139](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex15139) (30 September 2017).





In addition, in 2015, Health gathered information about regulatory activities of other provincial provinces. It was using this information to consider changes to Saskatchewan's regulatory regime for meat safety.

### 3.3 Revised Sanitation Standards Under Consideration

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***We recommended that the Ministry of Health, consulting with the Ministry of Agriculture and regional health authorities, develop and approve detailed sanitation standards for slaughter plant operations.***

(2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Partially Implemented

As of September 2017, while Health had drafted detailed slaughter plant sanitation standards, they remain draft given the Government's pending decision about making one ministry solely responsible for meat safety at provincially-licensed slaughter plants.

Not having specific, approved, written standards that are readily available makes it difficult for slaughter plants to produce meat that is safe, and increases the difficulty for regional health inspectors to effectively inspect slaughter plants.

### 3.4 Further Monitoring of Slaughter-plant Inspections Needed

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***We recommended that the Ministry of Health confirm that regional health authorities take appropriate action to ensure that high and medium risk slaughter plants correct identified problems that could reduce the safety of the meat produced.*** (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

(2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Partially Implemented

***We recommended that the Ministry of Health analyze trends in public complaints about slaughter plants and/or contaminated meat.*** (2012 Report

– Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Implemented

As of September 2017, although Health tracks inspections that authorities completed, it was not actively monitoring whether slaughter plants corrected identified deficiencies as and when recommended. Health provided slaughter-plant inspectors with clearer guidance on handling identified deficiencies.

In spring of 2017, Health implemented Standard Operating Procedures for inspectors of health-licensed facilities including slaughter plants. Staff of regional health authorities complete these inspections. Health's new procedures set out, in detail, how to proceed with deficiencies found at slaughter plants, including corrective actions to recommend. The procedures provide a consistent course of action for inspectors to take when finding deficiencies during inspections of health-licensed slaughter plants.

In 2015, Health implemented a new data management IT system. Both Health officials and relevant officials from regional health authorities have access to this system. The system tracks key information on inspections of health-licensed facilities that process meat. This includes the name of the inspecting authority (e.g., Saskatoon), name of licensed plant/facility, the risk ranking of the facility (e.g., high, moderate, low), date of inspection, and findings from previous inspections.

Also, the new system tracks complaints received on food safety and slaughter plants. As of September 2017, Health had not received any complaints related to slaughter plants.

By September 2017, Health's monitoring of slaughter-plant inspections by authorities was limited to routinely reviewing the number of inspections each authority completed as compared to number of licensed facilities in their region, and the top five sanitation deficiencies noted in health-licensed slaughter plants. Senior Health officials reviewed this information quarterly. However, it did not monitor whether slaughter plants corrected identified deficiencies as and when recommended, and the nature and extent of uncorrected deficiencies at plants that process larger volumes of meat.

Inspectors can withhold licences if a slaughter plant does not comply with recommendations to fix deficiencies noted. Since the implementation of the Standard Operating Procedures in spring 2017, inspectors have not withheld any licences.

Without appropriate and timely corrective action, slaughter plants could produce meat that is not safe for human consumption. This could result in people becoming ill due to how the meat was processed.

### 3.5 Reporting of Inspection Results Improving But Results Not Public

***We recommended that the Ministry of Health provide a summary report quarterly to its senior management on the causes of sanitation problems arising at slaughter plants and the actions taken to enforce The Sanitation Regulations, 1964.*** (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Implemented

With the implementation of Health's new data management system in 2015, Health provides senior management with quarterly reports about inspections of health-licensed facilities. These reports include information on the number of inspections done and the top five sanitation deficiencies that regional health authorities found during inspections (e.g., deficiencies related to handwashing stations at facilities).

Health indicated that it is using the information tracked in the system when considering changes to its regulation of health-licensed facilities that process meat.

Written information also provides a permanent record of the history of inspection results of slaughter plant inspections. Such records are important when experienced staff leave the organization. In addition, it helps senior management determine whether its regulatory activities of slaughter plants are sufficient and appropriate.



***We recommended that the Ministry of Health update its public website to include the inspection results for all slaughter plants licensed under The Sanitation Regulations, 1964.*** (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

**Status** – Partially Implemented

In November 2016, changes to *The Public Health Act, 1994* allowed for the introduction of regulations to publicly disclose inspection reports of regulated facilities (which includes slaughter plants). At September 2017, the Government had not issued regulations to allow public reporting on the inspection results of health-licensed slaughter plants.

Health advised us that it is awaiting the Government's decision about whether to make one ministry responsible for inspecting provincially licensed facilities processing meat before proposing regulations about public reporting of inspection results.

Publicly-posted licence information and inspection results are an efficient way for the public to be assured that a plant was inspected and deemed suitable at the time of inspection. This provides increased public confidence that meat is safe to consume.

## Chapter 36

# Health Shared Services Saskatchewan – Procuring Goods and Services for Member Agencies

### 1.0 MAIN POINTS

Health Shared Services Saskatchewan<sup>1</sup> has made good progress in improving its processes to procure goods and services for member agencies. Health Shared Services Saskatchewan has implemented 8 of the 13 recommendations we made in our 2015 audit.

By July 2017, it shared its key Board-approved procurement policy with the national group purchasing organization used to buy some of its goods and services. In addition, it developed and began using a robust conflict of interest and non-disclosure policy. Also, it was using a reasonable process to identify, track, and report compliance with procurement policies for contracts that it negotiates.

Health Shared Services Saskatchewan needs to:

- Consistently document the basis for its choice of procurement methods
- Monitor supplier performance
- Obtain member agencies approval prior to extending existing purchase commitments
- Improve explanations on estimated cost savings to the public

### 2.0 INTRODUCTION

This chapter describes our follow up of management's actions on the recommendations we made in 2015 about Health Shared Services Saskatchewan's processes to procure goods and services for member agencies.<sup>2</sup> Our *2015 Report – Volume 2*, Chapter 34 concluded that Health Shared Services Saskatchewan had, other than for the areas identified in the 13 recommendations, effective processes to procure goods and services for its member agencies.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate Health Shared Services Saskatchewan's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Health Shared Services Saskatchewan agreed with the criteria in the original audit.

We reviewed Health Shared Services Saskatchewan's approved policies and procedures, and examined procurement documentation required to award contracts. We also interviewed Health Shared Services Saskatchewan's management as necessary.

<sup>1</sup> Health Shared Services Saskatchewan is also known as 3sHealth.

<sup>2</sup> Member agencies include regional health authorities, their affiliates, and the Saskatchewan Cancer Agency.



## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at July 14, 2017, and Health Shared Services Saskatchewan's actions up to that date. We found that Health Shared Services Saskatchewan implemented eight of the recommendations and made progress on implementing the other five recommendations.

### 3.1 Procurement Policy Approved

***We recommended that the Board of Health Shared Services Saskatchewan approve procurement-related policies.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Implemented

In March 2016, Health Shared Services Saskatchewan's Board of Directors approved the Procurement and Competitive Bidding Policy. Health Shared Services Saskatchewan uses this policy to guide and exercise due diligence in its procurement practices.

### 3.2 Procurement Policy Communicated to the Group Purchasing Organization

***We recommended that Health Shared Services Saskatchewan provide its relevant procurement policies and procedures to its selected national group purchasing organization.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Implemented

In November 2016, Health Shared Services Saskatchewan's management shared its Procurement and Competitive Bidding Policy with the national group purchasing organization. The group purchasing organization provides procurement services to agencies across Canada. Health Shared Services Saskatchewan uses the national group purchasing organization to negotiate a significant amount of contracts on Health Shared Services Saskatchewan's behalf.

### 3.3 Non-Compliance with Procurement Policy Identified, Tracked, and Reported

***We recommended that Health Shared Services Saskatchewan implement procedures to identify, track, and monitor instances of non-compliance with procurement policies.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Implemented

***We recommended that Health Shared Services Saskatchewan give the Board of Directors periodic reports on significant incidents of non-compliance with procurement policies and steps taken to address them.***

(2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Implemented

In December 2016, Health Shared Services Saskatchewan's Board approved a reasonable process for identifying, tracking, and reporting compliance with procurement policies for contracts negotiated by Health Shared Services Saskatchewan.

Through policies, management must look for non-compliance with procurement policies during the contract review process.

We found that management of Health Shared Services Saskatchewan report about compliance with procurement policies to the Chief Executive Officer and the Board on a regular basis (i.e., monthly and quarterly, respectively). For the period January 2017 to July 2017, management did not report any items of non-compliance.

### **3.4 Documentation Needed to Support Selection of Procurement Method**

***We recommended that Health Shared Services Saskatchewan document rationale for the shared procurement method selected (i.e., internally-led, single- or sole-sourced or national group purchasing organization-led procurement).***

(2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Partially Implemented

We found that Health Shared Services Saskatchewan did not always adequately document the rationale for the procurement method selected.

Health Shared Services Saskatchewan created a Procurement Method Rationale Checklist in January 2016 to help to adequately document the selection of procurement method (e.g., sole-or-single sourced<sup>3</sup> or group purchasing organization-led procurement).

For all of the national group purchasing organization-led procurements we tested, the procurement method rationale was adequately documented. For one of two sole/single source procurements led by Health Shared Services Saskatchewan that we tested, the basis for using the sole/single source procurement method was not adequately documented.

Adequate documentation provides a record of decisions and facilitates the review of those decisions. Not having adequate documentation of reasons for selecting a procurement method increases the risk that management cannot or has not confirmed the method was the best possible choice, that is, results in buying suitable products/services at the best price.

<sup>3</sup> Sole-source – contracting a company, without competition, to be the sole supplier of a product or service, [www.dictionary.com/browse/sole-source](http://www.dictionary.com/browse/sole-source) (29 August 2017).



### 3.5 Conflict of Interest Requirements Followed

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***We recommended that Health Shared Services Saskatchewan develop a process to confirm that member agencies' and the national group purchasing agency's staff involved in shared procurement activities regularly sign conflict of interest declarations.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Implemented

Health Shared Services Saskatchewan developed a robust Conflict of Interest and Non-Disclosure Policy. Member agencies involved in a specific contract are required to sign conflict of interest declarations prior to receiving contract information.

For all of the contracts negotiated by Health Shared Services Saskatchewan that we tested, Health Shared Services Saskatchewan obtained signed declarations as required.

In addition, the national group purchasing organization shared their policy with Health Shared Services Saskatchewan. The policy of the national group purchasing organization requires its staff to sign conflict of interest declarations on an annual basis.

### 3.6 Adequately Documented Evaluations of Potential Suppliers

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***We recommended that Health Shared Services Saskatchewan document evaluations of all proposals received in response to shared procurement tenders.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Implemented

For all of the proposals we tested, Health Shared Services Saskatchewan adequately documented the evaluations of each proposal received in response to shared procurement tenders.

### 3.7 Appeal Mechanism Communicated

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***We recommended that Health Shared Services Saskatchewan communicate to bidders the bid protest mechanism available under the New West Trade Partnership Agreement.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Implemented

We found that since February 2016 Health Shared Services Saskatchewan systematically informs bidders through information related to requests for proposals. It advises bidders where to access the New West Partnership Trade Agreement<sup>4</sup> bid protest mechanism.

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<sup>4</sup> The New West Partnership Trade Agreement is an accord between the governments of British Columbia, Alberta, and Saskatchewan that creates Canada's largest, barrier-free, interprovincial market. [www.newwestpartnershiptrade.ca/the\\_agreement.asp](http://www.newwestpartnershiptrade.ca/the_agreement.asp) (23 August 2017).

### 3.8 Performance Assessments of Suppliers Progressing

***We recommended that Health Shared Services Saskatchewan track and periodically assess the performance of its suppliers of goods and services for shared procurements.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Partially Implemented

***We recommended that Health Shared Services Saskatchewan regularly provide information on supplier performance to member agencies, senior management and the Board.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Partially Implemented

We found that Health Shared Services Saskatchewan has not completed periodic assessments of the performance of its suppliers of goods and services and reported the results to member agencies, senior management, and the Board.

Since the 2015 audit, Health Shared Services Saskatchewan created an annual suppliers review process in which all member agencies are involved. It began using the review process in 2017 by first focusing on its five main suppliers. As of July 2017, the performance assessments of the five suppliers were in progress and, as such, results had not been reported to the Board or member agencies.

Periodically assessing performance of suppliers helps confirm the suppliers meet performance expectations, and provides useful information when deciding whether to use the suppliers in the future.

### 3.9 Approval from Member Agencies Needed Prior to Extending Commitments

***We recommended that Health Shared Services Saskatchewan obtain approval from member agencies prior to extending existing purchase commitments with its national group purchasing organization.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Partially Implemented

We found that Health Shared Services Saskatchewan did not always obtain approval from member agencies prior to extending existing purchase commitments through the national group purchasing organization. Purchase commitments are agreements to buy certain goods or services from a single supplier at a set price for a set period of time.

Since the 2015 audit, Health Shared Services Saskatchewan created a process around contract extensions. This process requires member agencies to agree to the extension before Health Shared Services Saskatchewan extends the purchase commitment.





For one of three contract extensions we tested, Health Shared Services Saskatchewan did not obtain adequate approval from the member agencies before it extended the purchase commitment.

Not obtaining the agreement of member agencies before extending purchase commitments increases the risk of entering into arrangements to buy goods or services that do not meet the needs of member agencies (e.g., using suppliers with performance issues). As previously noted in **Section 3.8**, Health Shared Services Saskatchewan is in the process of implementing periodic supplier performance assessments.

### 3.10 Reasonableness of Estimated Growth Rate Validated Annually

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***We recommended that Health Shared Services Saskatchewan validate annually the reasonableness of growth rates used to estimate cost savings related to inflationary price increases.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Implemented

Health Shared Services Saskatchewan validated the growth rates used in its calculation of estimated cost savings in 2017. For example, it compared the growth rates it had determined to a four-year cost average by expense type (e.g. lab supplies) from Canadian healthcare cost data collected by the Canadian Institute for Health Information<sup>5</sup> and adjusted the growth rates if they were not reasonable. Management told us it plans to do this on an annual basis.

### 3.11 Improvement Needed in Explaining Estimated Costs Savings to the Public

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***We recommended that Health Shared Services Saskatchewan make public its estimate of annual cost savings to the health-care system along with information to help the public understand the basis for its estimate.*** (2015 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation as of September 30, 2017)

**Status** – Partially Implemented

Since July 2015, Health Shared Services Saskatchewan published on its website information on the health system's estimated annual cost savings and how it calculated these cost savings but information is not yet complete or clear.

In July 2017, Health Shared Services Saskatchewan hired an accounting firm to audit its estimated cumulated cost savings from 2010 to 2017 based on its savings calculation framework. At the time of our follow-up, Health Shared Services Saskatchewan had not yet published the results of this audit.

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<sup>5</sup> The Canadian Institute for Health Information (CIHI) is an independent, not-for-profit organization that provides essential information on Canada's health systems and the health of Canadians.

Health Shared Services Saskatchewan does not clearly advise the public that the published cost savings are estimates and that they may differ from actual results. It does not publish its key assumptions to help readers understand the amount calculated such as the assumed growth rates, or estimated volumes of purchases, or conversely provide the related sensitivity of the estimate (e.g., if the actual growth rate is 1% more or less than estimated, cost savings will differ by \$x).

In addition, Health Shared Services Saskatchewan does not advise the public that it does not calculate the actual cost savings realized based on actual usage.

Providing the public with sufficient and understandable information about the estimated nature of the reported cost savings and its basis is key to them understanding the reported cumulated cost savings.



## Chapter 37

# Heartland Regional Health Authority – Medication Management in Long-Term Care

### 1.0 MAIN POINTS

Heartland Regional Health Authority is responsible for establishing and enforcing policies and procedures so that long-term care residents get the right medication, at the right dose, when required.

By August 2017, Heartland improved several of its processes for managing medication plans for long-term care residents by fully addressing 9 of our 17 recommendations we first made in 2014. It was working on the remaining recommendations.

Heartland established policies for medication management in its long-term care facilities. It communicated the policies to staff and where required, to residents or their designate. Heartland made training resources accessible to staff. Heartland also consistently obtained medication-related information from previous health care providers when residents transferred into long-term care.

In addition, Heartland modified its complaint policy, requiring only unresolved issues be brought forward to the Quality Department.

Heartland still needs to:

- Consistently document the following in medication plans: medication changes, informed consent for medication changes, and the use of multi-disciplinary teams for quarterly medication reviews
- Analyze information about medication trends and issues with medication plans across its long-term care facilities

Medication can have a serious impact on a resident's quality of life. Heartland needs to ensure that each long-term care resident has an established, up-to-date medication plan that is followed.

### 2.0 INTRODUCTION

As of March 31, 2017, Heartland had 480 long-term care beds in 14 facilities.<sup>1</sup> Ineffective processes for maintaining medication plans for long-term care residents could result in health and safety concerns including potential adverse events such as drug complication, over-medication, and fatality.

This chapter describes our follow up of management's actions on the recommendations we made in our 2014 audit of Heartland's processes to manage medication in long-term care facilities. Our *2014 Report – Volume 2*, Chapter 35 concluded that Heartland did not

<sup>1</sup> *Heartland Health Region 2016-17 Annual Report*, p.11.



have effective process to manage medication plans for residents in its long-term care facilities. We made 17 recommendations.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate Heartland’s progress towards meeting our recommendations, we used the relevant criteria from the original audit. Heartland’s management agreed with the criteria in the original audit.

To complete the audit we tested a sample of resident files, and reviewed both established policies and reports related to managing medications to assess if the recommendations were addressed.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at August 31, 2017, and Heartland’s actions up to that date.

Heartland implemented nine recommendations but needs to do more to implement seven other recommendations. We concluded that one recommendation was no longer relevant because of a policy change.

### 3.1 Medication Management Policies Not Always Followed

As described below, Heartland staff did not consistently document quarterly multi-disciplinary medication reviews and medication activities, or obtain required written consent for medication changes as required by its policies.

Although not required by Heartland policies, some facilities have begun to review resident files to verify that files have updated care plans, quarterly medication reviews and signed consent forms. A region-wide process such as this may aid Heartland in directing training needed for staff and assessing if policies are being followed.

***We recommended that Heartland Regional Health Authority use a multi-disciplinary approach (e.g., physicians, nurses, and pharmacists) for finalizing medication plans for long-term care residents.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Partially Implemented

Only 50% of the files we examined clearly showed evidence of medication reviews by a multi-disciplinary team.

Heartland established a policy in December 2016 requiring a multi-disciplinary approach for medication plans and quarterly medication reviews. Some Heartland facilities consistently document the use of the multi-disciplinary team (i.e., pharmacist, doctor, nurse, and resident or designate) for medication reviews, while others are not consistently documenting a multi-disciplinary approach.

Medication administration for the elderly is complex and carries the risks of drug interactions, and inappropriate and/or unnecessary medications supplied to residents. Using a multi-disciplinary approach helps ensure residents get only medications they require.

***We recommended that Heartland Regional Health Authority implement a policy requiring informed written consent from long-term care residents or their designated decision makers for changes in high-risk medication.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Partially Implemented

***We recommended that Heartland Regional Health Authority follow its policy to obtain informed written consent from long-term care residents or their designated decision makers before using medication as a restraint.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Partially Implemented

***We recommended that Heartland Regional Health Authority follow its established policies and procedures for medication changes for its long-term care residents.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Partially Implemented

Heartland is not consistently documenting written consent before providing medication to residents.

Policies require written consent from the resident or their designated decision maker for medication at admission to the long-term care home, when a change in medication occurs, or when a chemical restraint (e.g., medications used to restrict a resident's mobility or behaviour) is used.

While consent was evident upon admission into long-term care for all files we examined, Heartland is not consistently documenting consent when a change in medication occurs or when a chemical restraint is being used; 55% of those files we examined that required written consent did not have it.

Residents or decision makers should be aware of changes in medication, especially if it is new. Decision makers should also be aware if medication is being used as a restraint because medication can have a significant impact on a resident's quality of life.

***We recommended that Heartland Regional Health Authority follow its policy for documenting, in the long-term care residents' medical records, all of the medication-related activities.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Partially Implemented



Though files we examined contained most medication-related activities, staff are not consistently documenting changes to medication in resident files.

Medication-related activities include daily medication administration, reconciliations, and medication changes. Heartland indicated that some medication information may be in the nurses' communications rather than resident files. However, a review of the nurses' communication book at one facility also showed gaps in documentation of medication-related activities.

Documenting all medication-related activities in a central location (e.g., resident files) helps clients get the right medication, at the right time, and in the form required.

## 3.2 Only Unresolved Complaints to Be Reported

***We recommended that Heartland Regional Health Authority follow its policy to have staff report moderate to serious complaints relating to long-term care to the Quality Improvement and Safety Department.*** (2014

Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – No Longer Relevant

In our 2014 audit, Heartland's policy required staff to report concerns that had a moderate to high level of severity. In October 2015, Heartland modified its approach to complaints. Heartland's new approach aims to address complaints at each facility. The Client Concern Handling policy requires staff to report resident or family member complaints to the Quality Improvement and Safety Department if the complaint is not resolved to the client's satisfaction at the facility level.

We found that the Department had no medication-related complaints reported to it in the past three years.

## 3.3 Regular Medication Management Trend and Issues Analysis Required

***We recommended that Heartland Regional Health Authority establish a process to identify trends, needs, and issues related to medication management in its long-term care facilities.*** (2014 Report – Volume 2; Public

Accounts Committee agreement September 17, 2015)

**Status** – Partially Implemented

Heartland did undertake certain initiatives to track and analyze data to improve medication management in its facilities, but requires a thorough, ongoing assessment process.

For example, Heartland assessed all long-term resident files in 2015 and found:

- 13% of files had signed multi-disciplinary medication reviews
- 29% of files had documented behaviour assessments

- 27% of files had signed family consents

Heartland concluded, while the assessment provided useful information, the time required to collect the data was excessive; it decided not to continue the process.

In fall 2016, Heartland began an audit to assess completion of quarterly medication reviews by facility. As of July 2017, the audit was 70% complete. Its audit results show completion of quarterly medication reviews ranged from 0-100% in various facilities.

We did not find further analysis done on the 2015 assessment or 2016 audit by Heartland to determine ways to improve results.

Each quarter, Heartland reports to facility managers residents on 13 or more medications. Our review of reported data found the number of residents on 13 or more medications is increasing. For example, 96 residents were on 13 or more medications at the beginning of 2016-17 compared to 118 residents at the beginning of 2017-18. We found that Heartland had not analyzed these trends.

In addition, Heartland uses the quarterly minimum data set (MDS) reporting supplied to the Ministry of Health to identify concerns with medication management. When MDS results fall outside of the expected range, improvement plans are developed in the relevant Heartland long-term care facilities. We found management does not review and analyze improvement plans developed by the facilities.

As shown in **Figure 1**, MDS measures are not directly tied to medication management and therefore, may not be the best indicators of medication management issues. For example, resident falls may be caused by over-medication or environment factors, such as a wet floor.

**Figure 1 – Relevant Information in Ministry of Health’s Minimum Data Set**

MDS reporting summarizes residents:

- In physical restraints
- On anti-psychotics without a diagnosis
- Whose pain worsened
- Who fell

Source: *Ministry of Health Annual Report for 2016-17*, p.27.

Having measures and regular assessments directly linked to medication management would help ensure medication regimes used in long-term care facilities for their residents are appropriate.

***We recommended that Heartland Regional Health Authority collect and analyze information to improve medication plans for long-term care residents.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Not Implemented

Heartland does not repetitively collect and analyze information to improve medication plans.





We noted that facilities we visited had begun establishing a file review process to assess whether resident files showed staff complied with established policies (e.g., confirm written consents obtained).

Heartland could centrally collect and analyze the results of these reviews, once available, to identify where and which facilities require additional training or support.

### 3.4 Medication Prevalence and Errors Tracked

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***We recommended that Heartland Regional Health Authority track for analysis and reporting all information on the prevalence of medication use and medication errors in its long-term care facilities.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Implemented

Heartland tracks medication errors and the number of individuals on 13 or more medications in long-term care facilities across the region. Heartland expects facility management to address findings in monthly medication incident reports and in quarterly reports listing residents on 13 or more medications by facility.

Each month, Heartland creates medication incident reports, and distributes them to management of facilities. The reports summarize the medication incidents by facility and severity (e.g., level three or four are more serious incidents). It requires facility management to follow up on each medication incident with a written action plan.

At a regional level, management reviews level-three or -four medication incidents to determine whether further investigation is required. If investigation identifies the need for a revised regional approach to address a particular type of incident, it adjusts policies or procedures accordingly.

Similarly, each quarter, Heartland provides results for all residents on 13 or more medications by facility to the facility managers for review. Facility managers can look further into specific residents if needed. In practice, facilities are to consider the appropriateness of residents being on 13 or more medications in the resident's next medication review.

As noted in **Section 3.1**, Heartland expects a multi-disciplinary team to complete medication reviews of each resident each quarter. We found these reviews are not consistently occurring.

### 3.5 Medication Training Taking Place

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***We recommended that Heartland Regional Health Authority implement an educational program for staff who develop and deliver medication plans in its long-term care facilities.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Implemented

Heartland has clinical nurse educators visit facilities and provide advice, and makes medication resources available online for staff.

At August 2017, regional clinical orientation for long-term care nurses included training on medication reconciliations and intravenous therapy. Nurses requiring additional training with new medications or when a change to current practice occurs have access to online resources. Heartland also has access to licensed pharmacists and clinical nurse educators to support medication-related decisions.

### 3.6 Medication Management Policies Established and Communicated

***We recommended that Heartland Regional Health Authority have comprehensive policies for medication management for its long-term care facilities that are aligned with the Ministry of Health's guidelines for its long-term care facilities.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Implemented

***We recommended that Heartland Regional Health Authority develop a regional approach for the use of medication in its long-term care facilities.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Implemented

***We recommended that Heartland Regional Health Authority clearly communicate its approach for medication use to long-term care residents and their families, staff, and healthcare providers.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Implemented

***We recommended that Heartland Regional Health Authority establish standardized documentation requirements for medication plans of its long-term care residents.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Implemented

***We recommended that Heartland Regional Health Authority develop a policy for enhanced planning for long-term care residents with complex medication needs, including the use of appropriate assessment tools.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Implemented



***We recommended that Heartland Regional Health Authority require that all appropriate approvals and informed consent are received by long-term care residents or designated decision makers for residents' medication plans.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Implemented

Heartland aligned its policies with Ministry guidelines, established a regional approach to medication management, and communicated its established policies to residents, their families and staff.

With revisions to its medication administration policy in October 2015, Heartland formalized a regional approach for the use of medications in its long-term care facilities. The policy outlines medication procedures for both client admission and ongoing medication administration, supported by standard forms.

Heartland made residents and families aware of their new policy and required approach through annual letters and publication in the client and family handbook. Staff were made aware of the policies through emails and Heartland's internal website.

Policies are now aligned with the Ministry of Health's program guidelines. For example, policies require quarterly multi-disciplinary medication reviews, and require written consent by residents or designated decision makers for medication at admission and when a medication change occurs.

Heartland also provided resources (e.g., the Beers list)<sup>2</sup> to staff. The use of the multi-disciplinary approach and available resources supports enhanced planning for residents with complex medication needs (e.g., at risk of having adverse reactions, on psychotropic medications).<sup>3</sup>

### 3.7 Transfer Information Obtained

***We recommended that Heartland Regional Health Authority consistently collect and document transfer information for residents transferred to its long-term care facilities.*** (2014 Report – Volume 2; Public Accounts Committee agreement September 17, 2015)

**Status** – Implemented

By August 2017, Heartland had a policy in place to obtain and provide medication information when residents transfer in and out of long-term care. All files we examined showed that staff are following the policy by obtaining medication information when residents transfer into Heartland long-term care facilities.

<sup>2</sup> AGS Beers Criteria for Potentially Inappropriate Medication Use in Older Adults 2012.

<sup>3</sup> Any drug capable of affecting the mind, emotions, and behaviour.

[www.medicinenet.com/script/main/art.asp?articlekey=30807](http://www.medicinenet.com/script/main/art.asp?articlekey=30807) (26 September 2017).

## Chapter 38

# Justice – Community Rehabilitation of Adult Offenders

### 1.0 MAIN POINTS

This chapter describes our second follow-up of the Ministry of Justice's actions on the seven recommendations we made in our 2011 audit of its processes to rehabilitate adult offenders in the community. By October 2017, the Ministry implemented three recommendations and had more work to do on the remaining four recommendations.

The Ministry established processes to monitor rehabilitation programs and offenders' access to those programs. However, it continues to need to work on consistently following its case management policies (including completion of timely risk assessments and integrated case plans),<sup>1</sup> having sufficient contact with offenders, and preparing regular progress reports for offenders.

### 2.0 INTRODUCTION

We concluded that during 2010, the Ministry had, other than the matters reflected in the seven recommendations, adequate processes to rehabilitate adult offenders likely to repeat crimes (including serious or violent crimes) who were serving a community sentence in the Regina Qu'Appelle Region.<sup>2</sup> In 2013, the Ministry reorganized its eleven adult and youth community corrections regions into three regions—South, Central, and North. The Regina Qu'Appelle Region became part of the South Region. By 2013, the Ministry made progress but still had more work to do on all seven recommendations.<sup>3</sup>

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

To carry out our audit, we interviewed Ministry staff, reviewed policies, and tested a sample of offender case files and evaluations of rehabilitation programs.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at October 3, 2017, and the Ministry's actions up to that date. We found that the Ministry had implemented three recommendations and was making progress on implementing the remaining four recommendations.

<sup>1</sup> A documented strategy for managing the offender throughout the court ordered disposition(s).

<sup>2</sup> 2011 Report – Volume 1, Chapter 3.

<sup>3</sup> 2013 Report – Volume 1, Chapter 28.



### 3.1 Compliance with Policies Inconsistent

***We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) consistently follow its policy requiring risk assessments and case plans for adult offenders to be completed within six weeks of starting community sentences.*** (2011 Report – Volume 1; Public Accounts Committee agreement September 23, 2014)

**Status** – Not Implemented

***We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) consistently follow its policy to use integrated case plans for adult offenders that coordinate rehabilitation strategies between the community and provincial correctional centres.*** (2011 Report – Volume 1; Public Accounts Committee agreement September 23, 2014)

**Status** – Not Implemented

***We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) consistently follow its supervision policy for high-risk adult offenders in the community to have required contacts with probation officers or alternatives.*** (2011 Report – Volume 1; Public Accounts Committee agreement September 23, 2014)

**Status** – Not Implemented

***We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) consistently follow its case management policy to prepare regular progress reports on adult offenders in the community.*** (2011 Report – Volume 1; Public Accounts Committee agreement September 23, 2014)

**Status** – Not Implemented

The Ministry did not consistently follow its policies surrounding offender case management and supervision.

During 2017, the Ministry reviewed a sample of offender case files in the Regina Community Corrections Office for compliance with its case management policy. It continued to find non-compliance with its policies, including:

- About half of the case files that it reviewed did not have risk assessments and case plans completed within six weeks of offenders starting their community sentences, as expected. Management explained that its policy to use integrated case plans between custody and the community is not adhered to in the Regina Community Corrections Office.

If the Ministry does not complete risk assessments and case plans for offenders in a timely manner, offender rehabilitation may not be effective. Since many offenders move back and forth between the community and correctional centres, the use of

integrated case plans would support a more effective and efficient rehabilitation process.

- About a quarter of the case files that it reviewed did not comply with its supervision policy.

The Ministry needs to have sufficient contact with offenders for effective rehabilitation and evaluation of offenders' progress in response to rehabilitation programs.

- Over three-quarters of the case files that it reviewed did not have regular progress reports completed.

Without regular progress reports, it is difficult for the Ministry to evaluate the effectiveness of rehabilitation programs and determine if offenders require adjustments to their programming.

Ministry management noted that many staff had expressed concern about their workload demands and the difficulty associated with meeting Ministry policy requirements. To address this concern, the Ministry expects to start assessing staff workload demands by March 31, 2018.

At October 2017, the Ministry acknowledged that it still had work to do on achieving compliance with its policies and had the following initiatives underway to improve compliance with policies:

- Establishing a new service delivery model that includes training in assessment and case management processes.
- Implementing the Ministry's IT system (Criminal Justice Information Management System [CJIMS]) to provide supervisors with the ability to monitor the completion of offender risk assessments and case plans.
- Developing pilot projects in two regions of the province to allow for better coordination between correctional centres and the community. One project is the Serious Violent Offender Response Initiative<sup>4</sup> and the other project involves having offenders with community orders managed on one caseload with a dedicated probation officer.
- Establishing an agreement in 2014 between the Ministry and the RCMP to contribute toward decreasing re-offence rates and ensuring offender accountability (including joint planning and supervision for chronic and serious violent offenders).

<sup>4</sup> The Serious Violent Offender Response (SVOR) Initiative is operational in North Battleford and Saskatoon. This initiative includes the development of a new case management system allowing for key information about each SVOR offender to be posted and used by all front-line partners (e.g., police, corrections staff, mental health partners)—creating a simple way to share community safety plans and relapse prevention plans, but most importantly to add notes from visits with the offender or alerts for concerns.



## 3.2 Offender Access to Programs Monitored

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***We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) monitor whether high-risk adult offenders have timely access to priority community rehabilitation programs.*** (2011 Report – Volume 1; Public Accounts Committee agreement September 23, 2014)

**Status** – Implemented

The Ministry monitors whether high-risk adult offenders have timely access to priority community rehabilitation programs.

The Ministry provides various rehabilitation programs for high-risk adult offenders, such as programs specific to violence prevention and sexual offenders. Programming is scheduled and available throughout the year. When determining program placement, program staff and probation officers screen and prioritize offenders identified in need of rehabilitation programming.

We found that the Ministry tracks offenders' participation in rehabilitation programs. Program staff use CJIMS to update offenders' progress within the programs. For all five high-risk adult offenders we tested, program staff documented sufficient information about the offenders' progress (e.g., attendance, completion of homework, general participation) in CJIMS within a reasonable timeframe.

## 3.3 Improved Monitoring of Rehabilitation Strategies

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***We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) use criteria to select rehabilitation services provided by other agencies and evaluate if high-risk adult offenders in the community benefit from these services.*** (2011 Report – Volume 1; Public Accounts Committee agreement September 23, 2014)

**Status** – Implemented

***We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) establish a policy to evaluate rehabilitation programs for high-risk adult offenders in the community.*** (2011 Report – Volume 1; Public Accounts Committee agreement September 23, 2014)

**Status** – Implemented

The Ministry established a process to evaluate rehabilitation services provided by other agencies before it selects and provides funding to those agencies. In addition, it introduced a new policy that requires the Ministry to evaluate programs using evidence-based best practices and established research methodologies. The Ministry had several program evaluations underway.

We found that the Ministry uses a standard template to evaluate rehabilitation services provided by other agencies (community-based organizations). It must complete this template before selecting and providing funding to those agencies.

For all three evaluations we tested, the Ministry sufficiently evaluated various aspects of those agencies using the template. Each of those evaluations considered whether the rehabilitation services aligned with program objectives, the continued demand for the services, and whether there was satisfactory program performance in previous years.

The Ministry's new 2016 program evaluation policy establishes general practices for evaluating offender rehabilitation programs. While the Ministry did not complete any evaluations by October 2017, we found that the Ministry had several program evaluations underway (e.g., domestic violence programming, gender responsive practices<sup>5</sup> for working with female high-risk offenders). As of October 2017, the Ministry completed extensive research surrounding these programs and documented an understanding of the various programs in the province, including those in the South Region. To complete these evaluations, we saw that the Ministry plans to compare existing programs to best practices and develop work plans to adjust current programming as necessary.

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<sup>5</sup> Gender responsive practices involves recognizing that gender makes a difference when working with female offenders and providing services which are responsive to the unique strengths and challenges that female offenders present.





## Chapter 39

### Justice – Maintaining the Integrity of Offender Data

#### 1.0 MAIN POINTS

By September 2017, the Ministry of Justice had implemented one of two remaining recommendations related to maintaining the integrity of offender data from our 2012 audit. The Ministry implemented a process of supervisory review of offender information entered by clerical staff. However, the Ministry needs to follow procedures for removing unneeded user access to its IT system.

The Ministry is responsible for tracking offenders in provincial correctional facilities and within the community (e.g., those offenders subject to bail). The Ministry uses an information management system to track release dates of prisoners. If information in its system is not accurate, offenders may be released from prison at the incorrect time.

#### 2.0 INTRODUCTION

As of September 30, 2017, the Saskatchewan correctional system was responsible for 9,590 offenders with 1,966 in custody and 7,624 under community supervision.<sup>1</sup>

The Ministry uses the Criminal Justice Information Management System (CJIMS) to track offenders in provincial correctional facilities and within the community (for example, those subject to conditional sentence, probation, or bail). CJIMS tracks offender location, sentence lengths, incidents, risk and needs assessments for offenders, special programs (e.g., community training residences), and release dates.

CJIMS is critical for managing and transporting offenders. If offender release date information is not accurate in CJIMS, offenders may be let out of prison at the incorrect time. Also, the Ministry relies on the confidentiality, availability, and integrity of information in CJIMS to keep both offenders and law enforcement officers charged with their care safe.

Our *2015 Report – Volume 2*, Chapter 48 found that, by August 31, 2015, the Ministry had implemented four out of six recommendations we initially made in our 2012 audit of the integrity of offender data. This chapter describes our follow up of the two recommendations that were not fully implemented.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (CSAE 3001). To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit.

We examined key documents including policies and procedures related to keeping offender data confidential, available, and reliable; interviewed Ministry employees; tested that management followed its policy of supervisory review; and tested the timeliness of removing unneeded user access to CJIMS.

<sup>1</sup> Per Ministry of Justice officials (October 2017).



## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 30, 2017, and the Ministry's actions up to that date.

### 3.1 Verification of Corrections Management Information System Data

***We recommended that the Ministry of Justice implement processes to require verification of Corrections Management Information System data entry.*** (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

**Status** – Implemented

Since our 2012 audit, the Ministry developed a policy for community corrections offices to require a supervisory review of files and data changes. The policy came into effect on September 1, 2014. The Ministry implemented the same process for correctional centres.

The policy requires supervisors to confirm the data entered into CJIMS by clerical staff matches the information on the individual's court order. Probation officers assigned to the individual must also review that the data within CJIMS matches what is on the court order.

We found that for all 30 items we tested staff were following the Ministry policy / process.

### 3.2 Timely Removal of User Access Needed

***We recommended that the Ministry of Justice follow its policy to ensure that unneeded Corrections Management Information System user access is removed on a timely basis.*** (2012 Report – Volume 2; Public Accounts Committee agreement June 17, 2015)

**Status** – Partially Implemented

See Chapter 8, Justice—Timely Removal of User Access Needed.

## Chapter 40

# Justice – Supporting Provincial Court of Saskatchewan to Manage Court Workloads

### 1.0 MAIN POINTS

By July 31, 2017, the Ministry of Justice had implemented one of the six recommendations we made in our 2014 audit of its processes to support the Provincial Court to manage court workloads. The Ministry developed standardized administrative policies and procedures for all court locations to use. While the Ministry made progress on other recommendations, it continues to need to:

- Set key targets for supporting the management of court workloads
- Develop and implement a comprehensive forecasting model to assess resources needed to support the management of court workloads
- Implement standardized training processes for court staff
- Improve its collection, analysis, monitoring, and public reporting of information related to supporting the management of court workloads
- Make public its key action plans to address operating pressures related to supporting the management of court workloads

Lack of effective support to manage Provincial Court’s workloads could affect timely scheduling of the Court’s hearings. This could result in delayed 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.

In criminal cases, timely delivery of justice is crucial. *The Canadian Charter of Rights and Freedom* states that a person charged with a criminal offence has a right to be tried within a reasonable timeframe. The Supreme Court of Canada gives a guideline of eight to ten months (i.e., 240 to 300 days) as a reasonable length of time for institutional delays in Provincial Courts.<sup>1</sup> The Supreme Court of Canada Jordan decision has set a new framework as of July 2016 in which the ceiling for cases to be tried in the provincial court is 18-months. If this ceiling is exceeded, the timeframe for trial is unreasonable.<sup>2</sup>

The Ministry of Justice must support the Provincial Court to effectively manage work pressures and wait times, so delays do not exceed the 18-month ceiling and cases are completed in a reasonable period.

<sup>1</sup> Supreme Court of Canada, R.V. Morin, 1992 defines institutional delay as time that “runs from the time the parties are ready for trial and continues until the system can accommodate the proceedings”.

<sup>2</sup> Supreme Court of Canada, R.V. Jordan, 2016 states the “presumptive ceiling is 18 months tried in the provincial court” and the institutional delay refers to R.V. Morin with “eight to ten months before the provincial court”. Source: <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/16057/index.do>. (25 September 2017).



## 2.0 INTRODUCTION

The Ministry of Justice, through its Court Services branch,<sup>3</sup> 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 judiciary and other branches of government (e.g., executive). A Chief Judge is responsible for the schedule of the Provincial Court and is the administrative liaison with the Ministry of Justice while preserving judicial independence.

This chapter describes our follow up of management's actions on six recommendations we made in our 2014 audit of the Ministry's processes to support the Provincial Court to manage court workloads.<sup>4</sup>

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

To carry out our follow-up, we interviewed staff at the Ministry, Provincial Court offices, and the Chief Judge, and reviewed relevant documents (e.g., strategic and operational plans).

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at July 31, 2017, and the Ministry's actions up to that date. We found that the Ministry had implemented one of our recommendations and partially implemented five of our recommendations.

### 3.1 Completed Plan Needed

***We recommended that the Ministry of Justice define clear and appropriate performance measures and targets for supporting the management of Provincial Court of Saskatchewan workloads.*** (2014 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

**Status** – Partially Implemented

The Ministry has not set all key targets in the Ministry's Court Services Strategic Plan.

The Ministry's Court Services Strategic Plan 2018-22 sets goals, strategies, key actions, and performance indicators that outline how the Ministry plans to achieve its goals. The Ministry has established quantitative annual targets for most performance measures that

<sup>3</sup> Court Services is a branch in the Ministry of Justice that provides administrative support for the Provincial Court.

<sup>4</sup> Our 2014 Report – Volume 1, Chapter 10 concluded that the Ministry of Justice had effective processes to support the Provincial Court of Saskatchewan in managing court workloads for the 12-month period ended December 31, 2013, except for the six areas in our recommendations.

support the management of court workloads. At July 2017, it was developing one performance measure.

It has identified the measure for reducing time to trial and case resolution but has not yet developed related targets. This specific measure is significant, as it will provide relevant information for the Ministry to effectively support the Provincial Court in managing court workloads.

Targets provide the benchmark to assess progress against. Without the targets in place, progress towards the end goal cannot be tracked and evaluated.

***We recommended that the Ministry of Justice develop and implement a complete forecasting process that identifies administrative and financial resources (e.g., staff, facilities, and equipment) needed to support the management of court workloads.*** (2014 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

**Status** – Partially Implemented

At July 2017, the Ministry was developing a comprehensive forecasting model to assess resources needed to manage court workloads. This work is not yet complete.

The Ministry's actual cost of providing resources to the Provincial Court continues to exceed the budget to meet growing workloads. The number of overtime hours worked to support the Provincial Court in 2016-17 was 6,571, which is a slight increase since our 2014 audit (2013-14: 6,110 overtime hours).

The Ministry completes annual forecasts for salaries and operating expenses for financial purposes but it does not forecast future court workloads.

We found that the Ministry forecasts facilities and courtroom usage to determine how often court will need to sit in each court or circuit point<sup>5</sup> location. However, it has not consistently used the court schedule data to forecast the other resources (e.g., staff time) required to manage Provincial Court workloads.

The Ministry has a plan to implement a multi-year comprehensive forecast model, and has identified a tool that it hopes to use to assess resources required to support court workloads. This tool factors in staff time; available financial and human resources; and the number of courtrooms, judges, etc. required to support the courts to reduce future court workloads. However, the IT component of the tool did not receive Ministry funding approval for 2018-19. At July 2017, the Ministry had not considered an interim or alternate plan for a forecasting model.

Not having a complete plan to support the management of court workloads can lead to increased overtime costs and delays in the Provincial Court.

<sup>5</sup> Court is conducted throughout the province at 13 locations with permanent court offices with resident judges. Provincial Court judges travel to approximately 60 other communities for court matters, known as circuit points. Source: [sasklawcourts.ca/home/provincial-court/about-the-court](http://sasklawcourts.ca/home/provincial-court/about-the-court) (12 September 2017).



## 3.2 Processes to Manage Court Workloads Consistent

***We recommended that the Ministry of Justice develop and consistently use complete administrative procedures to support the management of Provincial Court of Saskatchewan workloads.*** (2014 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

**Status** – Implemented

A Ministry-led review of Court Services' administrative policies and procedures resulted in adjustments to or creation of new policies.

The Ministry has a dedicated staff member to review and update policies and documents to keep staff resources relevant and current. The dedicated staff member updates policies and procedures based on legislative changes, requirements identified by judges, or ideas brought forward by staff members. The dedicated staff member discusses changes with court managers prior to implementation to identify the impact of the change, receive feedback, and answer questions.

Some of the major changes during our audit period included converting the Provincial Court Policy and Procedure Manual for the old IT system (JAIN) to the new IT system (Criminal Justice Information Management System, [CJIMS]), and the shift to the Standardized Endorsement Form, a formal recording of court proceedings, for use among all provincial courts.

We found that the Ministry developed standardized administrative policies and procedures for use by all court locations. It makes the policies and procedures available electronically on a common IT network drive to promote consistency and easy access for staff across the province. We found that Provincial Court staff were consistently using the administrative policy and procedure manual.

***We recommended that the Ministry of Justice implement a complete human resources plan that includes standardized training processes for staff who support the management of Provincial Court of Saskatchewan workloads.*** (2014 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

**Status** – Partially Implemented

The Ministry's Court Services' human resources plan now includes standardized training. The Ministry expected to update the supporting training and procedure manual by October 2017.

The updated human resource plan includes:

- Human Resource Plan and Operational Plan for 2017-2021
- Succession planning templates
- Orientation Manual for New Employees
- Checklist for supervisors to use during training
- Standardized training materials

We found that the Provincial Court managers consistently use the standardized orientation manual and training materials for new staff, and offer continual training for existing staff.

The Ministry expected to review and update the Judicial Officer Training and Procedure Manual from 2011 in October 2017 following the final CJIMS implementation, as it was changing procedures based on the changes from the new IT system. This is a key manual as it provides comprehensive guidance on the procedures for Court. In addition, the Ministry was planning to implement a review process for all existing manuals. Using manuals that are not routinely updated results in staff not having current and relevant information on processes and procedures.

### 3.3 Monitoring and Reporting Need Further Improvement

***We recommended that the Ministry of Justice improve its collection, analysis, monitoring, and public reporting of information related to supporting the management of Provincial Court of Saskatchewan workloads.*** (2014 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

**Status** – Partially Implemented

At July 2017, the Ministry was in the process of implementing a new IT system (CJIMS). It expected the core functions of CJIMS to be fully implemented in October 2017 at which time its reporting aspect would be available to the Ministry.

CJIMS is to aid in the collection and analysis of workload data. It is anticipated the new system will allow the Ministry to count, track, and monitor items that have an impact on court workloads (e.g., the ability to count the number of individuals charged instead of just number of charges). Having access to different information will allow the Ministry to analyze and monitor data to support the management of Provincial Court workloads. In addition, the Ministry could give information to the Chief Judge for the Provincial Court to use for scheduling.

The Ministry has developed a Strategic Systems and Innovation (SSI) branch with a mandate that includes in-house data analytics. The SSI group is working on the development of a data warehouse to collect all Ministry data including Corrections, Prosecutions, and Provincial Courts. The data warehouse is expected to commence operational reporting related to court workloads by March 2018.

The Ministry's public reporting of information related to its support of court workloads had not been improved as of July 2017, but it had plans to increase public reporting of performance measures in 2018 and future years. It makes information public through the Ministry Plan and Annual Report. The Ministry expects to include information regarding the time to trial and case resolution within adult criminal courts in its next annual report, and include additional key actions in subsequent annual reports. By excluding this information for public reports, the readers are not aware of how work of the Ministry supports improving court wait times.





***We recommended that the Ministry of Justice make public its key action plans to address operating pressures related to supporting the management of Provincial Court of Saskatchewan workloads.*** (2014 Report

– Volume 1; Public Accounts Committee agreement February 13, 2015)

**Status** – Partially Implemented

The Ministry has developed key action plans to address operating pressures related to supporting the management of court workloads, and has plans to increase public reporting of the actions in the future.

We found the key action plans support the strategic goals of Court Services and aligns with the goals and strategies of the Ministry of Justice. The Ministry expects a number of the key actions to result in effective support for Provincial courts workload management and reduction of court wait times (e.g., increasing the use of video technology to reduce the number of adjournments<sup>6</sup> and supporting the Time to Resolution Pilot project to increase the use of early assessment and resolution processes to reduce the time required to resolve disputes).<sup>7</sup>

The key action plans, although developed, had not been reported publicly as of July 2017. Going forward, the Ministry expects key actions to be reported on in the Annual Report, beginning with its next annual report. Including these key actions will improve public accountability and make the public aware of the Ministry's plans.

<sup>6</sup> Definition of adjournment: “the postponement of a court proceeding or session until another date; may be with a specified date or without [...]”. Source: [www.manitobacourts.mb.ca/general-information/definitions-understanding-legal-words/](http://www.manitobacourts.mb.ca/general-information/definitions-understanding-legal-words/) (12 September 2017).

<sup>7</sup> *Ministry of Justice Plan for 2016-17*. Source: [www.finance.gov.sk.ca/PlanningAndReporting/2016-17/JusticePlan1617PRINT.pdf](http://www.finance.gov.sk.ca/PlanningAndReporting/2016-17/JusticePlan1617PRINT.pdf) (12 September 2017).

## Chapter 41

# Parks, Culture and Sport—Provincial Parks Capital Asset Planning

### 1.0 MAIN POINTS

By August 2017, the Ministry of Parks, Culture and Sport had strengthened its long-term capital planning for the provincial park system. It implemented the related three recommendations that we first made in our 2009 audit.

The Ministry has a long-term capital plan for the provincial park system. This plan includes estimated life-cycle costs for key capital assets (e.g., service centres). In addition, the Ministry provides its staff with sufficient guidance for operating and maintaining its key capital assets. The Ministry has obtained additional information to help it estimate the future long-term use of capital assets in the park system, and related key risks.

### 2.0 INTRODUCTION

This chapter describes our third follow-up of management's actions on three recommendations we initially made in our *2009 Report – Volume 3*, Chapter 18 about the adequacy of the Ministry's long-term capital asset plan for the provincial park system. In our *2015 Report – Volume 1*, Chapter 24, we reported that as of January 2015, the Ministry had not fully implemented the three related recommendations.

The Ministry of Parks, Culture and Sport is responsible for the provincial park system, including capital assets in provincial parks.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Ministry management agreed with the criteria in the original audit.

We reviewed key Ministry processes and controls related to capital asset planning. This included observing key aspects of the enterprise asset management IT system, reviewing key documents related to the Ministry's year-to-year and five-year capital infrastructure plans (e.g., survey results, prioritization matrixes), and interviewing Ministry staff responsible for provincial parks capital asset planning.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at August 31, 2017, and the Ministry's actions up to that date.



### 3.1 Financial Implications of Capital Asset Strategies Included in Long-Term Capital Asset Plan

***We recommended that the Ministry of Parks, Culture and Sport (formerly Ministry of Tourism, Parks, Culture and Sport) include estimated life-cycle costs in its long-term capital asset plan for the provincial park system.*** (2009 Report – Volume 3; Public Accounts Committee agreement June 6, 2011)

**Status** – Implemented

***We recommended that the Ministry of Parks, Culture and Sport (formerly Ministry of Tourism, Parks, Culture and Sport) set out principles in its capital asset plan to guide how it operates and maintains key capital assets in the provincial park system.*** (2009 Report – Volume 3; Public Accounts Committee agreement June 6, 2011)

**Status** – Implemented

By August 2017, the Ministry used estimated life-cycle costs in the development of its long-term capital asset plan. In addition, it used its new IT system along with supporting guidance to guide how it operates and maintains key capital assets in the provincial park system.

In February 2016, the Ministry implemented a new IT system (enterprise asset management IT system). This system allows the Ministry to track important information for life-cycle costing (e.g., estimated useful life, current condition, replacement cost, expected year of outlay) for both capital assets (e.g., a building) and their components (e.g., the roof). The system assesses different maintenance elements and prioritizes maintenance projects based on those categories.

The Ministry gave staff the necessary guidance for the use of the new IT system. For example, the Asset Management System User Guide includes direction on both the operation and maintenance of key capital assets. Also, the Ministry's draft 2018-19 Capital Infrastructure Plan included a set of guiding principles to guide the capital planning process.

The Ministry plans to update and re-assess the condition of all major assets every five years. To keep information in the new IT system up to date and relevant, the Ministry makes five area specialists responsible for periodically assessing the condition of each asset and its components. By August 2017, we found they had assessed the condition for all buildings and campsites listed in the IT system. Assessments on other asset classes (e.g., roads) were ongoing.

In addition, the Ministry developed a Capital Planning Process Prioritization Matrix User Guide. This Matrix provides members of its Capital Planning Committee with guidance on how to assess each potential project. This ensures that all projects (both maintenance and new purchases) are reviewed and approved prior to being included in the capital asset plan.

Also, we found that the Ministry used information from its IT system to develop a priority matrix each year. The priority matrix helped the Ministry decide which projects to select

when finalizing its year-to-year capital asset plan. We noted that the highest priority projects (e.g., replacing a service centre at a selected provincial campground) formed part of its Capital Infrastructure Plan for the upcoming year.

### **3.2 Projected Future Use of Key Capital Assets Incorporated Into Planning**

*We recommended that the Ministry of Parks, Culture and Sport (formerly Ministry of Tourism, Parks, Culture and Sport) include in its capital asset plan for the provincial park system the projected future use levels for key capital assets (including assumptions and factors influencing trends) and a summary of capital asset risks for the projected use levels.* (2009 Report – Volume 3; Public Accounts Committee agreement June 6, 2011)

**Status** – Implemented

By August 2017, the Ministry obtained and utilized additional information about projected future use levels and risks to the provincial park system in the development of its long-term capital asset plan.

Since 2015 (the time of our last follow-up), the Ministry analyzed detailed trends (e.g., results of surveys of park visitors and park supervisors), and conducted environmental scans to better determine both the current and future use of provincial parks and emerging risks facing the Ministry with respect to the provincial park system. For example, it expected a continued population increase in Saskatchewan to result in the need for expanded and upgraded facilities to meet growing park visitor demands.



## Chapter 42

# Regina Public and Regina Catholic School Divisions— Physical Safety of Students

### 1.0 MAIN POINTS

By May 2017, Regina School Division No. 4 and Regina Roman Catholic Separate School Division No. 81 implemented all 13 remaining recommendations related to improving physical safety of students at school.

Regina School Division No. 4 (Regina Public) had improved accessibility of safety components (e.g., eyewash stations) and signage. It also assessed physical security, set requirements for air quality testing, and monitored the performance of its safety initiatives.

Regina Roman Catholic Separate School Division No. 81 (Regina Catholic) had implemented new safety manuals, improved emergency response kits and other safety components, reviewed physical security, provided guidance for placement of safety items (e.g., first aid kits), determined its needs for first aid trained staff, and set requirements for air quality testing. Its Board monitored the performance of its safety initiatives.

### 2.0 INTRODUCTION

*The Education Act, 1995* (Act) delegates responsibility for student safety to school divisions. Our original audit, as reported in our *2013 Report – Volume 1*, Chapter 13, included 17 recommendations about the processes of Regina School Division No. 4 and Regina Roman Catholic Separate School Division No. 81 (Regina school divisions) to provide for the physical safety of students at school. Our *2015 Report – Volume 2*, Chapter 52 reported at September 21, 2015, the Regina school divisions had implemented four recommendations.

This chapter reports the results of our assessment of each school division's progress in implementing the remaining 13 recommendations. To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the school divisions' progress in implementing our recommendations, we used the relevant criteria from the original audit. Management of the Regina school divisions agreed with the criteria in the original audit.

To perform our follow up on our recommendations we discussed actions taken with management, reviewed relevant documentation, and observed whether actions had been implemented in selected schools.

### 3.0 STATUS OF RECOMMENDATIONS—REGINA PUBLIC

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at May 31, 2017, and Regina Public's actions up to that date. We found that Regina Public had implemented all five recommendations.



### 3.1 Key Safety Measures Implemented

***We recommended that Regina School Division No. 4 develop processes to keep safety components (e.g., eyewash stations, emergency exits) accessible in science labs and shop areas.*** (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

Safety components such as eyewash stations and emergency eyewash kits were accessible in science labs and shop areas in the Regina Public schools we visited.

***We recommended that Regina School Division No. 4 determine the appropriate location for placement of safety-related signage and safety items such as fire extinguishers and first aid kits in schools.*** (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

First aid and safety items were accessible and clearly marked in the Regina Public schools we visited. Regina Public developed and implemented administrative procedures that guide placement of safety related signage and items.

***We recommended that Regina School Division No. 4 assess the level of physical security required for each school in the division.*** (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

Regina Public assessed levels of security at its schools (elementary and high school). Regina Public has identified schools that require an increased level of security and was working on completing and installing the identified security (e.g., video surveillance) in schools.

***We recommended that Regina School Division No. 4 develop requirements for air quality testing to be conducted when construction takes place during the year.*** (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

Regina Public developed and implemented a procedure that includes requirements to conduct air quality testing during construction projects at schools. According to school officials during our school visits, no construction had taken place during the 2016-17 school year.

***We recommended that Regina School Division No. 4 develop performance measures and targets related to student safety and report on these measures and targets periodically to its Board.*** (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

The Board of Regina Public has delegated responsibility for monitoring student safety to the Director of Education. We found the Director of Education is receiving status reports on a quarterly basis related to student safety performance measures.

## 4.0 STATUS OF RECOMMENDATIONS—REGINA CATHOLIC

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at May 31, 2017, and Regina Catholic's actions up to that date. We found that Regina Catholic had implemented all eight recommendations.

### 4.1 Key Safety Measures Implemented

***We recommended that Regina Roman Catholic Separate School Division No. 81 develop and implement safety manuals to be used by schools to guide safety and maintenance for all science labs and shop areas in its practical and applied arts programs.*** (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

We found safety components for shop and science classes were implemented as part of the curriculum. During our visits to selected schools, we observed that safety information and guidance is included in course materials provided to students. Regina Catholic hired an external firm to complete safety reviews of the science labs and shop areas. The information from these reports has been used by the Division to develop safety manual components of the curriculum used at schools.

***We recommended that Regina Roman Catholic Separate School Division No. 81 review its practices for emergency response kits and provide guidance to schools on the required contents of kits.*** (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

During visits to schools, we observed that schools had emergency response kits, which included the required items. Regina Catholic has developed an Emergency Response Guide, which has been provided to its schools and administrators. We found that this Guide includes a list of required items for emergency response kits.

***We recommended that Regina Roman Catholic Separate School Division No. 81 develop processes to keep safety components (e.g., eyewash stations, emergency exits) accessible in science labs and shop areas.*** (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

Safety components such as eyewash stations and emergency eyewash kits were accessible in science labs and shop areas in the Regina Catholic schools we visited. Regina Catholic hired an external firm to complete a review of science labs and practical and applied arts areas. The Division implemented changes based on these reviews and added employees who are responsible for annually reviewing safety in science labs and practical and applied arts areas.





***We recommended that Regina Roman Catholic Separate School Division No. 81 assess the level of physical security required for each school.*** (2013

Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

We observed locked doors at all schools we visited and a video surveillance system where the Division assessed a need for such. Regina Catholic has developed and implemented a safety audit questionnaire, which has been completed by its schools to gather information on physical security.

***We recommended that Regina Roman Catholic Separate School Division No. 81 define the number of first aid trained staff required in each school.***

(2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

Regina Catholic has defined the number of first aid trained staff required. Regina Catholic monitors changes in staff and schools annually to determine first aid training required for staff.

***We recommended that Regina Roman Catholic Separate School Division No. 81 determine the appropriate location for placement of safety-related signage and safety items such as fire extinguishers and first aid kits in schools.*** (2013 Report – Volume 1; Public Accounts Committee agreement June 18,

2015)

**Status** – Implemented

At schools we visited, we saw complete first aid and safety items that were accessible and marked. Regina Catholic hired an external firm to complete safety reviews of science labs and shop areas. Part of these reviews included placement of safety equipment and related signage where needed.

***We recommended that Regina Roman Catholic Separate School Division No. 81 develop requirements for air quality testing to be conducted when construction takes place during the year.*** (2013 Report – Volume 1; Public

Accounts Committee agreement June 18, 2015)

**Status** – Implemented

Regina Catholic hires experts when construction is needed at schools and relies on their expertise to determine the timing of air quality testing. Construction takes place over the summer when students and staff are on summer break. According to school officials during our school visits, no construction had taken place during the 2016-17 school year.

***We recommended that Regina Roman Catholic Separate School Division No. 81 develop performance measures and targets related to student safety and report on these measures and targets periodically to its Board.*** (2013 Report – Volume 1; Public Accounts Committee agreement June 18, 2015)

**Status** – Implemented

We found Regina Catholic requires reporting to the Board on student safety, which includes performance measures. Regina Catholic has implemented annual reporting requirements on student safety to its Board.

## Chapter 43

# Saskatchewan Housing Corporation – Maintaining Housing Units

### 1.0 MAIN POINTS

By May 2017, the Saskatchewan Housing Corporation (Sask Housing) implemented two of four recommendations originally made in our 2012 audit of Sask Housing’s processes for maintaining housing units.

Since our 2014 follow-up, Sask Housing uses an asset management IT system to track key information about each unit and component (e.g., boilers, outdoor structures) it owns. Sask Housing keeps this information current, updating the condition of units and components annually. Sask Housing prioritizes its maintenance activities for the upcoming year based on units or components that have exceeded their life-span and are in poor condition.

However, as of May 2017, Sask Housing had not yet developed a medium to long-term corporate maintenance plan that aligns with its maintenance objective of maintaining all units at a fair-condition rating level. At July 2017, the units in Sask Housing’s housing portfolio, on an overall basis, were in poor condition. In addition, reporting to senior management did not include information about delayed or incomplete maintenance on housing units, or a summary of the inspections completed yearly. Such information would help management assess whether completed maintenance keeps units sufficiently safe and secure. Not doing the right maintenance activity at the right time increases the extent and cost of future maintenance. In addition, it increases the risk of units not being safe or secure for tenants.

At March 31, 2017, Sask Housing owned approximately 18,300 housing units located in 4,913 buildings across the province. These units are available to less fortunate individuals at reduced rents to enable self-sufficiency and independence. Sask Housing must effectively maintain these units so that they provide safe and secure shelter for tenants.

### 2.0 INTRODUCTION

In our *2012 Report – Volume 1*, Chapter 24, we reported on Sask Housing’s processes to maintain the 18,300 housing units it owned. We made four recommendations. In our 2014 follow-up,<sup>1</sup> we found that while Sask Housing was addressing one of four recommendations, all four recommendations remained outstanding. This chapter describes our second follow up of management’s actions on the four recommendations.

Under *The Saskatchewan Housing Corporation Act (Act)*, Sask Housing is responsible for all matters relating to housing including the responsibility to own and maintain housing. The Act allows Sask Housing to create public housing authorities to administer and operate housing. Public housing authorities must comply with Sask Housing’s policies in carrying out their duties. As such, Sask Housing works with the housing authorities to operate and maintain housing units that it owns.

<sup>1</sup> *2014 Report – Volume 1*, Chapter 26, Saskatchewan Housing Corporation – Housing Maintenance.



In 2016, Sask Housing spent \$42.6 million (2015: \$50.5 million) on maintenance and renovation which is almost one-quarter of its total expenses for the year (2015: 27%).<sup>2</sup>

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate Sask Housing’s progress towards meeting our recommendations, we used the relevant criteria from the original audit. Sask Housing’s management agreed with the criteria in the original audit.

As part of our work, we reviewed Sask Housing’s asset management IT system, inspection reports, annual maintenance plans, and reports on maintenance provided to the Board and senior management.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at May 31, 2017, and Sask Housing’s actions up to that date. We found that Sask Housing implemented two recommendations and has work to do on the remaining two.

### 3.1 Longer-Term Maintenance Plan Needed

***We recommended that the Saskatchewan Housing Corporation develop a corporate maintenance plan for the medium to long-term timeframe.***

(2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status** – Not Implemented

Sask Housing does not have a medium to long-term corporate maintenance plan that aligns with its maintenance objective. Rather maintenance planning continued to focus on activities only for the upcoming year.

Sask Housing indicated that it plans to complete a review of social housing programs prior to setting a long-term maintenance plan. It plans to complete the review by spring of 2018.

At July 17, 2017, the overall facility condition index (FCI)<sup>3</sup> for Sask Housing’s portfolio of housing units it owns was in poor condition with an index value of 12.1%. Sask Housing indicated it aims to maintain housing units it owns at the industry standard FCI of 10% – meaning overall, units would be in fair condition (see **Figure 1**).

We estimate that if Sask Housing continues maintenance activities at its 2016 level, the overall FCI for its portfolio of housing units will near the critical condition in about 10 years (i.e., 2027).

<sup>2</sup> Saskatchewan Housing Corporation, *Annual Report 2016*, p. 26.

<sup>3</sup> Facility condition index (FCI) is used in facilities management to provide a benchmark to compare the relative condition of a group of facilities. The lower the FCI the better the condition of the unit.

**Figure 1 – Facility Condition Index**

| Facility Condition Index %<br>(Current year maintenance cost divided by its replacement value) | Condition |
|--|-----------|
| 0-5  | Good      |
| 5-10   | Fair      |
| 10-30  | Poor      |
| >30  | Critical  |

Source: Retrieved from the International Facility Management Association knowledge library, <https://community.ifma.org/fmpedia/w/fmpedia/2459> (21 July 2017).

Having a medium to long-term maintenance plan helps control the costs of maintenance and keep units maintained at the level expected. Not doing the right maintenance activity at the right time increases the risk that housing units may not be suitable for tenants or provide safe and secure housing. In addition, delayed maintenance causes increases in the extent and cost of future maintenance.

## 3.2 Documented Housing Unit Conditions Guide Maintenance Decisions

***We recommended that the Saskatchewan Housing Corporation better document key information about the condition and risks of all its housing units to facilitate corporate-wide maintenance decision-making and planning.*** (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status** – Implemented

Sask Housing consistently documents key information about its housing units in an asset management IT system.

In June 2013, Sask Housing contracted with a capital asset consultant company for consulting services and the use of an asset management IT system. Sask Housing tracks in the IT system all of its owned housing units and their associated components (e.g., windows, walls, boilers), including their condition, current age, and expected life span (i.e., expected period of operation or use).

Sask Housing had the consultant company input each building, the related units, and the associated components into the IT system. Sask Housing verified the accuracy of the information in the system by having housing authority staff do inspections and comparing results to system information.

Each year, Sask Housing updates the system information through various methods including inspections, management tours, housing authority reviews, and purchase and sale reports.

The information tracked in the system is sufficient to facilitate corporate decision-making.



### 3.3 Life-Span Information Guides Maintenance

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***We recommended that the Saskatchewan Housing Corporation set long-term, corporate-wide service objectives for its housing projects and use them to guide maintenance planning and priorities.*** (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status** – Implemented

Sask Housing uses building and component life-span information in the IT system to prioritize maintenance activities.

The asset management IT system documents the life-span for each building and item in a building unit.

We found Sask Housing uses this information when making maintenance decisions for the upcoming year. For example, housing authorities give Sask Housing an annual listing of planned maintenance items. Sask Housing assesses each requested maintenance item against its life-span in the system to confirm that the item is in need of maintenance. Sask Housing also checks the item against its listing of outstanding maintenance items from prior years.

### 3.4 Better Maintenance Reporting for Senior Management Needed

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***We recommended that the Saskatchewan Housing Corporation regularly give senior management and the Board appropriate written reports on planned and completed maintenance activities and the overall condition and key risks to the housing units it owns.*** (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

**Status** – Partially Implemented

While Sask Housing provided adequate reporting to the Board, senior management did not receive sufficient detail on certain maintenance activities.

Annually, Sask Housing reports on maintenance to the Board. One report, provided as part of the annual budgeting process, presents three maintenance funding scenarios for the Board's consideration, and shows the risks for each. This shows the Board the impact of funding decisions. Another report compares actual spending on maintenance to planned, facilitating discussion of differences.

Senior management receives the same information as the Board even though its role differs. Reporting to senior management does not include information about delayed or incomplete maintenance, or summarized information on unit inspections completed yearly. This type of information would facilitate discussions regarding implications of delayed projects and inspections required for future maintenance activities.

Sask Housing indicated that it expects to improve its reporting of maintenance information to senior management by December 2017.

## Chapter 44

# Saskatchewan Liquor and Gaming Authority – Liquor Procurement

### 1.0 MAIN POINTS

By August 2017, Saskatchewan Liquor and Gaming Authority (SLGA) improved, in part, its processes to buy liquor for distribution and resale. It implemented two of the three recommendations initially made in our 2012 audit of its processes to procure liquor.

SLGA developed and started using a *Liquor Category Strategy*. This Strategy and related procedures help it identify and select products that meet customer needs. Also, it assists SLGA in monitoring the product sales performance.

However, SLGA drafted, but did not finalize, a policy to obtain assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content. As of August 2017, SLGA did not confirm the safety of liquor products it distributes. This increases the risk of it distributing liquor products that may be unsafe to consume and litigation against SLGA if such an event occurred.

### 2.0 INTRODUCTION

Our *2012 Report – Volume 1*, Chapter 17 concluded that SLGA had effective processes in place to procure liquor other than the areas reflected in the seven recommendations.<sup>1</sup> By March 2015, SLGA had implemented four recommendations including two implemented by September 2013.<sup>2,3</sup>

This chapter describes the results of our third follow-up of SLGA's progress on the remaining three recommendations.

Under *The Alcohol and Gaming Regulation Act, 1997 (Act)*,<sup>4</sup> SLGA is responsible for distributing, controlling, and regulating liquor and gaming in Saskatchewan. SLGA aims to achieve a balance between generating revenue, promoting responsible use of alcohol, and providing customers with product selection and value. In 2016-17, SLGA generated gross revenue of \$641 million from liquor sales.<sup>5,6</sup>

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate SLGA's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SLGA's management agreed with the criteria in the original audit.

<sup>1</sup> *2012 Report – Volume 1*, Chapter 17 (pp. 145-157).

[http://auditor.sk.ca/pub/publications/public\\_reports/2012/Volume\\_1/2012v1\\_17\\_LiquorProcurement.pdf](http://auditor.sk.ca/pub/publications/public_reports/2012/Volume_1/2012v1_17_LiquorProcurement.pdf) (10 October 2017).

<sup>2</sup> *2013 Report – Volume 2*, Chapter 47 (pp. 317-320).

[http://auditor.sk.ca/pub/publications/public\\_reports/2013/Volume\\_2/2013v2\\_47\\_SLGA-Procure.pdf](http://auditor.sk.ca/pub/publications/public_reports/2013/Volume_2/2013v2_47_SLGA-Procure.pdf) (10 October 2017).

<sup>3</sup> *2015 Report – Volume 2*, Chapter 54 (pp. 359-362). <https://auditor.sk.ca/publications/public-reports/item?id=140> (10 October 2017).

<sup>4</sup> *The Alcohol and Gaming Regulation Act, 1997*, s. 12.

<sup>5</sup> Saskatchewan Liquor and Gaming Authority, *2016-17 Annual Report*, p. 3.

<sup>6</sup> *Ibid.*, p. 19.



Our audit approach primarily included examining SLGA's policies and procedures relevant to buying liquor for distribution and resale, and discussing them with management. We examined SLGA's trend analysis and category performance assessments (i.e., category analysis). We also tested a sample of category analysis performed by staff to determine whether they followed SLGA's established policies and procedures.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at August 31, 2017, and SLGA's actions up to that date. We found that SLGA implemented two recommendations and is making progress towards implementing the remaining recommendation.

### 3.1 Formal Assurance on Liquor Product Safety Needed

***We recommended that Saskatchewan Liquor and Gaming Authority obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content.*** (2012 Report – Volume 1; Public Accounts Committee agreement December 9, 2013)

**Status** – Partially Implemented

SLGA does not require and has not obtained formal assurance or tested liquor products sold in Saskatchewan to check that they are safe to drink and contain their stated alcohol content. As of August 2017, it had a draft policy that would apply to approximately less than one-third of its products (e.g., those not tested by other Canadian liquor boards) and had not yet determined an approach for locally manufactured products.

For about 70% of the liquor products that SLGA distributes, management indicated they plan to rely on testing of other Canadian liquor boards without having a formal process to obtain the detailed results of those tests. Rather management plans to use blanket statements on those boards' websites about the safety of the products SLGA sells or distributes. Management did not have evidence that they actively monitored the websites. In addition, they did not have evidence to show whether the other Canadian liquor boards tested the products that SLGA distributes.

By August 2017, SLGA had drafted but had not yet approved or implemented its *Beverage Alcohol Quality Assurance Policy* (Policy). SLGA expected to finalize and implement the Policy in late 2017.

The Policy takes a risk-based approach to determine beverage alcohol products and categories (e.g., flavoured wines, liqueurs, and spirits) that require testing and certification. To develop this Policy, SLGA consulted with and reviewed policies and procedures of other provinces and obtained legal advice on their obligations and rights relating to defective liquor products.

Under its draft Policy, SLGA plans to:

- Each year, for a sample of liquor products not already certified by another Canadian liquor board, have an SLGA-approved accredited laboratory (e.g., Liquor Control Board of Ontario) test and certify the products
- Require product testing and certification for all new liquor products; SLGA plans to obtain from suppliers product safety information for all new products that it plans to sell
- For products it does not normally distribute (e.g., special order of a specific wine for customers), require customers to sign waivers acknowledging and accepting that the product they are buying may not have been tested or meet recognized quality assurance standards
- Not require testing for some products (e.g., beer and malt-based products), as it expects these to meet major breweries' testing procedures

At August 2017, SLGA continued to work on its approach for locally manufactured products. These products account for about 4% of the products it sells (about 90).

Some consumers use the alcohol content listed on labels to help them drink responsibly. At times, the content listed on the label may be incorrect. For example, in May 2017, the Liquor Control Board of Ontario issued a recall after discovering some bottles of Bombay Sapphire London Dry Gin had an alcohol content of 77% and not 40% as listed on the bottle. It reported that the product was not safe for consumption.<sup>7</sup>

Not having formal assurance on product safety increases the risk of SLGA distributing unsafe liquor or liquor with incorrectly marked alcohol content. This in turn increases the risk to the health and safety of liquor consumers, and litigation against SLGA in event it distributed unsafe liquor products.

## 3.2 Liquor Procurement Strategy Implemented

***We recommended that Saskatchewan Liquor and Gaming Authority document what it uses and how it uses the information it has to ensure the product selection meets its customers' needs.*** (2012 Report – Volume 1;

Public Accounts Committee agreement December 9, 2013)

**Status** – Implemented

In 2017, SLGA developed and started using a *Liquor Category Strategy* (Strategy) and drafted related procedures that help it identify and select products that meet customer needs.

The Strategy documents provincial and national sales data it uses to analyze product performance and trends. For example, SLGA compares provincial data to national data it receives from The Association of Canadian Distillers<sup>8</sup> in its monthly trend analysis and semi-annual product assessments.

<sup>7</sup> [www.lcbo.com/content/lcbo/en/corporate-pages/about/media-centre/news/2017-05-02.html](http://www.lcbo.com/content/lcbo/en/corporate-pages/about/media-centre/news/2017-05-02.html) (10 October 2017).

<sup>8</sup> The Association of Canadian Distillers receives liquor sales data from all the Canadian jurisdictions and provides national data reports for its members.





SLGA's trend analysis compares product sales and volume changes (i.e., growth and decline) to prior periods and national data. It also considers revenue generated by category and sub-category, and average sales. SLGA uses the results of its analysis to determine what products to purchase (or to stop purchasing) to meet its customers' needs.

SLGA also drafted procedures to support the implementation of the Strategy. Procedures include reviewing industry information (e.g., supplier information and international magazine subscriptions)<sup>9</sup> and analyzing emerging trends and opportunities for new and current liquor products.

### 3.3 Product Performance Monitored

***We recommended that Saskatchewan Liquor and Gaming Authority develop and use written procedures for monitoring product performance regarding sales targets, quotas, and product quality.*** (2012 Report – Volume 1;

Public Accounts Committee agreement December 9, 2013)

**Status** – Implemented

SLGA assesses product performance for each liquor category (e.g., dessert wines) twice a year using guidance included in its Strategy.

SLGA's Strategy documents criteria to assess product performance and to determine when to consider delisting a product (i.e., remove from list of products offered by SLGA). The product assessment criteria require management to consider whether the product is:

- Performing below expectations (total sales and average sales in comparison to prior period sales and sales of other similar products)
- Experiencing a significant decline in sales
- Experiencing a prolonged period of declining sales

When a product meets all three of these criteria, SLGA completes further analysis to determine if the product should be considered for delisting. SLGA also considers price point (e.g., price range), type of listing, and market trends (discussed in **Section 3.2**) in its assessments of liquor products.

SLGA's Listing Policy considers product quality and steps to take in the event SLGA identifies a quality issue. Its draft *Beverage Alcohol Quality Assurance Policy* also documents actions staff are to take upon receipt of unacceptable analysis reports.

We found that SLGA completed the first category analysis in January 2017. For all analyzed categories that we tested, SLGA followed its Strategy. Documenting its rationale for not delisting a product that met SLGA's criteria to consider for delisting could further improve SLGA's processes.

<sup>9</sup> SLGA subscribes to International Scotch and Whisky Retailers (IWSR) Magazine, Shaken Daily News and Beverage Daily to identify industry trends.

## Chapter 45

# Saskatchewan Polytechnic—Procuring Goods and Services

### 1.0 MAIN POINTS

By September 2017, Saskatchewan Polytechnic (Sask Polytech) significantly improved its processes to procure goods and services. It implemented all 13 recommendations. It obtained the Board's approval of an updated procurement policy, better documented preparing for and evaluating tenders, established requirements for the use of contracts, and began reporting instances of non-compliance with procurement policies.

Sask Polytech has spent almost \$70 million in each of the last few years to buy goods and services. Buying goods and services is complex and can involve significant risks. Using effective processes to procure goods and services helps ensure public sector agencies make purchase decisions in an open and transparent manner, treat suppliers fairly, and use resources wisely.

### 2.0 INTRODUCTION

This chapter describes our first follow up of management's actions on the recommendations we made in our 2015 audit of Sask Polytech's processes to procure goods and services. We concluded that for the 12-month period ended June 30, 2015, Sask Polytech had, other than the matters reflected in the 13 recommendations, effective processes for the procurement of goods and services.<sup>1</sup>

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate Sask Polytech's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Sask Polytech's management agreed with the criteria in the original audit.

To carry out our audit, we interviewed Sask Polytech staff, reviewed Board minutes, and tested a sample of purchases to assess compliance with Sask Polytech's procurement policies.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 18, 2017, and Sask Polytech's actions up to that date. We found that Sask Polytech had implemented each of the recommendations.

<sup>1</sup> 2015 Report – Volume 2, Chapter 38.



### 3.1 Procurement Policy Approved by Board

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***We recommended that Saskatchewan Polytechnic's Board of Directors review and approve its policy related to the procurement of goods and services.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

***We recommended that Saskatchewan Polytechnic update its policy related to procuring goods and services so that it applies to all purchases.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

Sask Polytech's Board approved an updated procurement policy in November 2016. The updated procurement policy applies to all employees engaging in purchasing activities on behalf of Sask Polytech, and to all goods and services purchased with Sask Polytech funds.

### 3.2 Non-compliance Monitored and Reported

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***We recommended that Saskatchewan Polytechnic implement procedures to track and monitor instances of non-compliance with procurement policies.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

***We recommended that Saskatchewan Polytechnic give the Board of Directors periodic reports on significant non-compliance with procurement policies.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

Sask Polytech's updated procurement policy requires an annual summary report of non-compliance with the procurement policy be provided to senior management and the Board's audit committee.

For significant procurement processes, the procurement department is aware of instances of non-compliance because of its direct involvement with these purchases (e.g., review of justification for every single- or sole-source purchase, managing all tendered purchases). The procurement department also actively monitors instances of non-compliance for purchase card transactions (e.g., missing receipts, inappropriate approval of purchase card statements) and communicates with staff who violate policy.

In September 2017, Sask Polytech drafted its first annual non-compliance report. Management expected to present the report to the audit committee following its presentation to senior management in October 2017.

### 3.3 Tendering Processes Improved

***We recommended that Saskatchewan Polytechnic require requesting departments to confirm the accuracy of tender requirements prior to Saskatchewan Polytechnic making tenders available to suppliers.*** (2015

Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

***We recommended that Saskatchewan Polytechnic require the completion of a standard process (e.g., a form) to evaluate tenders.*** (2015

Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

***We recommended that Saskatchewan Polytechnic require written approval of the selection of suppliers following evaluation of tenders.***

(2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

***We recommended that Saskatchewan Polytechnic formally communicate the results of tenders to all suppliers who responded to tender requests.*** (2015 Report – Volume 2; Public Accounts Committee agreement

September 15, 2016)

**Status** – Implemented

Sask Polytech requires requesting departments to confirm the accuracy of tendering requirements, evaluates tenders using evaluation criteria, requires approval of suppliers following evaluation of tenders, and communicates tender results to all suppliers who responded to tender requests.

For each of the six tenders we tested, we found:

- Requesting departments reviewed the accuracy of tender information and provided the procurement department with approval to publicly post the tender documents
- Tender documents included mandatory supplier requirements and evaluation criteria
- Evaluation committees had met and documented their assessment of the suppliers using the evaluation criteria for the respective tenders
- Sask Polytech communicated the tender results to all suppliers who responded to the tender requests

In regards to approving the selection of suppliers following the evaluation of tenders, we found that the evaluation committees verbally approved the chosen suppliers during their supplier evaluation meetings. While management explained that a member from the procurement department is present at the supplier evaluation meetings, documentation increases transparency and allows for ready review of the basis for the supplier selection decision. To better document supplier selection, the procurement department created a



standard approval form in September 2017 for immediate use. This form requires documentation of the supplier decision date, supplier name, and written approval from a member of the department initiating the tender.

### 3.4 Procurement Policy Followed

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***We recommended that Saskatchewan Polytechnic enforce its procurement policy over use of the single- or sole-source procurement method.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

Sask Polytech followed its procurement policy over the use of the single- or sole-source procurement method.

Before purchasing a good or service using the single- or sole-source procurement method, Sask Polytech's procurement policy requires approval of such purchases from the requesting department's out-of-scope manager. The policy also requires the procurement manager to review these purchases.

For each of the 10 single- or sole-source purchases we tested, management documented appropriate justification for using the single- or sole-source procurement method and that the purchases were appropriately approved.

### 3.5 Purchase Card Processes Improved

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***We recommended that Saskatchewan Polytechnic maintain purchase card applications and cardholder agreements for all issued and active purchase cards.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

***We recommended that Saskatchewan Polytechnic prohibit managers from approving purchase card statements that include items purchased on their behalf.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

Sask Polytech maintains purchase card applications and cardholder agreements for all active purchase cards. Sask Polytech also updated its purchase card policy to prohibit managers from approving purchase card statements that include items purchased on their behalf.

For each of the eight cardholders we tested, Sask Polytech appropriately maintained the purchase card applications and cardholder agreements for these cardholders. Also, for each of the 30 purchase card statements we tested, managers had appropriately approved the purchase card statements.

## 3.6 Contract Requirements Established

***We recommended that Saskatchewan Polytechnic establish contract requirements for procuring goods and services.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

In December 2016, Sask Polytech established requirements for the use of contracts when procuring goods and services.

Sask Polytech updated its procurement procedures in December 2016 to require a written contract when the risk or complexity of a purchase cannot be appropriately addressed through the terms and conditions of the purchase order or request for proposal. Sask Polytech also developed a contract template for service contracts. Sask Polytech's legal counsel performed a legal review<sup>2</sup> of the contract template prior to its use.

For the tenders we tested, as referred to in **Section 3.3**, Sask Polytech used the contract template for those tenders that required a contract.

## 3.7 User Access to Supplier Records Confirmed

***We recommended that Saskatchewan Polytechnic periodically confirm that existing users with access to make changes to supplier records within the financial system remains appropriate.*** (2015 Report – Volume 2; Public Accounts Committee agreement September 15, 2016)

**Status** – Implemented

Sask Polytech annually confirms existing users that have IT access to make changes to supplier records within the financial system remain appropriate. Staff within Sask Polytech's Financial Services division last performed a review of user access to supplier records in June 2017 and confirmed that user access was appropriate.

<sup>2</sup> A legal review of a contract is a lawyer's review of the contract to determine whether the provisions of the contract appropriately mitigate risks to the organization and assign responsibilities to each party to the contract as intended.



## Chapter 46

# SaskBuilds—Evaluating Potential P3s

### 1.0 MAIN POINTS

By September 2017, SaskBuilds had improved its processes for evaluating infrastructure projects to determine whether the projects should use a public-private partnership (P3) approach. It implemented four of five recommendations. SaskBuilds revised its P3 Project Assessment and Procurement Guideline to specify the minimum content required in its public value-for-money report, and to require the release of public value-for-money reports within a reasonable timeframe. In addition, it set conditions and requirements for the minimum savings under the P3 projects.

SaskBuilds had identified lessons learned on the P3 infrastructure projects, and built a few of them into the Government's process for making decisions about other infrastructure projects. As of September 2017, it had not fully leveraged its analysis or worked with others to include feasible benefits and efficiencies in future public sector conventional procurement approaches. Doing so would assist the Government in overcoming problems sometimes attributed to projects using a conventional procurement approach.

### 2.0 INTRODUCTION

SaskBuilds is responsible for evaluating the suitability of the Government using a P3 approach for specific infrastructure projects. To do these evaluations, SaskBuilds works with the ministry responsible for the services that the infrastructure project is expected to deliver. Since our 2015 audit to September 2017, SaskBuilds had evaluated the suitability of one project for use of a P3 approach.

In 2015, we reported SaskBuilds had effective processes for evaluating infrastructure projects at the business-case development stage to determine whether the projects should use a P3 approach except for the matters reflected in five recommendations.<sup>1</sup>

This chapter describes the status of those five recommendations.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate SaskBuilds' progress towards meeting our recommendations, we used the relevant criteria from the original audit. SaskBuilds' management agreed with the criteria in the original audit.

We reviewed SaskBuilds' Guideline for the evaluation of potential P3 projects and other relevant documents (e.g., request for proposal documents). We also interviewed management of SaskBuilds on the actions taken to implement the recommendations.

<sup>1</sup> 2015 Report – Volume 1, Chapter 16, pp. 183-204. Available at [www.auditor.sk.ca/publications/public-reports/](http://www.auditor.sk.ca/publications/public-reports/).





## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at September 30, 2017, and SaskBuilds' actions up to that date.

### 3.1 Requirement for Public Reporting Set

***We recommended that SaskBuilds specify the minimum content required in its public value-for-money report that it is to publish after Government signs an agreement with the successful bidder (i.e., financial close).*** (2015 Report – Volume 1; Public Accounts Committee agreement November 18, 2015)

**Status** – Implemented

***We recommended that SaskBuilds require release of public value-for-money reports related to infrastructure projects within timeframes consistent with those set out in The Executive Government Administration Act.*** (2015 Report – Volume 1; Public Accounts Committee agreement November 18, 2015)

**Status** – Implemented

In February 2016, SaskBuilds revised its P3 Project Assessment and Procurement Guideline to specify the minimum content required in its public value-for-money reports and a timeline for the release of value-for-money reports.

SaskBuilds publishes value-for-money reports to provide the public with an understanding of the project and the basis for the Government's decision to use a P3 procurement approach.

The revised Guideline requires value-for-money reports to include a project overview; project delivery options, including the methodology and procurement options; key terms of the project agreement, including project costs and quality; performance monitoring; and a risk allocation summary.<sup>2</sup>

Under the revised Guideline, SaskBuilds must publish the reports within 120 days of the approval of the project agreement—a timeframe consistent with *The Executive Government Administration Act*. Since our 2015 audit but prior to the revision of its Guideline, SaskBuilds issued three value-for-money reports within the timeframe set out in the revised guidelines (e.g., Regina Bypass value-for-money report was issued within 103 days of its approval).

<sup>2</sup> A risk allocation summary estimates and compares the total costs of using traditional project delivery compared to P3 delivery; it identifies and quantifies the risks that will be retained by the public sector entity under each model. SaskBuilds views an appropriate risk allocation as a significant contributor to value-for-money and the success of a P3 project. SaskBuilds Guideline, p. 25.

## 3.2 Required Further Assessment when Minimal Savings Estimated

***We recommended that SaskBuilds specify, at the start of its evaluation, the minimum estimated savings that a P3 approach must demonstrate over a conventional approach before it recommends to the Government to sign an agreement with a successful bidder.*** (2015 Report – Volume 1; Public Accounts Committee agreement November 18, 2015)

**Status** – Intent of Recommendation Implemented

Instead of setting a minimum savings under the P3 projects, SaskBuilds took a different approach to recognizing the uncertainty that exists in the estimated value-for-money savings, and to explicitly consider that uncertainty before recommending a P3 approach.

Since our 2015 audit, SaskBuilds formally requires further analysis before recommending a P3 approach where estimated savings under a P3 approach are minimal.

In February 2016, SaskBuilds revised its P3 Project Assessment and Procurement Guideline as follows. The Guideline requires that:

*the P3 approach must demonstrate positive [value-for-money], considering quantitative benefits, qualitative benefits and providing sensitivity analysis. If minimal value-for-money savings (less than 3%) exists on a project, sensitivity analysis should be incorporated as a major consideration in the recommendation.*

We found that SaskBuilds used this approach in a project that it evaluated in 2015 subsequent to our audit. For the project, the value-for-money savings was calculated as less than 3%. SaskBuilds considered the extent of uncertainty reflected in the sensitivity analysis and recommended that this project proceed under the conventional procurement model.

## 3.3 Improved Process for Allocation of Risks and Benefits

***We recommended that SaskBuilds assemble and make available to all risk workshop participants key empirical data to facilitate better evaluation of infrastructure project risks, calculate related costs, and support decisions.*** (2015 Report – Volume 1; Public Accounts Committee agreement November 18, 2015)

**Status** – Implemented

Since April 2015, SaskBuilds provided risk workshop participants with key empirical data (e.g., historical costs of the past projects) to facilitate evaluation of infrastructure project risks and costs, and to support decisions.

We found that for the 2015 project that SaskBuilds evaluated, it gave risk workshop participants adequate information and data (e.g., historical costs of the past projects), to assist them in evaluating the risks of that project.



***We recommended that SaskBuilds leverage its analysis of value-for-money for infrastructure projects to evaluate and include feasible benefits and efficiencies in future public sector conventional procurement approaches.*** (2015 Report – Volume 1; Public Accounts Committee agreement November 18, 2015)

**Status** – Partially Implemented

As of September 2017, SaskBuilds had identified and documented the benefits and barriers of using a P3 procurement approach. But, it had not yet fully leveraged it to work with others in Government to include feasible benefits and efficiencies in future public sector conventional procurement approaches.

Since our 2015 audit, SaskBuilds shared, on an ad hoc basis, lessons learned from P3 projects with other government agencies. For example, during its involvement with capital planning for the ministries, SaskBuilds shared some of its knowledge gained through P3 procurement such as inclusion of lifecycle costs (which includes operational, maintenance and rehabilitation costs) into the capital planning process. Also, for a project that SaskBuilds evaluated in 2015, it incorporated some of the features of a P3 project into that conventional project including:

- The use of a fairness advisor during the procurement process to ensure the process is fair, open and transparent
- Payment of honorariums to qualified bidders who were unsuccessful to promote higher quality bid submissions
- Exchange of information with bidders to increase collaboration and promote innovation during the procurement process

In addition, SaskBuilds developed a process to collect and document lessons learned from the P3 projects and to start applying them to new P3 projects, and if applicable, to conventional procurement. By September 2017, it had identified about 120 lessons learned from P3 projects. It was actively analyzing the list and had plans to share its lessons learned with ministries as they identify new infrastructure projects.

Analyzing benefits and barriers of P3 projects and sharing best practices and lessons learned may assist the Government in overcoming problems sometimes cited with the use of conventional procurement approaches (e.g., not using life-cycle costing, having realistic budgets and time for each phase and/or clearly and formally defining responsibilities of each party and key individuals at each phase).

## Chapter 47

# SaskEnergy – SCADA System Security

### 1.0 MAIN POINTS

By August 2017, SaskEnergy implemented our remaining two recommendations related to its processes to secure SCADA. It configured and monitored its SCADA system to protect it from security threats.

SaskEnergy delivers natural gas to the people of Saskatchewan. To help it do so, it uses its IT-based supervisory control and data acquisition (SCADA) system to control and monitor the physical transportation of natural gas through pipelines. Strong security processes are key to protecting its SCADA system against risks associated with unintentional actions by staff or actions with malicious intent.

### 2.0 INTRODUCTION

In 2013, we assessed SaskEnergy's processes to secure its SCADA system. Our *2013 Report – Volume 1*, Chapter 19 concluded that SaskEnergy did not have effective processes to secure its SCADA system used to control and monitor distribution of natural gas for the period of September 1, 2012 to February 28, 2013.<sup>1</sup> We made seven recommendations. As reported in our *2015 Report – Volume 1*, Chapter 30, by March 20, 2015, SaskEnergy had implemented five of the seven recommendations.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate SaskEnergy's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SaskEnergy's management agreed with the criteria in the original audit.

To perform our follow-up of the recommendations, we discussed actions taken with management and reviewed relevant evidence (e.g., SCADA network architecture changes, monitoring reports, incident reports).

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Crown and Central Agencies agreed to the recommendation, the status of the recommendation at August 31, 2017, and SaskEnergy's actions up to that date. We found that SaskEnergy implemented the two remaining recommendations.

<sup>1</sup> The original report regarding these recommendations can be found at [www.auditor.sk.ca](http://www.auditor.sk.ca) under the "Publications" tab, Public Reports.



### 3.1 SCADA Configured to Protect SaskEnergy from Security Threats

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***We recommended that SaskEnergy Incorporated configure its supervisory control and data acquisition system network to protect it from security threats.*** (2013 Report – Volume 1; Crown and Central Agencies Committee agreement March 12, 2014)

**Status** – Implemented

SaskEnergy strengthened the configuration of its SCADA system network to protect it from security threats.

In 2015, we reported that SaskEnergy had developed a plan to configure the SCADA system network based on a threat and risk assessment. The planned configuration was largely consistent with industry recommendations for SCADA systems. For example, the plan required firewalls to separate the SCADA system from other networks, zones within the network to help isolate incidents if they occur, and systems to identify unauthorized changes to the network. SaskEnergy had begun to make these changes.

By August 31, 2017, SaskEnergy had made the most significant configuration changes required by its plan. It scheduled the two remaining changes for October 2017 to reduce interruptions to its natural gas systems. In addition, SaskEnergy had adequate processes to maintain the network configuration by updating network devices for new security threats and risks.

### 3.2 SCADA Security Monitored

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***We recommended that SaskEnergy Incorporated monitor the security of its supervisory control and data acquisition system.*** (2013 Report – Volume 1; Crown and Central Agencies Committee agreement March 12, 2014)

**Status** – Implemented

SaskEnergy uses real-time reporting to monitor the security of its SCADA system.

In 2015, SaskEnergy configured devices in its SCADA system network to provide continuous monitoring of security information (e.g., user log-ons, changes to devices). In addition, it contracted with a service provider to analyze the information and provide reports and real time alerts for suspicious activity. The service provider monitors 24 hours a day, 365 days a year.

We found SaskEnergy employees follow documented processes to respond to alerts received from the service provider. Processes included tracking reported incidents, assessing risk, investigating, and escalating if required.

All incidents reported by the service provider from August 2016 to June 2017 were low risk.

## Chapter 48

# SaskPower—Managing the Risk of Cyber Incidents

### 1.0 MAIN POINTS

By August 2017, SaskPower took steps to improve its management of the risk of cyber incidents for the protection of the provision of power. It implemented two of three recommendations from our 2015 audit. It needs to finish implementing its risk mitigation strategies that reduce risk of cyber incidents to acceptable levels.

Without effective cyber security, SaskPower is at greater risk of a cyberattack that could affect its ability to deliver power, negatively impacting power-generating plants and/or transmission equipment, businesses who need power to operate, or public safety.

### 2.0 INTRODUCTION

SaskPower is the principal supplier of electricity in Saskatchewan, serving more than 520,000 customers. Its mission is to ensure reliable, sustainable, and cost-effective power.<sup>1</sup> It relies on various IT systems to deliver power and manage its businesses.

In 2015, we assessed SaskPower's processes to manage the risk of cyber incidents for the protection of the provision of power. Our *2015 Report – Volume 1*, Chapter 18 concluded that, for the 12-month period ended February 28, 2015, SaskPower had effective processes to manage the risk of cyber incidents for the protection of the provision of power except for three areas. We made three recommendations.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate SaskPower's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SaskPower's management agreed with the criteria in the original audit.

We examined SaskPower's policies and procedures, its IT risk registers, and other relevant documentation. We also interviewed staff responsible for monitoring and responding to cyber incidents.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Crown and Central Agencies agreed to the recommendation, the status of the recommendation at August 21, 2017, and SaskPower's actions up to that date. We found that SaskPower implemented two recommendations and is making progress towards implementing the remaining recommendation.

<sup>1</sup> SaskPower, *SaskPower 2017 Annual Report*.



### 3.1 Cyber Threats Documented

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***We recommended that SaskPower document the most likely types of information technology threats that could lead to cyber incidents that would adversely impact its ability to provide power.*** (2015 Report – Volume 1; Crown and Central Agencies Committee agreement December 13, 2016)

**Status** – Implemented

SaskPower documented IT threats that could lead to cyber incidents and the related risks in its risk registers. The enterprise security and IT risk registers included SaskPower's assessment of the likelihood and impact of risks for assets critical to providing power (e.g., operational IT systems).

### 3.2 Cyber Risk Mitigation Strategy Progressing

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***We recommended that SaskPower confirm that its cyber risk mitigation strategy addresses the significant threats of cyber incidents that would adversely impact its ability to provide power.*** (2015 Report – Volume 1; Crown and Central Agencies Committee agreement December 13, 2016)

**Status** – Partially Implemented

SaskPower had not finished implementing its cyber risk mitigation strategies to address significant threats of cyber incidents to power provision.

SaskPower updates significant threats of cyber incidents in its risk registers annually. By March 31, 2017, SaskPower had classified many cyber security risks as high, and documented planned strategies to reduce the risks (e.g., logical and physical access controls) to a level acceptable to its senior management and Board. SaskPower plans to implement these strategies over three years because of the large volume and complexity of work needed.

Management received monthly progress reports to monitor implementation of these strategies. But, at August 2017, it could not confirm the effectiveness of the strategies as implementation of them was at an early stage.

Without implementing and confirming that its strategies address significant threats of cyber incidents, SaskPower faces increased risk that a cyber attack could jeopardize its ability to deliver power. Disruptions in power may damage power-generating plants and/or transmission equipment, adversely impact businesses who need power to operate, or put public safety at risk depending on the timing and extent of the security incident.

### 3.3 Adequate Guidance Provided for Identifying Cyber Incidents

*We recommended that SaskPower provide its staff with guidance to assist in assessing when an information technology security-related event is considered a cyber incident, and requires the use of its incident command system response plan.* (2015 Report – Volume 1; Crown and Central Agencies Committee agreement December 13, 2016)

**Status** – Implemented

SaskPower gave staff adequate cyber-security training. SaskPower refers all security incidents to employees with annual cyber security training for critical infrastructure.

SaskPower's training is designed to help staff assess when an IT security-related event is a cyber incident that requires use of the incident command system response plan. Its training materials define what constitutes a cyber incident, and how to identify and respond to these incidents.

We found staff use this guidance to determine when an IT security-related event is a cyber incident that requires use of the incident command system response plan. SaskPower did not identify any cyber incidents between September 2016 and August 2017.

In 2017-18, SaskPower plans to update its general IT incident-management procedures to include the definition of cyber incident and the incident command system response plan.





## Chapter 49

# University of Regina – Procuring Goods and Services

### 1.0 MAIN POINTS

The University of Regina improved some of its processes for buying goods and services but more improvement is needed. By June 2017, the University had implemented two of four outstanding recommendations. It needs to better co-ordinate the departments that procure goods and services, and establish sufficient contract documentation requirements for all departments allowed to purchase.

The University spent \$60 million in 2015-16 to acquire goods and services. Strong buying processes helps the University protect its reputation and interests, and receive the best value for money in purchasing decisions.

### 2.0 INTRODUCTION

This chapter describes our follow-up of management's actions on four recommendations that we first made in our *2013 Report – Volume 2*, Chapter 32. In 2013, we concluded that the University had effective processes for the procurement of goods and services except for the areas of our 13 recommendations. By January 31, 2016, as reported in our first follow-up,<sup>1</sup> the University had implemented nine of the thirteen recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the University's progress towards meeting our recommendations, we used the relevant criteria from the 2013 audit. The University's management agreed with the criteria in the 2013 audit.

We reviewed and assessed the information provided, and discussed actions with key individuals. We examined the University's policies and procedures relating to the procurement of goods and services. We reviewed a sample of procurement contracts to test whether they contained expected terms. We tested a sample of items purchased to ensure compliance with University policies.

### 3.0 STATUS OF RECOMMENDATIONS

We found that the University had implemented two of four outstanding recommendations.

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at June 9, 2017, and the University's actions up to that date.

<sup>1</sup> Provincial Auditor Saskatchewan, *2016 Report – Volume 1*, (2016), Chapter 36.



### 3.1 Reporting on Procurement Defined

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***We recommended that the Board of Governors of the University of Regina define its reporting needs regarding procurement activities including non-compliance with procurement policies.*** (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

**Status** – Implemented

The Board of Governors defined its reporting needs regarding procurement on March 7, 2016. The Board determined that it did not require reporting on day-to-day operational procurement activities, rather the Vice-President (Administration) is to inform the Board of any major procurement policy violations. One such violation was identified since the Board established these reporting requirements. Management reported this violation appropriately in compliance with the Board decision for reporting of procurement activities.

### 3.2 Co-ordinated Processes and Improved Written Contractual Agreements Needed

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***We recommended that the University of Regina implement a process to co-ordinate the departments that procure goods and services, including construction, to efficiently manage procurement in accordance with the University's policies.*** (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

**Status** – Partially Implemented

***We recommended that the University of Regina establish sufficient contract documentation requirements for the procurement of goods and services.*** (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

**Status** – Partially Implemented

Although the Library and Bookstore were co-ordinating with the Supply Management Services department for procurement (e.g., competitive bid exception forms were appropriately approved), the Facilities Management department was not effectively co-ordinating with the Supply Management Services department.

As outlined in the University's purchasing policy, the Supply Management Services department is responsible for co-ordinating purchasing of goods and services by the University. The purchasing policy authorizes the following other University departments to procure goods and services: the Library, Bookstore, and the Facilities Management department.

We found two items purchased by the Facilities Management department that did not follow the formal tendering process required by the University's purchasing policy.

In addition, consistent with our 2013 audit findings, the Facilities Management department uses an insufficient standard contract for purchases of consulting services.<sup>2</sup> The standard contract does not include all of the expected terms and conditions (e.g., termination, privacy, confidentiality, severability); whereas the standard contract that the Supply Management Services department uses for consulting services does.

An effective structure and co-ordinated processes help staff reach optimum procurement solutions, and reduce risks to the University. Also, well-designed contract templates provide organizations with a useful starting point to developing a contract, and help ensure final contracts include key terms and conditions.

### **3.3 Signing Authorities Established and Documented**

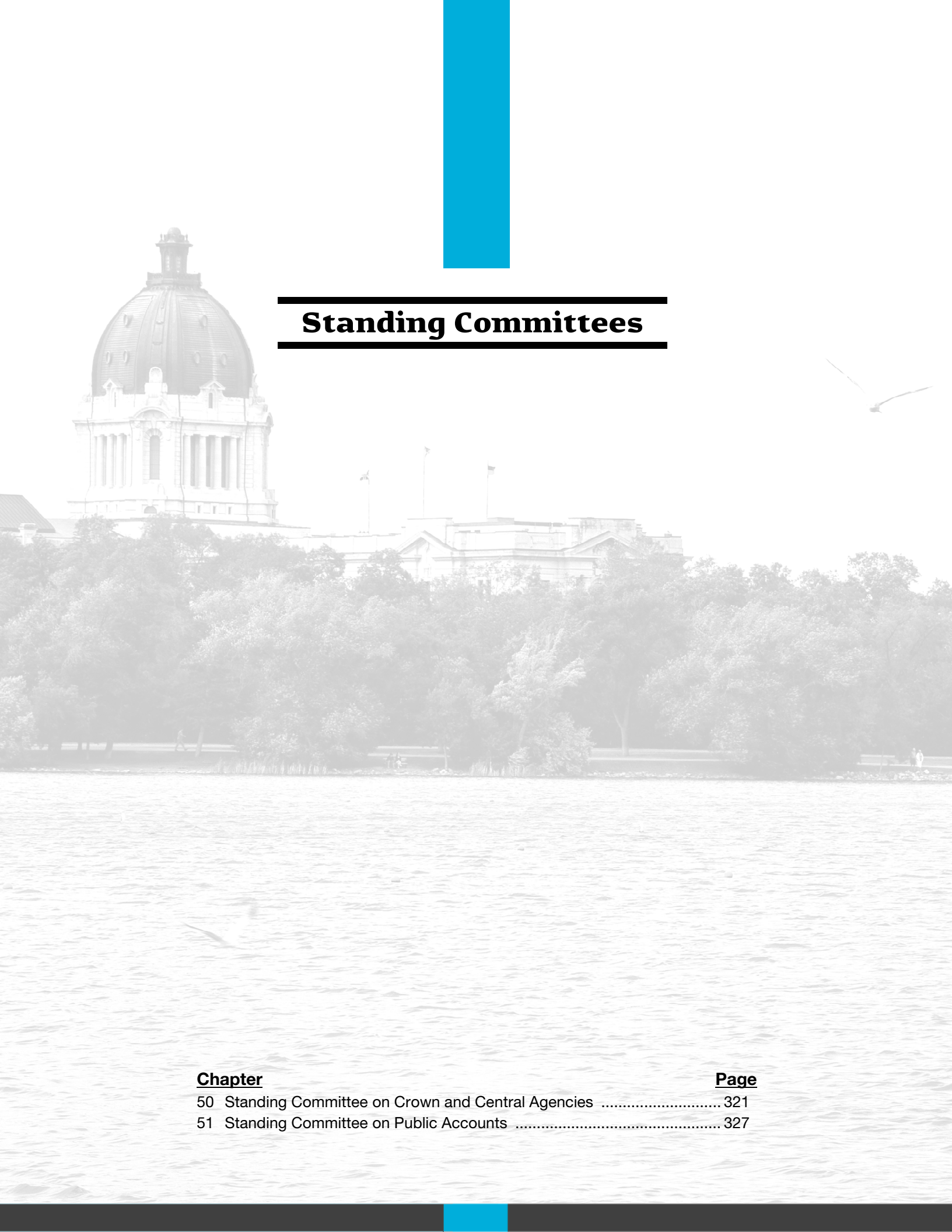
***We recommended that the Board of Governors of the University of Regina establish and document an appropriate signing authority policy for use when approving contracts, invoices, and payments to ensure the proper separation of duties.*** (2013 Report – Volume 2; Public Accounts Committee agreement January 14, 2015)

**Status** – Implemented

The University's Board approved a new Approval Authorities and Execution of Documents policy, with a detailed Signing Authority/Approval Authority Registry on March 17, 2017. The policy documents approval delegations across the University, which support appropriate separation of duties for approving contracts, invoices, and payments.

<sup>2</sup> Our 2013 audit found that contracts reviewed for other types of purchases were sufficient.





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# Standing Committees

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## Chapter 50

# Standing Committee on Crown and Central Agencies

### 1.0 MAIN POINTS

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

At September 2017, the Committee was relatively current in its review of chapters in our Reports related to CIC and its subsidiary corporations. CIC and its subsidiary corporations' implementation of recommendations remains strong. At September 30, 2017, the Government had fully implemented 98% of these 66 recommendations, and partially implemented the remaining recommendations.

At September 30, 2017, the Committee had reviewed the annual reports of CIC and its subsidiaries up to and including the 2015-16 annual reports. The 2016-17 annual reports of CIC and its subsidiaries became available for the Committee's review in the summer of 2017.

### 2.0 INTRODUCTION

This chapter provides an overview of the role and responsibilities of the Committee, focusing on those responsibilities related to our Office's work. Also, it describes the overall status of the Committee's recommendations resulting from our Office's work, the status of its consideration of our work, and the status of the Committee's review of annual reports of CIC and its subsidiary corporations.

## 2.1 Role and Responsibilities of the Standing Committee on Crown and Central Agencies

The Committee is one of the Assembly's four policy field committees. See **Figure 1** for a brief description of the responsibilities of a policy field committee.

**Figure 1 – Responsibilities of Policy Field Committees**

The Legislative Assembly makes policy field committees responsible for examining certain documents within their assigned subject area. These documents include bills and regulations (proposed laws), estimates, and annual reports. During their reviews, these committees can consider issues of current concern, future objectives, and past performance.

Policy field committees can also conduct inquiries into matters within their mandated subject area. They provide the Assembly with reports on their activities and can make recommendations to the Assembly for its consideration.

The Standing Committee on House Services determines the membership of each policy field committee.



Policy field committee meetings are open to the public. The Assembly's website contains information about the composition of each committee and records of their meetings (i.e., meeting notices, Hansard verbatim, minutes, videos, and reports).

Each committee establishes a steering committee composed of the Chair and Deputy Chair. The steering committee determines how it will plan and organize its business and makes recommendations related to the committee's meeting agenda, the calling of witnesses, times of sittings, etc. Their meetings are conducted in-camera and, unless otherwise authorized, decisions made by the steering committee must be ratified by the full committee.

Source: [www.legassembly.sk.ca/about/introduction-to-committees](http://www.legassembly.sk.ca/about/introduction-to-committees) (14 September 2017).

The Committee's assigned subject area encompasses CIC and its subsidiary corporations, supply and services (e.g., Ministry of Central Services), central government agencies (e.g., Ministry of Finance), liquor, gaming, and all other revenue-related agencies and entities.

The Assembly has given the Committee the following responsibilities in addition to those typically given to a policy field committee:

- The Assembly, through *The Provincial Auditor Act* and under its Rules and Procedures, refers portions of our Reports (chapters) related to CIC and its subsidiaries to the Committee.<sup>1</sup> When the Committee considers chapters from our Reports, our Office and the corporation's appointed auditor, if any, attend to assist in its review.
- The Assembly requires the Minister responsible for CIC to notify the Committee, in writing, about significant transactions<sup>2</sup> of CIC and any of its subsidiaries within 90 days of the transaction. The notification must outline the objectives of the transaction, the financial implications, a statement of any changed liabilities, and the authority under which the transaction was made.<sup>3</sup>
- The Assembly periodically refers regulations and bylaws of professional associations (e.g., CPA Saskatchewan) to the Committee for its review.

For the period October 1, 2016 to September 30, 2017, the Committee met 13 times. The purpose of most of these meetings was to review bills and the 2017-18 estimates related to agencies within its subject area. During this period, the Committee made one report to the Assembly.

On May 10, 2017, the Committee presented the *Third Report of the Twenty-Eighth Legislature*.<sup>4</sup> The report outlined the 2017-18 estimates and 2016-17 supplementary estimates that were considered and the resolutions adopted.

The Committee also considered chapters in our Reports related to CIC and its subsidiary corporations. It did not receive any significant transaction reports.

**Figure 2** sets out the membership of the Standing Committee on Crown and Central Agencies at September 30, 2017.

<sup>1</sup> Section 14.1(8) of *The Provincial Auditor Act* and rule 143(3) of *The Rules and Procedures of the Legislative Assembly of Saskatchewan*.

<sup>2</sup> Significant transactions are defined by the Committee as those that are material in amount and outside the ordinary course of business, or are judged to be sensitive and likely of interest to legislators and the public.

<sup>3</sup> Rule 143(4) of *The Rules and Procedures of the Legislative Assembly of Saskatchewan*.

<sup>4</sup> [www.legassembly.sk.ca/legislative-business/legislative-committees/crown-and-central-agencies/cca-report-3-28-legislature-estimates](http://www.legassembly.sk.ca/legislative-business/legislative-committees/crown-and-central-agencies/cca-report-3-28-legislature-estimates) (14 September 2017).



**Figure 2—Members of the Standing Committee on Crown and Central Agencies at September 30, 2017**

| Name of Member           |           |
|--------------------------|-----------|
| Colleen Young, Chair     | Herb Cox  |
| Ryan Meili, Deputy Chair | Glen Hart |
| Fred Bradshaw            | Scott Moe |
| Ken Cheveldayoff         |           |

Source: [www.legassembly.sk.ca/legislative-business/legislative-committees/crown-and-central-agencies/](http://www.legassembly.sk.ca/legislative-business/legislative-committees/crown-and-central-agencies/) (14 September 2017).

## 3.0 STATUS OF COMMITTEE WORK

### 3.1 Committee Work Related to our Audit Work Relatively Current

At September 2017, the Committee had completed its review of chapters in our Reports up to our *2016 Report – Volume 2*.

At September 2017, it had not yet reported to the Assembly on the results of its December 2016 meetings relating to its review of our audit work. Its last report containing the results of its review of our Reports was its January 6, 2016 report (i.e., *Eighth Report to the 27th Legislature* [4th Session of the 27th Legislature]). This report contained 66 recommendations resulting from the Committee's review of our Reports for the period August 23, 2007 to January 5, 2016.<sup>5</sup>

The Committee met twice in December 2016 and considered chapters related to CIC and its subsidiaries in our Reports available at that time (*2016 Report – Volume 2*). **Section 4.0** lists the 20 recommendations it agreed with and at September 2017 had not yet reported to the Assembly. It does not set out three recommendations included elsewhere in this Report related to our audit of SaskPower's processes to manage the risk of cyber incidents (see Chapter 48).

In June 2017, our Office released the *2017 Report – Volume 1* that included five chapters related to CIC and its subsidiaries (see **Figure 3**).

**Figure 3—Relevant Chapters of the 2017 Report – Volume 1 that the Standing Committee on Crown and Central Agencies Had Not Yet Considered as of September 30, 2017**

| Agency                                 | Chapter | Number of New Recommendations to Be Considered |
|--|---------|--|
| Saskatchewan Telecommunications        | 13      | 4  |
| Saskatchewan Government Insurance      | 26      | -  |
| Saskatchewan Opportunities Corporation | 27      | -  |
| Saskatchewan Power Corporation         | 30      | -  |
|  | 31      | -  |

<sup>5</sup> The Committee's previous report to the Assembly resulting from its review of our Reports was the *Tenth Report to the 25th Legislature* (3rd Session of the 25th Legislature) tabled on August 23, 2007.



## 3.2 Implementation of the Committee's Recommendations Remains Strong

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CIC's and its subsidiaries' implementation of the Committee's recommendations remained strong. By September 30, 2017, they had fully implemented 98% of the Committee's 66 recommendations; and partially implemented the remaining recommendations.<sup>6</sup>

**Section 5.0** sets out the recommendation agreed to by the Committee and not fully implemented by September 30, 2017. It does not set out the following recommendations which are included elsewhere in this Report:

- One recommendation related to our annual integrated audit of Saskatchewan Water Corporation (Chapter 15)
- Two recommendations related to our audit of SaskEnergy Incorporated's processes to secure its SCADA system (Chapter 47)

## 3.3 Committee Review of CIC Sector Annual Reports Current

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As of September 30, 2017, the Committee had completed its review of all the annual reports of CIC and its subsidiary corporations, up to and including the 2015-16 annual reports.<sup>7</sup>

Annual reports are key accountability documents. As a policy field committee, the Committee is responsible for examining annual reports and their related financial statements of agencies within its subject area (e.g., CIC and its subsidiary corporations).

Each year, CIC and its subsidiary corporations prepare annual reports and financial statements for tabling in the Assembly. CIC and almost all of its subsidiaries have a March 31 fiscal year-end. Each summer, their annual reports are tabled in the Assembly and available for the Committee's review.

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<sup>6</sup> The Committee has asked our Office to assess and report on the status of the recommendations the Committee makes and reports to the Assembly as a result of our audit work. We assess the status of financial-related recommendations each year as part of the annual integrated audits. We assess other recommendations, as part of audit follow-ups, either two or three years after the original audit, and subsequently every two or three years until the recommendations are either implemented or no longer relevant.

<sup>7</sup> Committees Branch, Legislative Assembly Service, Standing Committee on Crown and Central Agencies, *Business Referred to Committee*.

## 4.0 RECOMMENDATIONS CONSIDERED BY THE COMMITTEE BUT NOT YET REPORTED TO THE ASSEMBLY

| Committee Agreement Date  | Recommendations Considered by the Committee <sup>A</sup>  | Status  |
|---|---|---|
| <b>Saskatchewan Immigrant Investor Fund Inc. (2014 Report – Volume 1)</b> |   |   |
| December 1, 2016  | 12-1 that Saskatchewan Immigrant Investor Fund Inc. clearly define its performance measures and document its methods for calculating these measures.  | <b>Implemented</b><br>(as of December 31, 2016)     |
| <b>Gradworks Inc. (2016 Report – Volume 1)</b>                            |   |   |
| December 1, 2016  | 9-1 that Gradworks Inc. communicate, in writing, to partner employers their expectations related to achievement of diversity targets for the Gradworks Intern Development Program.  | <b>Not Implemented</b><br>(as of December 31, 2015) |
|   | 9-2 that Gradworks Inc. verify the educational eligibility criteria of applicants for its Gradworks Intern Development Program prior to the internship start date.  | <b>Not Implemented</b><br>(as of December 31, 2015) |
|   | 9-3 that Gradworks Inc., at least annually, publish information on key actual results compared to planned (i.e., targets) for the Gradworks Intern Development Program.   | <b>Not Implemented</b><br>(as of December 31, 2015) |
|   | 9-4 that Gradworks Inc., at least annually, provide partner employers with information on key performance measures, targets, and actual results for the Gradworks Intern Development Program.   | <b>Not Implemented</b><br>(as of December 31, 2015) |
| <b>Saskatchewan Government Insurance (2015 Report – Volume 1)</b>         |   |   |
| December 1, 2016  | 15-1 that Saskatchewan Government Insurance establish clear experience requirements that motorcycle technicians must meet to become certified under the motorcycle inspection program.  | <b>Implemented</b><br>(as of April 11, 2017)        |
|   | 15-2 that Saskatchewan Government Insurance assess the risks for its vehicle inspection program.  | <b>Implemented</b><br>(as of April 11, 2017)        |
|   | 15-3 that Saskatchewan Government Insurance develop a risk-based monitoring plan for its vehicle inspection program including performance measures.   | <b>Implemented</b><br>(as of April 11, 2017)        |
|   | 15-4 that Saskatchewan Government Insurance, consistent with its established processes, clearly document the results of each inspection station audit.  | <b>Implemented</b><br>(as of April 11, 2017)        |
|   | 15-5 that Saskatchewan Government Insurance, consistent with its established processes, clearly document that certified Preventative Maintenance Program inspection stations complete vehicle maintenance consistent with the approved preventative maintenance plan. | <b>Implemented</b><br>(as of April 11, 2017)        |
|   | 15-6 that Saskatchewan Government Insurance report to senior management the results of its risk-based monitoring plan activities for its vehicle inspection program.  | <b>Implemented</b><br>(as of April 11, 2017)        |
| <b>Saskatchewan Government Insurance (2016 Report – Volume 1)</b>         |   |   |
| December 1, 2016  | 15-1 that Saskatchewan Government Insurance establish written guidance outlining expected timeframes for entry of driver information into the computer system used to administer driver's licences.   | <b>Not Implemented</b><br>(as of December 31, 2015) |
|   | 15-2 that Saskatchewan Government Insurance enter, into its computer system used to administer driver's licences, information on out-of-province traffic offences using similar timeframes as traffic offences that occur in Saskatchewan.                            | <b>Not Implemented</b><br>(as of December 31, 2015) |



| Committee Agreement Date                                       | Recommendations Considered by the Committee <sup>A</sup>  | Status  |
|--|---|---|
|  | 15-3 that Saskatchewan Government Insurance confirm changes to law that set demerit points and sanctions are in effect before making corresponding changes in the computer system used to administer driver's licences.   | <b>Not Implemented</b><br>(as of December 31, 2015) |
|  | 15-4 that Saskatchewan Government Insurance give staff written guidance on determining the length of extensions that can be granted to drivers for completion of required actions (sanctions).  | <b>Not Implemented</b><br>(as of December 31, 2015) |
|  | 15-5 that Saskatchewan Government Insurance give staff written timeframes for completing manual evaluation of driver information.   | <b>Not Implemented</b><br>(as of December 31, 2015) |
| <b>Saskatchewan Power Corporation (2015 Report – Volume 1)</b> |   |   |
| December 13, 2016  | 17-1 that SaskPower update its procurement policies to specifically require when buying power from independent power producers: <ul style="list-style-type: none"> <li>- The use of Fairness Monitors</li> <li>- Written evaluations of independent power producers abilities (experience and financial resources)</li> <li>- Written evaluations of the technical merit of independent power producers' proposals</li> </ul> | <b>Not Implemented</b><br>(as of February 28, 2015) |
|  | 17-2 that SaskPower use consistent processes to evaluate unsolicited proposals provided to SaskPower from potential independent power producers interested in selling it power.   | <b>Not Implemented</b><br>(as of February 28, 2015) |
|  | 17-3 that SaskPower document its rationale for key requirements set in Request for Proposals and related due diligence requirements as part of the competitive independent power producer procurement process.  | <b>Not Implemented</b><br>(as of February 28, 2015) |
|  | 17-4 that SaskPower communicate to independent power producers who submit unsolicited proposals to supply power, the evaluation process and criteria against which unsolicited power proposals are considered.  | <b>Not Implemented</b><br>(as of February 28, 2015) |

<sup>A</sup> The number preceding the outstanding recommendation reflects the chapter and recommendation number of our related report.

## 5.0 STATUS OF COMMITTEE RECOMMENDATION

| Committee Report Year   | Outstanding Recommendation <sup>A</sup>   | Status   |
|---|---|--|
| <b>Saskatchewan Power Corporation – Gas and Electrical Installation Inspection (2011 Report – Volume 2)</b> |   |  |
| 2016  | 22-4 that SaskPower require management to review inspectors' rationale for not inspecting gas and electrical permits for high-risk installations. | <b>Partially Implemented</b><br>(as of March 15, 2017) |

<sup>A</sup> The number preceding the outstanding recommendation reflects the chapter and recommendation number of our related report.

## Chapter 51

### Standing Committee on Public Accounts

#### 1.0 MAIN POINTS

The work of the Standing Committee on Public Accounts (Committee) is crucial for a well-managed parliamentary system of government. It provides a vital link in the chain of accountability over public resources; it contributes to the public's confidence in government.

The Committee's discussions and recommendations to the Legislative Assembly promote a more open and accountable government and better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee acts as an agent of change for the management practices of government. This is evident, in part, through the extent of implementation of the Committee's recommendations.

The implementation of the Committee's recommendations by the Government and its agencies remains strong. The Government has fully implemented 69% of recommendations the Committee has made during the previous five years. It has partially implemented 49% of the remaining recommendations.

#### 2.0 INTRODUCTION

This chapter provides an overview of the composition, role, and responsibilities of the Committee. It briefly describes what the Committee does, how it works, and how it reports to the Assembly.

It also sets out the extent to which the Government has implemented the Committee's past recommendations and the status of the Committee's review of our Reports.

#### 3.0 OVERVIEW OF COMMITTEE'S ROLE AND RESPONSIBILITIES

##### 3.1 Committee Composition

At the beginning of each Legislature, the Assembly appoints members to the Committee. The Chair of the Committee is a member of the Opposition and the Deputy Chair is a member of the Government.

On March 4, 2013, *The Rules and Procedures of the Legislative Assembly of Saskatchewan*<sup>1</sup> changed to expand the Committee from seven members and a membership based on the ratio of party standings in the Assembly to eight members, including two members of the Opposition for the duration of the 27<sup>th</sup> Legislature. This practice has continued into the 28<sup>th</sup> Legislature. **Figure 1** sets out the members of the Committee as of September 30, 2017.

<sup>1</sup> [www.legassembly.sk.ca/about/rules-and-procedures](http://www.legassembly.sk.ca/about/rules-and-procedures) (5 October 2017).

**Figure 1—Members of the Standing Committee on Public Accounts at September 30, 2017**

| Name of Member             |                  |
|----------------------------|------------------|
| Danielle Chartier, Chair   | Lisa Lambert     |
| Don McMorris, Deputy Chair | Warren Michelson |
| Carla Beck                 | Kevin Phillips   |
| Lori Carr                  | Randy Weekes     |

Source: [www.legassembly.sk.ca/legislative-business/legislative-committees/](http://www.legassembly.sk.ca/legislative-business/legislative-committees/) (5 October 2017).

## 3.2 Responsibilities Include Review of Public Accounts and Our Reports

The Committee helps the Assembly hold the Government accountable for its management of public resources. *The Rules and Procedures of the Legislative Assembly of Saskatchewan* require the Committee to review and report to the Assembly on the results of its review of the Public Accounts and of the Reports of the Provincial Auditor.

The Assembly refers the Public Accounts and the Reports of our Office to the Committee.<sup>2</sup> The following provides a brief description of each:

- The Public Accounts consist of two volumes. The first volume contains the Summary Financial Statements of the Government and a Financial Statement Discussion and Analysis section. The second volume contains details on revenues and expenditures of the General Revenue Fund. This volume includes comparisons of appropriations to expenditures by vote and by program, and details of expenses (e.g., payees who received \$50,000 or more for salaries and benefits, transfers, or goods and services). It also includes key financial information of some pension plans and trust funds administered by the Government, remission of taxes and fees, and information on road-use fuel tax accountability.<sup>3</sup>
- The Reports of the Provincial Auditor contain the results of our examinations of the Government and its various agencies.

The Committee has asked us to monitor compliance with its recommendations and to report on their status. Chapters within our Reports identify whether the Committee agrees with our recommendations, or made its own recommendations. Chapters within our Reports provide an update on the status of implementation of recommendations.

Because of its role to scrutinize the Government's management of public resources and to review our Reports, we view this Committee as the audit committee for the Assembly and thus, for the public.

The Committee's meetings are televised and open to the public. In its deliberations, the Committee is not fundamentally concerned with matters of policy; rather, it questions the economy and effectiveness of the administration of government programs. The Committee reviews the activities, performance, and reports of government ministries, agencies, and certain Crown corporations (agencies). During its review, the Committee may inquire about past performance, current concerns, and future objectives. The

<sup>2</sup> Certain chapters within our Reports are referred to the Standing Committee on Crown and Central Agencies.

<sup>3</sup> [www.finance.gov.sk.ca](http://www.finance.gov.sk.ca) (5 October 2017).

Committee's discussions include broader issues such as strategic plans, key risks to achieving goals and objectives, and performance measurement.

Government officials attend the Committee meetings to answer questions about the administration of their agencies. Our Office attends the meetings to help the Committee in its reviews. The Committee discusses and recommends actions on issues raised by Committee members and our Office.

### 3.3 Reports of the Committee

On May 16, 2017, the Committee presented its report called the *First Report of the 28<sup>th</sup> Legislature* to the Assembly. It summarizes the results of the work of the Committee for the period February 10, 2016 to May 15, 2017.

The Committee's report to the Assembly includes its findings and 128 recommendations resulting from the Committee's review of our Reports. Typically, the Committee reports to the Assembly at the end of each legislative session. Its reports, once tabled in the Assembly, are publicly available on the Committee's website.<sup>4</sup>

The Committee requires the Government to respond in writing to its reports. The Government's response is publicly available on the Committee's website. The Committee's website also makes information about the composition of the Committee and records of the Committee's meetings (i.e., Hansard verbatims, minutes, videos, and reports) available.

## 4.0 IMPLEMENTATION OF COMMITTEE'S RECOMMENDATIONS

Consistent with prior years, the implementation of the Committee's recommendations by the Government and its agencies remains strong. As of September 2017, the Government has fully implemented 69% (September 2016: 62%)<sup>5</sup> of the Committee's recommendations. The Government has partially implemented 49% (September 2016: 51%) of the remaining recommendations.<sup>6</sup>

**Section 6.0** sets out the number of Committee recommendations not yet implemented and the last Report our Office provided an update on the recommendations. Our Office follows up the status of these recommendations until they are implemented or no longer relevant.

## 5.0 STATUS OF COMMITTEE'S REVIEW OF OUR REPORTS

Since September 2016, the Assembly has referred six of our Reports which include the results of our examinations of the Government and its agencies to the Committee for its review.

<sup>4</sup> [www.legassembly.sk.ca/legislative-business/legislative-committees/public-accounts/](http://www.legassembly.sk.ca/legislative-business/legislative-committees/public-accounts/) (5 October 2017).

<sup>5</sup> September 2016 was the timing of our last chapter on the Committee's work and the extent to which the Government implemented the Committee's recommendations.

<sup>6</sup> Calculations are based on the Committee's recommendations up to and including the *First Report to the 28<sup>th</sup> Legislature* at May 16, 2017.



For the period October 1, 2016 to September 30, 2017, the Committee met 11 times. It reviewed our Reports at nine of its meetings.<sup>7</sup> The Committee's review included chapters from our 2013 Report (Volume 1), 2015 Report (Volumes 1 and 2), 2016 Report (Volumes 1 and 2), and the *Special Report: Land Acquisition Processes*.

As of September 30, 2017, the Committee had not yet completed its review of all chapters in the following Reports:

- Five of 56 chapters from our *2015 Report – Volume 2*
- Eight of 39 chapters from our *2016 Report – Volume 1*
- Fourteen of 49 chapters from our *2016 Report – Volume 2*
- Twenty-eight chapters from our *2017 Report – Volume 1*

Not including our *2017 Report – Volume 1*, the Committee has not reviewed 21 chapters relating to the health sector.

## 6.0 STATUS OF PREVIOUS COMMITTEE RECOMMENDATIONS

The following table sets out the number of Committee recommendations not yet implemented and the last Report our Office provided an update. Our intent is to follow up on these recommendations in the future.

| Agency                              | Chapter Title (Initial PAS <sup>A</sup> Report)   | Last PAS Report and Chapter               | Number of Committee Recommendations Not Yet Implemented |
|-------------------------------------|---|---|---|
| <b>Ministries and Secretariats:</b> |   |   |   |
| Advanced Education                  | Working with the Advanced Education Sector ( <i>2015 Report – Volume 1, Chapter 7</i> )   | Same as Initial PAS Report                | 2   |
| Central Services                    | Data Centre Security  | <i>2016 Report – Volume 1, Chapter 5</i>  | 2   |
|                                     | Planning Accommodation ( <i>2011 Report – Volume 1, Chapter 5</i> )                       | <i>2017 Report – Volume 1, Chapter 15</i> | 2   |
|                                     | Use of Consultants ( <i>2014 Report – Volume 2, Chapter 30</i> )                          | <i>2016 Report – Volume 2, Chapter 33</i> | 1   |
|                                     | Web Application Security Requirements ( <i>2016 Report – Volume 1, Chapter 6</i> )        | Same as Initial PAS Report                | 4   |
| Economy                             | Nominating Qualified Immigration Applicants ( <i>2013 Report – Volume 1, Chapter 12</i> ) | <i>2016 Report – Volume 1, Chapter 19</i> | 2   |
|                                     | Regulating Pipelines ( <i>2012 Report – Volume 1, Chapter 5</i> )                         | <i>2017 Report – Volume 1, Chapter 18</i> | 3   |

<sup>7</sup> At the other meetings, the Committee met to discuss other matters (e.g., election of the Deputy Chair and representation at the Canadian Council of Public Accounts Committees/Canadian Council of Legislative Auditors annual conference).



| Agency                      | Chapter Title (Initial PAS <sup>A</sup> Report)  | Last PAS Report and Chapter        | Number of Committee Recommendations Not Yet Implemented |
|-----------------------------|--|------------------------------------|---|
|                             | Managing Oil and Gas Wells (2012 Report – Volume 2, Chapter 31)                                      | 2015 Report – Volume 1, Chapter 19 | 6   |
|                             | Coordinating English-Language Programs (2015 Report – Volume 1, Chapter 8)                           | 2017 Report – Volume 1, Chapter 16 | 3   |
| Education                   | School Instruction Time for Students (2009 Report – Volume 3, Chapter 4)                             | 2016 Report – Volume 1, Chapter 20 | 2   |
|                             | Grade 12 Graduation Rates (2012 Report – Volume 1, Chapter 2)  | 2017 Report – Volume 1, Chapter 20 | 5   |
|                             | Transporting Students Safely (2012 Report – Volume 2, Chapter 36)                                    | 2014 Report – Volume 2, Chapter 44 | 7   |
|                             | Capital Asset Planning for Schools (2013 Report – Volume 1, Chapter 8)                               | 2017 Report – Volume 1, Chapter 19 | 2   |
|                             | Putting into Operation the Education Sector-Wide Strategic Plan (2015 Report – Volume 1, Chapter 9)  | 2017 Report – Volume 1, Chapter 21 | 1   |
| Environment                 | Regulating Contaminated Sites (2008 Report – Volume 1, Chapter 4)                                    | 2017 Report – Volume 1, Chapter 23 | 1   |
|                             | Landfills Regulation (2013 Report – Volume 2, Chapter 29)  | 2015 Report – Volume 2, Chapter 45 | 7   |
|                             | Preventing Aquatic Invasive Species in Saskatchewan (2016 Report – Volume 1, Chapter 7)              | Same as Initial PAS Report         | 5   |
| Finance                     | Internal Audit in Ministries (2012 Report – Volume 2, Chapter 30)                                    | 2014 Report – Volume 2, Chapter 46 | 6   |
|                             | Modernizing Government Budgeting and Financial Reporting (2013 Special Report)                       | 2016 Report – Volume 1, Chapter 18 | 8   |
|                             | Public Employees Benefit Agency – Securing Personal Information (2016 Report – Volume 2, Chapter 26) | Same as Initial PAS Report         | 2   |
| Government Relations        | Safe Drinking Water in Northern Settlements (2012 Report – Volume 1, Chapter 12)                     | 2016 Report – Volume 1, Chapter 24 | 5   |
|                             | Coordinating Emergency Preparedness (2015 Report – Volume 1, Chapter 12)                             | Same as Initial PAS Report         | 4   |
| Highways and Infrastructure | Addressing Road Safety Concerns on Existing Highways (2015 Report – Volume 2, Chapter 35)            | Same as Initial PAS Report         | 4   |
|                             | 2016 Special Report: Land Acquisition Processes  | Same as Initial PAS Report         | 8   |



| Agency   | Chapter Title (Initial PAS <sup>A</sup> Report)   | Last PAS Report and Chapter        | Number of Committee Recommendations Not Yet Implemented |
|--|---|------------------------------------|---|
| Justice  | Adult Inmate Rehabilitation (2008 Report – Volume 1, Chapter 2)                                   | 2015 Report – Volume 2, Chapter 47 | 3   |
|  | Maintenance Enforcement (2012 Report – Volume 1, Chapter 10)                                      | 2016 Report – Volume 2, Chapter 39 | 2   |
|  | Leading the Building Partnerships to Reduce Crime Initiative (2016 Report – Volume 1, Chapter 10) | Same as Initial PAS Report         | 4   |
| Social Services  | Protection of Children in Care (2013 Report – Volume 2, Chapter 24)                               | 2016 Report – Volume 1, Chapter 33 | 5   |
|  | Supervision of Community-Based Organizations (2012 Report – Volume 1, Chapter 22)                 | 2017 Report – Volume 1, Chapter 33 | 3   |
|  | Placing Minister’s Wards in Permanent Homes (2013 Report – Volume 1, Chapter 14)                  | 2017 Report – Volume 1, Chapter 32 | 3   |
|  | Minimizing Absenteeism (2015 Report – Volume 2, Chapter 39)                                       | Same as Initial PAS Report         | 4   |
|  | Protecting Children-in-Care Information in the Linkin System (2016 Report – Volume 1, Chapter 17) | Same as Initial PAS Report         | 4   |
| <b>Crown Agencies:</b>   |   |                                    |   |
| eHealth Saskatchewan   | Implementing Electronic Health Records (2009 Report – Volume 3, Chapter 10C)                      | 2016 Report – Volume 1, Chapter 22 | 1   |
|  | Buying IT Services (2010 Report – Volume 1, Chapter 6)  | 2016 Report – Volume 1, Chapter 21 | 2   |
|  | Sharing Patient Data (2014 Report – Volume 1, Chapter 9)  | 2016 Report – Volume 2, Chapter 35 | 2   |
| Global Transportation Hub                                      | 2016 Special Report: Land Acquisition Processes   | Same as Initial PAS Report         | 2   |
| Health Quality Council   | Co-ordinating the Use of Lean (2014 Report – Volume 2, Chapter 24)                                | 2016 Report – Volume 2, Chapter 38 | 2   |
| Saskatchewan Apprenticeship and Trade Certification Commission | Enabling Apprentices to Achieve Certification (2014 Report – Volume 1, Chapter 11)                | 2016 Report – Volume 1, Chapter 30 | 2   |
| Saskatchewan Crop Insurance Corporation                        | AgriStability Benefits (2013 Report – Volume 1, Chapter 7)  | 2015 Report – Volume 2, Chapter 53 | 2   |
| Saskatchewan Legal Aid Commission                              | Providing Legal Aid Services (2016 Report – Volume 1, Chapter 16)                                 | Same as Initial PAS Report         | 5   |
| Saskatchewan Liquor and Gaming Authority                       | Managing Projects with Significant IT Components (2015 Report – Volume 2, Chapter 37)             | Same as Initial PAS Report         | 5   |

| Agency  | Chapter Title (Initial PAS <sup>A</sup> Report)  | Last PAS Report and Chapter        | Number of Committee Recommendations Not Yet Implemented |
|---|--|------------------------------------|---|
| Tourism Saskatchewan  | Managing the Use of Social Media (2015 Report – Volume 2, Chapter 41)                              | Same as Initial PAS Report         | 5   |
| Water Security Agency   | Coordinating Flood Mitigation (2014 Report – Volume 2, Chapter 40)                                 | 2016 Report – Volume 2, Chapter 47 | 2   |
|   | Dam Safety (2005 Report – Volume 1, Chapter 3)   | 2016 Report – Volume 2, Chapter 48 | 2   |
| Western Development Museum  | Permanently Removing Historical Artifacts (2016 Report – Volume 2, Chapter 30)                     | Same as Initial PAS Report         | 8   |
| <b>Crown Agencies-Regional Health Authorities (Saskatchewan Health Authority)</b> |  |                                    |   |
| Cypress Regional Health Authority   | IT Security (2008 Report – Volume 3, Chapter 10D)  | 2014 Report – Volume 2, Chapter 42 | 2   |
| Kelsey Trail Regional Health Authority  | Medical Equipment Maintenance (2010 Report – Volume 2, Chapter 11C)                                | 2015 Report – Volume 2, Chapter 51 | 3   |
| Prince Albert Parkland Regional Health Authority                                  | IT Security (2011 Report – Volume 1, Chapter 11)   | 2014 Report – Volume 2, Chapter 52 | 1   |
|   | Providing Timely and Appropriate Home-Care Services (2014 Report – Volume 2, Chapter 36)           | 2016 Report – Volume 2, Chapter 42 | 3   |
| Regina Qu'Appelle Regional Health Authority                                       | Safe and Timely Discharge of Patients (2015 Report – Volume 1, Chapter 14)                         | 2017 Report – Volume 1, Chapter 24 | 3   |
| Saskatoon Regional Health Authority   | Triaging Emergency Department Patients (2013 Report – Volume 2, Chapter 30)                        | 2016 Report – Volume 1, Chapter 32 | 5   |
| Sun Country Regional Health Authority   | Managing Medication (2013 Report – Volume 2, Chapter 31)   | 2015 Report – Volume 2, Chapter 55 | 1   |
| Sunrise Regional Health Authority   | Infection Prevention and Control in Long-Term Care Facilities (2014 Report – Volume 1, Chapter 13) | 2016 Report – Volume 1, Chapter 34 | 4   |
| <b>Crown Agencies-School Divisions:</b>   |  |                                    |   |
| Chinook School Division No. 211   | Transporting Students Safely (2012 Report – Volume 2, Chapter 36)                                  | 2014 Report – Volume 2, Chapter 44 | 1 <sup>B</sup>  |
| Good Spirit School Division No. 204   | Transporting Students Safely (2012 Report – Volume 2, Chapter 36)                                  | 2014 Report – Volume 2, Chapter 44 | 1 <sup>B</sup>  |
| Northwest School Division No. 203   | Transporting Students Safely (2012 Report – Volume 2, Chapter 36)                                  | 2014 Report – Volume 2, Chapter 44 | 1   |
| North East School Division No. 200  | Increasing Grade 3 Students Reading at Grade Level (2016 Report – Volume 1, Chapter 11)            | Same as Initial PAS Report         | 5   |
| Northern Lights School Division No. 113   | Annual Integrated Audit  | 2017 Report – Volume 1, Chapter 2  | 1   |



| Agency  | Chapter Title (Initial PAS <sup>A</sup> Report)  | Last PAS Report and Chapter        | Number of Committee Recommendations Not Yet Implemented |
|---|--|------------------------------------|---|
| Prairie South School Division No. 210                       | Equipping the Board with Knowledge and Competencies to Govern (2015 Report – Volume 1, Chapter 13) | Same as Initial PAS Report         | 4   |
| Prairie Spirit School Division No. 206                      | Maintaining Facilities (2016 Report – Volume 1, Chapter 12)  | Same as Initial PAS Report         | 7   |
| Prince Albert Roman Catholic Separate School Division No. 6 | Transporting Students Safely (2012 Report – Volume 2, Chapter 36)                                  | 2014 Report – Volume 2, Chapter 44 | 1   |
| Regina School Division No. 4                                | Promoting Positive Student Behaviour (2016 Report – Volume 1, Chapter 13)                          | Same as Initial PAS Report         | 5   |
| Saskatchewan Rivers School Division No. 119                 | Maintaining Facilities (2014 Report – Volume 2, Chapter 37)  | 2016 Report – Volume 2, Chapter 44 | 4   |
| Saskatoon School Division No. 13                            | Goods and Services Procurement (2014 Report – Volume 2, Chapter 38)                                | 2016 Report – Volume 2, Chapter 45 | 5   |
| St. Paul's School Roman Catholic Separate Division No. 20   | Transporting Students Safely (2012 Report – Volume 2, Chapter 36)                                  | 2014 Report – Volume 2, Chapter 44 | 1 <sup>B</sup>  |
|   | Promoting Good Student Health and Physical Fitness (2015 Report – Volume 2, Chapter 40)            | Same as Initial PAS Report         | 5   |
| <b>Other Agencies:</b>                                      |  |                                    |   |
| University of Regina  | Protecting Interests in Research (2013 Report – Volume 1, Chapter 15)                              | 2017 Report – Volume 1, Chapter 34 | 3   |

Source: Provincial Auditor Saskatchewan (October 2017).

<sup>A</sup> PAS – Provincial Auditor Saskatchewan.

<sup>B</sup> The 2012 audit had one recommendation with a number of areas of improvement included. For the 2014 follow-up, the Office split these areas of improvement into separate recommendations. Therefore, in 2014, Chinook's recommendation became four, Good Spirit's recommendation became four, and St. Paul's recommendation became five.

## Appendix 1

### Agencies Subject to Examination under *The Provincial Auditor Act* and Status of Audits

The Office's goal is to give the Legislative Assembly timely reports on the results of its examinations. It does not delay its reports to accommodate incomplete audits, but rather includes their results in a future report. It aims to report the results of its annual integrated audits of agencies with December fiscal year-ends in the spring (i.e., Report – Volume 1) and agencies with March fiscal year-ends in the fall (i.e., Report – Volume 2). Also, it reports the results of its follow-ups and performance audits in the report following their completion.

The table below lists the agencies subject to examination under *The Provincial Auditor Act* at July 31, 2017 along with their fiscal year-end. Agencies subject to our examination include ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, other agencies that administer public money, and offices of the Legislative Assembly.

For each of these agencies, the table sets out the status of our annual integrated audits at October 30, 2017. It also indicates whether we are or have reported matters for the Assembly's attention within the last 12 months, and if so, it identifies the relevant Report.

| Agency   | Fiscal Year-End <sup>A</sup> | Status at October 30, 2017 <sup>B</sup> | Matters Reported / Related Report(s) <sup>C</sup> |
|--|------------------------------|---|---|
| <b>Government of Saskatchewan – Summary Financial Statements</b> | March 31                     | Complete                                | No  |
| <b>Ministries and Secretariats:</b>                              |                              |   |   |
| Ministry of Advanced Education                                   | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Ministry of Agriculture  | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Ministry of Central Services                                     | March 31                     | Complete                                | Yes/2017 Rpt V1                                   |
| Ministry of the Economy  | March 31                     | Complete                                | Yes/2017 Rpt V1                                   |
| Ministry of Education  | March 31                     | Complete                                | Yes/2017 Rpt V1 & V2                              |
| Ministry of Environment  | March 31                     | Complete                                | Yes/2017 Rpt V1 & V2                              |
| Ministry of Finance  | March 31                     | Complete                                | Yes/2017 V1 & V2                                  |
| Ministry of Government Relations                                 | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Ministry of Health   | March 31                     | Complete                                | Yes/2017 Rpt V1 & V2                              |
| Ministry of Highways and Infrastructure                          | March 31                     | Complete                                | Yes/2017 Rpt V1 & V2                              |
| Ministry of Justice  | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Ministry of Labour Relations and Workplace Safety                | March 31                     | Complete                                | No  |
| Ministry of Parks, Culture and Sport                             | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Ministry of Social Services                                      | March 31                     | Complete                                | Yes/2017 Rpt V1 & V2                              |
| Executive Council  | March 31                     | Complete                                | No  |
| Public Service Commission  | March 31                     | Complete                                | Yes/2017 Rpt V1 & V2                              |
| <b>Crown Agencies:</b>   |                              |   |   |
| Agricultural Credit Corporation of Saskatchewan                  | March 31                     | Complete                                | No  |
| Agricultural Implements Board                                    | March 31                     | Complete                                | No  |
| Carlton Trail College  | June 30                      | Complete                                | No  |



| Agency   | Fiscal Year-End <sup>A</sup> | Status at October 30, 2017 <sup>B</sup> | Matters Reported / Related Report(s) <sup>C</sup> |
|--|------------------------------|---|---|
| Century Plaza Condominium Corporation (formerly The Owners: Condominium Corporation No. 101100609) | March 31                     | Complete                                | No  |
| Chinook School Division No. 211  | August 31                    | Complete                                | No  |
| Christ the Teacher Roman Catholic Separate School Division No. 212                                 | August 31                    | Complete                                | No  |
| Community Initiatives Fund   | March 31                     | Complete                                | No  |
| Conseil des Ecoles Fransaskoises School Division No. 310   | August 31                    | Complete                                | No  |
| Creative Saskatchewan  | March 31                     | Complete                                | No  |
| Creighton School Division No. 111  | August 31                    | Complete                                | No  |
| Cumberland College   | June 30                      | Complete                                | No  |
| Cypress Regional Health Authority  | March 31                     | Complete                                | No  |
| eHealth Saskatchewan   | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Englefeld Protestant Separate School Division No. 132  | August 31                    | Complete                                | No  |
| Five Hills Regional Health Authority   | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Global Transportation Hub Authority, The   | March 31                     | Complete                                | No  |
| Good Spirit School Division No. 204  | August 31                    | Complete                                | No  |
| Government House Foundation, The   | March 31                     | Complete                                | No  |
| Great Plains College   | June 30                      | Complete                                | No  |
| Health Quality Council   | March 31                     | Complete                                | No  |
| Heartland Regional Health Authority  | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Health Shared Services Saskatchewan (3sHealth)   | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Holy Family Roman Catholic Separate School Division No. 140  | August 31                    | Complete                                | Yes/2017 Rpt V1                                   |
| Holy Trinity Roman Catholic Separate School Division No. 22  | August 31                    | Complete                                | No  |
| Horizon School Division No. 205  | August 31                    | Complete                                | No  |
| Ile-a-la Crosse School Division No. 112  | August 31                    | Complete                                | No  |
| Innovation Saskatchewan  | March 31                     | Complete                                | No  |
| Keewatin Yatthé Regional Health Authority  | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Kelsey Trail Regional Health Authority   | March 31                     | Complete                                | No  |
| Law Reform Commission of Saskatchewan  | March 31                     | Complete                                | No  |
| Light of Christ Roman Catholic Separate School Division No. 16                                     | August 31                    | Complete                                | No  |
| Liquor and Gaming Authority  | March 31                     | Complete                                | Yes/2017 Rpt V1 & V2                              |
| Living Sky School Division No. 202   | August 31                    | Complete                                | Yes/2017 Rpt V1                                   |
| Lloydminster Roman Catholic Separate School Division No. 89  | August 31                    | Complete                                | No  |
| Lloydminster Public School Division No. 99   | August 31                    | Complete                                | No  |
| Mamawetan Churchill River Regional Health Authority  | March 31                     | Complete                                | Yes/2017 Rpt V1 & V2                              |
| Métis Development Fund   | December 31                  | Complete                                | No  |
| Municipal Financing Corporation of Saskatchewan  | December 31                  | Complete                                | No  |
| Municipal Potash Tax Sharing Administration Board  | December 31                  | Complete                                | No  |
| North East School Division No. 200   | August 31                    | Complete                                | No  |
| North West College   | June 30                      | Complete                                | No  |

| Agency  | Fiscal Year-End <sup>A</sup> | Status at October 30, 2017 <sup>B</sup> | Matters Reported / Related Report(s) <sup>C</sup> |
|---|------------------------------|---|---|
| Northwest School Division No. 203                                   | August 31                    | Complete                                | No  |
| Northern Lights School Division No. 113                             | August 31                    | Complete                                | Yes/2017 Rpt V1                                   |
| Northlands College  | June 30                      | Complete                                | No  |
| Operator Certification Board  | March 31                     | Complete                                | No  |
| Parkland College  | June 30                      | Complete                                | No  |
| Physician Recruitment Agency of Saskatchewan                        | March 31                     | Complete                                | No  |
| Prairie Agricultural Machinery Institute                            | March 31                     | Complete                                | No  |
| Prairie North Regional Health Authority                             | March 31                     | Complete                                | No  |
| Prairie South School Division No. 210                               | August 31                    | Complete                                | No  |
| Prairie Spirit School Division No. 206                              | August 31                    | Complete                                | No  |
| Prairie Valley School Division No. 208                              | August 31                    | Complete                                | No  |
| Prince Albert Parkland Regional Health Authority                    | March 31                     | Complete                                | No  |
| Prince Albert Roman Catholic Separate School Division No. 6         | August 31                    | Complete                                | No  |
| Provincial Archives of Saskatchewan                                 | March 31                     | Complete                                | No  |
| Regina Qu'Appelle Regional Health Authority                         | March 31                     | Complete                                | Yes/2017 V1 & V2                                  |
| Regina Roman Catholic Separate School Division No. 81               | August 31                    | Complete                                | Yes/2017 Rpt V2                                   |
| Regina School Division No. 4  | August 31                    | Complete                                | Yes/2017 Rpt V2                                   |
| Saskatchewan Apprenticeship and Trade Certification Commission      | June 30                      | Complete                                | No  |
| Saskatchewan Arts Board, The  | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Saskatchewan Association of Health Organizations Inc.               | March 31                     | Complete                                | No  |
| Saskatchewan Cancer Agency  | March 31                     | Complete                                | No  |
| Saskatchewan Centre of the Arts                                     | March 31                     | Complete                                | No  |
| Saskatchewan Crop Insurance Corporation                             | March 31                     | Complete                                | No  |
| Saskatchewan Grain Car Corporation                                  | June 30                      | Complete, Note 5                        | No  |
| Saskatchewan Health Research Foundation                             | March 31                     | Complete                                | No  |
| Saskatchewan Heritage Foundation                                    | March 31                     | Complete                                | No  |
| Saskatchewan Housing Corporation                                    | December 31                  | Complete                                | Yes/2017 Rpt V2                                   |
| Saskatchewan Impaired Driver Treatment Centre Board of Governors    | March 31                     | Complete                                | No  |
| Saskatchewan Indian Gaming Authority Inc.                           | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Saskatchewan Polytechnic  | June 30                      | Complete                                | Yes/2017 Rpt V2                                   |
| Saskatchewan Legal Aid Commission                                   | March 31                     | Complete                                | No  |
| Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation | March 31                     | Complete                                | No  |
| Saskatchewan Research Council                                       | March 31                     | Complete                                | No  |
| Saskatchewan Rivers School Division No. 119                         | August 31                    | Complete                                | No  |
| Saskatoon Regional Health Authority                                 | March 31                     | Complete                                | Yes/2017 Rpt V1                                   |
| Saskatoon School Division No. 13                                    | August 31                    | Complete                                | No  |
| SaskBuilds Corporation  | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| SLGA Retail Inc.  | March 31                     | Complete                                | No  |
| South East Cornerstone School Division No. 209                      | August 31                    | Complete                                | No  |
| Southeast College   | June 30                      | Complete                                | No  |



| Agency  | Fiscal Year-End <sup>A</sup> | Status at October 30, 2017 <sup>B</sup> | Matters Reported / Related Report(s) <sup>C</sup> |
|---|------------------------------|---|---|
| St. Paul's Roman Catholic Separate School Division No. 20 | August 31                    | Complete                                | No  |
| Sun Country Regional Health Authority                     | March 31                     | Complete                                | No  |
| Sun West School Division No. 207                          | August 31                    | Complete                                | Yes/2017 Rpt V1                                   |
| Sunrise Regional Health Authority                         | March 31                     | Complete                                | No  |
| TecMark International Commercialization Inc.              | March 31                     | Note 1                                  |   |
| Tourism Saskatchewan                                      | March 31                     | Complete                                | No  |
| Water Appeal Board  | March 31                     | Complete                                | No  |
| Water Security Agency                                     | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Western Development Museum                                | March 31                     | Complete                                | No  |
| Workers' Compensation Board                               | December 31                  | Complete                                | No  |
| <b>CIC Crown Corporations and related agencies:</b>       |                              |   |   |
| 101069101 Saskatchewan Ltd.                               | March 31                     | Note 1                                  |   |
| Avonlea Holding, Inc.                                     | March 31                     | Note 1                                  |   |
| Battleford International, Inc.                            | March 31                     | Note 1                                  |   |
| Bayhurst Energy Services Corporation                      | March 31                     | Note 1                                  |   |
| Bayhurst Gas Limited                                      | March 31                     | Note 1                                  |   |
| BG Storage Inc.   | March 31                     | Note 1                                  |   |
| Bruno Holdings Inc.                                       | March 31                     | Note 1                                  |   |
| CIC Asset Management Inc.                                 | March 31                     | Complete                                | No  |
| CIC Economic Holdco Ltd.                                  | March 31                     | Note 1                                  |   |
| CIC FTLP Holdings Inc.                                    | March 31                     | Note 1                                  |   |
| CIC FTMI Holdings Inc.                                    | March 31                     | Note 1                                  |   |
| CIC Pulp Ltd.   | March 31                     | Note 1                                  |   |
| Coachman Insurance Company                                | December 31                  | Complete                                | No  |
| Crown Investments Corporation of Saskatchewan             | March 31                     | Complete                                | No  |
| DirectWest Canada Inc.                                    | March 31                     | Note 1                                  |   |
| DirectWest Corporation                                    | March 31                     | Complete                                | No  |
| First Nations and Métis Fund Inc.                         | March 31                     | Complete                                | No  |
| Gradworks Inc.  | March 31                     | Complete                                | No  |
| Manalta Investment Company Ltd.                           | March 31                     | Note 1                                  |   |
| Many Islands Pipe Lines (Canada) Limited                  | March 31                     | Note 1                                  |   |
| Nokomis Holding, Inc.                                     | March 31                     | Note 1                                  |   |
| Northpoint Energy Solutions Inc.                          | March 31                     | Complete                                | No  |
| Qu'Appelle Holding, Inc.                                  | March 31                     | Note 1                                  |   |
| Saskatchewan Auto Fund                                    | March 31                     | Complete                                | No  |
| Saskatchewan First Call Corporation                       | March 31                     | Note 1                                  |   |
| Saskatchewan Gaming Corporation                           | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| Saskatchewan Government Insurance                         | March 31                     | Complete                                | Yes/2017 Rpt V1                                   |
| Saskatchewan Immigrant Investor Fund Inc.                 | March 31                     | Complete                                | No  |
| Saskatchewan Opportunities Corporation                    | March 31                     | Complete                                | Yes/2017 Rpt V1                                   |
| Saskatchewan Power Corporation                            | March 31                     | Complete                                | Yes/2017 Rpt V1 & V2                              |
| Saskatchewan Telecommunications                           | March 31                     | Complete                                | Yes/2017 Rpt V1                                   |



| Agency  | Fiscal Year-End <sup>A</sup> | Status at October 30, 2017 <sup>B</sup> | Matters Reported / Related Report(s) <sup>C</sup> |
|---|------------------------------|---|---|
| Saskatchewan Telecommunications Holding Corporation                         | March 31                     | Complete                                | No  |
| Saskatchewan Telecommunications International, Inc.                         | March 31                     | Complete                                | No  |
| Saskatchewan Telecommunications International (Tanzania) Ltd.               | March 31                     | Note 1                                  |   |
| Saskatchewan Transportation Company   | March 31                     | Complete                                | No  |
| Saskatchewan Water Corporation  | March 31                     | Complete                                | Yes/2017 Rpt V1 & V2                              |
| SaskEnergy Incorporated   | March 31                     | Complete                                | Yes/2017 Rpt V2                                   |
| SaskPower International Inc.  | March 31                     | Note 1                                  |   |
| SaskTel International Consulting, Inc.                                      | March 31                     | Note 1                                  |   |
| SaskTel Investments Inc.  | March 31                     | Note 1                                  |   |
| SecurTek Monitoring Solutions Inc.  | March 31                     | Complete                                | No  |
| SGC Holdings Inc.   | March 31                     | Complete                                | No  |
| SGI CANADA Insurance Services Ltd.  | December 31                  | Complete                                | No  |
| Shellbrook Holding, Inc.  | March 31                     | Note 1                                  |   |
| TransGas Limited  | March 31                     | Note 1                                  |   |
| <b>Special purpose and trust funds including pension and benefit plans:</b> |                              |   |   |
| Capital Pension Plan  | December 31                  | Complete                                | No  |
| Commercial Revolving Fund   | March 31                     | Complete                                | No  |
| Correctional Facilities Industries Revolving Fund                           | March 31                     | Complete                                | No  |
| Criminal Property Forfeiture Fund   | March 31                     | Complete                                | No  |
| Crop Reinsurance Fund of Saskatchewan                                       | March 31                     | Complete                                | No  |
| Doukhobors of Canada C.C.U.B. Trust Fund                                    | May 31                       | Complete                                | No  |
| Education Scholarship Fund (formerly Prince of Wales Scholarship Fund)      | March 31                     | Complete                                | No  |
| Extended Health Care Plan   | December 31                  | Complete                                | No  |
| Extended Health Care Plan for Certain Other Employees                       | December 31                  | Complete                                | No  |
| Extended Health Care Plan for Certain Other Retired Employees               | December 31                  | Complete                                | No  |
| Extended Health Care Plan for Retired Employees                             | December 31                  | Complete                                | No  |
| Financial and Consumer Affairs Authority of Saskatchewan                    | March 31                     | Complete                                | No  |
| Fish and Wildlife Development Fund  | March 31                     | Complete                                | No  |
| General Revenue Fund  | March 31                     | Note 2                                  |   |
| Health Shared Services Saskatchewan Core Dental Plan                        | December 31                  | Complete                                | No  |
| Health Shared Services Saskatchewan Disability Income Plan – CUPE           | December 31                  | Complete                                | No  |
| Health Shared Services Saskatchewan Disability Income Plan – SEIU           | December 31                  | Complete                                | No  |
| Health Shared Services Saskatchewan Disability Income Plan – General        | December 31                  | Complete                                | No  |
| Health Shared Services Saskatchewan Disability Income Plan – SUN            | December 31                  | Complete                                | No  |
| Health Shared Services Saskatchewan Group Life Insurance Plan               | December 31                  | Complete                                | No  |



| Agency  | Fiscal Year-End <sup>A</sup> | Status at October 30, 2017 <sup>B</sup> | Matters Reported / Related Report(s) <sup>C</sup> |
|---|------------------------------|---|---|
| Health Shared Services Saskatchewan In-scope Extended Health/Enhanced Dental Plan     | December 31                  | Complete                                | No  |
| Health Shared Services Saskatchewan Out-of-Scope Extended Health/Enhanced Dental Plan | December 31                  | Complete                                | No  |
| Health Shared Services Saskatchewan Out-of-Scope Flexible Health/Spending Plan        | December 31                  | Complete                                | No  |
| Horned Cattle Fund  | March 31                     | Complete, Note 6                        | No  |
| Impacted Sites Fund   | March 31                     | Complete                                | No  |
| Institutional Control Monitoring and Maintenance Fund                                 | March 31                     | Complete                                | No  |
| Institutional Control Unforeseen Events Fund  | March 31                     | Complete                                | No  |
| Judges of the Provincial Court Superannuation Plan                                    | March 31                     | Complete                                | No  |
| Liquor Board Superannuation Plan  | December 31                  | Complete                                | No  |
| Livestock Services Revolving Fund   | March 31                     | Complete, Note 3                        | No  |
| Municipal Employees' Pension Commission   | December 31                  | Complete                                | No  |
| Northern Municipal Trust Account  | December 31                  | Complete                                | Yes/2017 Rpt V2                                   |
| Oil and Gas Orphan Fund   | March 31                     | Complete                                | No  |
| Pastures Revolving Fund   | March 31                     | Complete                                | No  |
| Pension Plan for Employees of the Saskatchewan Workers' Compensation Board            | December 31                  | Complete                                | No  |
| Pension Plan for the Non-Teaching Employees of the Saskatoon School Division No. 13   | December 31                  | Complete                                | No  |
| Power Corporation Superannuation Plan   | December 31                  | Complete                                | No  |
| Provincial Mediation Board Trust Accounts   | March 31                     | Complete                                | No  |
| Public Employees Benefits Agency Revolving Fund                                       | March 31                     | Complete                                | No  |
| Public Employees Deferred Salary Leave Fund   | December 31                  | Complete                                | No  |
| Public Employees Dental Fund  | December 31                  | Complete                                | No  |
| Public Employees Disability Income Fund   | December 31                  | Complete                                | No  |
| Public Employees Group Life Insurance Fund  | December 31                  | Complete                                | No  |
| Public Employees Pension Plan   | March 31                     | Complete                                | No  |
| Public Service Superannuation Plan  | March 31                     | Complete                                | No  |
| Public Guardian and Trustee of Saskatchewan   | March 31                     | Complete                                | No  |
| Queen's Printer Revolving Fund  | March 31                     | Complete                                | No  |
| Residential Tenancies, Office of – Director's Trust Account                           | March 31                     | Complete                                | No  |
| Sask 911 Account  | March 31                     | Complete                                | No  |
| Saskatchewan Agricultural Stabilization Fund  | March 31                     | Complete                                | No  |
| Saskatchewan Government Insurance Service Recognition Plan                            | December 31                  | Complete                                | No  |
| Saskatchewan Government Insurance Superannuation Plan                                 | December 31                  | Complete                                | No  |
| Saskatchewan Pension Annuity Fund   | March 31                     | Complete                                | No  |
| Saskatchewan Pension Plan   | December 31                  | Complete                                | No  |
| Saskatchewan Power Corporation Designated Employee Benefit Plan                       | December 31                  | Complete                                | No  |
| Saskatchewan Power Corporation Severance Pay Credits Plan                             | December 31                  | Complete                                | No  |

| Agency  | Fiscal Year-End <sup>A</sup> | Status at October 30, 2017 <sup>B</sup> | Matters Reported / Related Report(s) <sup>C</sup> |
|---|------------------------------|---|---|
| Saskatchewan Power Corporation Supplementary Superannuation Plan  | December 31                  | Complete                                | No  |
| Saskatchewan Research Council Employees' Pension Plan   | December 31                  | Complete                                | No  |
| Saskatchewan Snowmobile Fund  | March 31                     | Complete                                | No  |
| Saskatchewan Student Aid Fund   | March 31                     | Complete                                | No  |
| Saskatchewan Professional Teachers Regulatory Board   | August 31                    | Note 4                                  |   |
| Saskatchewan Telecommunications Pension Plan  | March 31                     | Complete                                | No  |
| Saskatchewan Water Corporation Retirement Allowance Plan  | December 31                  | Complete                                | No  |
| SaskEnergy Retiring Allowance Plan  | December 31                  | Complete                                | No  |
| School Division Tax Loss Compensation Fund  | March 31                     | Complete                                | No  |
| Social Services Central Trust Account   | March 31                     | Complete                                | No  |
| Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund | March 31                     | Complete                                | No  |
| Social Services Valley View Centre Residents' Trust Account   | March 31                     | Complete                                | No  |
| Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission                                       | December 31                  | Complete                                | No  |
| Teachers' Dental Plan   | June 30                      | Complete                                | Yes/2017 Rpt V2                                   |
| Teachers' Disability Plan   | June 30                      | Complete                                | No  |
| Teachers' Group Life Plan   | August 31                    | Complete                                | No  |
| Teachers' Superannuation Plan   | June 30                      | Complete                                | No  |
| Training Completions Fund   | March 31                     | Complete                                | No  |
| Transportation Partnerships Fund  | March 31                     | Complete                                | No  |
| Victims' Fund   | March 31                     | Delayed                                 |   |
| Water Security Agency Retirement Allowance Plan   | March 31                     | Complete                                | No  |
| <b>Offices of the Legislative Assembly:</b>   |                              |   |   |
| Advocate for Children and Youth, Office of the  | March 31                     | Complete                                | No  |
| Board of Internal Economy/Legislative Assembly Service/Office of the Speaker                                    | March 31                     | Complete                                | No  |
| Chief Electoral Officer, Office of the  | March 31                     | Complete                                | No  |
| Conflict of Interest Commissioner, Office of the  | March 31                     | Complete                                | No  |
| Information and Privacy Commissioner, Office of the   | March 31                     | Complete                                | No  |
| Ombudsman, Office of the  | March 31                     | Complete                                | No  |
| <b>Other agencies:</b>  |                              |   |   |
| Pension Plan for the Eligible Employees at the University of Saskatchewan                                       | December 31                  | Complete                                | No  |
| Pension Plan for the Academic and Administrative Employees of the University of Regina                          | December 31                  | Complete                                | No  |
| Technical Safety Authority of Saskatchewan  | June 30                      | Complete                                | Yes/2017 Rpt V1                                   |
| University of Regina Non-Academic Pension Plan  | December 31                  | Complete                                | No  |
| University of Regina  | April 30                     | Complete                                | Yes/2017 Rpt V1 & V2                              |



| Agency  | Fiscal Year-End <sup>A</sup> | Status at October 30, 2017 <sup>B</sup> | Matters Reported / Related Report(s) <sup>C</sup> |
|---|------------------------------|---|---|
| University of Saskatchewan 1999 Academic Pension Plan                       | December 31                  | Complete                                | No  |
| University of Saskatchewan 2000 Academic Money Purchase Pension Plan        | December 31                  | Complete                                | No  |
| University of Saskatchewan Academic Employees' Pension Plan                 | December 31                  | Complete                                | No  |
| University of Saskatchewan and Federated Colleges Non-Academic Pension Plan | December 31                  | Complete                                | No  |
| University of Saskatchewan  | April 30                     | Complete                                | No  |

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency.

Note 2: The Ministry of Finance does not prepare financial statements for this Fund.

Note 3: This entity had no active operations.

Note 4: This entity was recently created. August 31, 2017, will be the first period-end audited by this Office.

Note 5: This entity was wound up June 30, 2017.

Note 6: This entity was wound up April 4, 2017.

| <sup>A</sup> | Fiscal Year-end | Year of last completed integrated audit |
|--------------|-----------------|---|
|              | March 31        | 2017                                    |
|              | April 30        | 2017                                    |
|              | May 31          | 2017                                    |
|              | June 30         | 2017                                    |
|              | July 31         | 2017                                    |
|              | August 31       | 2016                                    |
|              | September 30    | 2016                                    |
|              | December 31     | 2016                                    |

<sup>B</sup> "Complete" – the audit was complete.  
"Delayed" – the audit was delayed.

<sup>C</sup> "No" – no significant issues were reported.  
"Yes/2017 Rpt V1" – significant issues are reported in our *2017 Report – Volume 1*.  
"Yes/2017 Rpt V2" – significant issues are reported in our *2017 Report – Volume 2*.

## Appendix 2

# Report on the Financial Statements of Agencies Audited by Appointed Auditors

### 1.0 PURPOSE

This Appendix summarizes the Office of the Provincial Auditor's views on the financial statements of agencies audited by appointed auditors. It lists audits in which the Office participated for fiscal periods ending between August 1, 2016 and July 31, 2017.

### 2.0 BACKGROUND

Under *The Provincial Auditor Act*, the Provincial Auditor retains its overall responsibility for audits of all Crown agencies and Crown corporations regardless of who does the audit. The Legislative Assembly allows the Government to appoint auditors to annually audit certain Crown agencies and Crown corporations. **Figure 1** sets out the objectives of the annual audits—we refer to them as annual integrated audits.

The Office, the Crown agencies, Crown corporations, and the appointed auditors use the recommendations of the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* to serve the Assembly's needs efficiently and effectively.<sup>1,2</sup> The Office includes the results of annual integrated audits done by appointed auditors in its reports to the Assembly. As the Task Force Report expects, the Office provides the Assembly with its views and participation in the audits of agencies' financial statements with an appointed auditor.

#### Figure 1—Objective of Annual Integrated Audits

The objectives of each annual integrated audit are to form the following opinions and to report the results to the Assembly:

- An opinion on the financial-related rules and procedures used by the agency to safeguard public resources.
- An opinion on the agency's compliance with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.
- An opinion on the reliability of the agency's financial statements. The appointed auditors' reports on the reliability of each Crown agency and each Crown corporation's financial statements accompany the respective financial statements.

The Government's Summary Financial Statements include the financial results of all agencies controlled by the Government. *Public Accounts 2016-17 – Volume 1* includes the Office's independent auditor's report on the Government's Summary Financial Statements for the year ended March 31, 2017.

<sup>1</sup> For a copy of this report, see our website at [www.auditor.sk.ca](http://www.auditor.sk.ca). The Task Force recommended that the Office give the Assembly a report listing the agencies whose annual integrated audits it participated in.

<sup>2</sup> In June 1994, the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* recommended how the audit system for Crown Investments Corporation of Saskatchewan and its subsidiary Crown corporations could function more efficiently and effectively. In April 1995, Treasury Board decided that all Crown corporations and agencies should comply with these recommendations.



### 3.0 THE OFFICE'S VIEWS ON FINANCIAL STATEMENTS AUDITED BY APPOINTED AUDITORS

The table below provides the Office's views and participation on each financial statement audit completed by an appointed auditor for fiscal years ending between August 1, 2016 and July 31, 2017. As noted below, sometimes the Office varies the extent of its participation.

The table groups agencies and corporations by: regional colleges; regional health authorities; school divisions; other Crown agencies, special purpose and trust funds; other agencies; and CIC, its subsidiary Crown corporations, and other related entities. It lists each Crown agency or corporation whose financial statements are audited by an appointed auditor, the appointed auditor's name, the agency's year-end date, whether the Office participated in the audit, and whether the agency's financial statements are reliable.

#### Listing of the Office's Involvement in Financial Statement Audits of Agencies with an Appointed Auditor

| Name of Agency                                      | Appointed Auditor                             | Year-End Date   | PAS* Participated in Audit | Financial Statements are Reliable |
|---|---|-----------------|----------------------------|-----------------------------------|
| <b>A. Regional Colleges</b>                         |   |                 |                            |                                   |
| Carlton Trail College                               | E.J.C. Dudley & Co.                           | June 30, 2017   | See <sup>A</sup>           | Yes                               |
| Cumberland College                                  | NeuPath Group, PC Inc.                        | June 30, 2017   | Yes                        | Yes                               |
| Great Plains College                                | Stark & Marsh CPA LLP                         | June 30, 2017   | See <sup>A</sup>           | Yes                               |
| Northlands College                                  | MNP LLP                                       | June 30, 2017   | See <sup>A</sup>           | Yes                               |
| North West College                                  | Vantage Chartered Professional Accountants    | June 30, 2017   | Yes                        | Yes                               |
| Parkland College                                    | Miller Moar Grodecki Kreklewich & Chorney     | June 30, 2017   | See <sup>A</sup>           | Yes                               |
| Southeast College                                   | Cogent Chartered Professional Accountants LLP | June 30, 2017   | Yes                        | Yes                               |
| <b>B. Regional Health Authorities</b>               |   |                 |                            |                                   |
| Cypress Regional Health Authority                   | Stark & Marsh CPA LLP                         | March 31, 2017  | Yes                        | Yes                               |
| Five Hills Regional Health Authority                | Virtus Group LLP                              | March 31, 2017  | Yes                        | Yes                               |
| Heartland Regional Health Authority                 | KPMG LLP                                      | March 31, 2017  | Yes                        | Yes                               |
| Keewatin Yatthé Regional Health Authority           | MNP LLP                                       | March 31, 2017  | Yes                        | Yes                               |
| Kelsey Trail Regional Health Authority              | NeuPath Group, PC Inc.                        | March 31, 2017  | Yes                        | Yes                               |
| Mamawetan Churchill River Regional Health Authority | Deloitte LLP                                  | March 31, 2017  | Yes                        | Yes                               |
| Prairie North Regional Health Authority             | Vantage Chartered Professional Accountants    | March 31, 2017  | Yes                        | Yes                               |
| Prince Albert Parkland Regional Health Authority    | MNP LLP                                       | March 31, 2017  | Yes                        | Yes                               |
| Saskatoon Regional Health Authority                 | KPMG LLP                                      | March 31, 2017  | Yes                        | Yes                               |
| Sun Country Regional Health Authority               | Virtus Group LLP                              | March 31, 2017  | Yes                        | Yes                               |
| Sunrise Regional Health Authority                   | Collins Barrow PQ LLP                         | March 31, 2017  | Yes                        | Yes                               |
| <b>C. School Divisions</b>                          |   |                 |                            |                                   |
| Chinook School Division No. 211                     | Stark & Marsh CPA LLP                         | August 31, 2016 | See <sup>A</sup>           | Yes                               |

| Name of Agency   | Appointed Auditor   | Year-End Date   | PAS*<br>Participated<br>in Audit | Financial<br>Statements<br>are Reliable |
|--|---|-----------------|----------------------------------|---|
| Christ the Teacher Roman Catholic Separate School Division No. 212 | Collins Barrow PQ LLP   | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Conseil des écoles fransaskoises No. 310                           | Deloitte LLP  | August 31, 2016 | Yes                              | Yes                                     |
| Creighton School Division No. 111                                  | Kendall & Pandya  | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Englefeld Protestant Separate School Division No. 132              | MNP LLP   | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Good Spirit School Division No. 204                                | Miller Moar Grodecki Kreklewich & Chorney                         | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Holy Family Roman Catholic Separate School Division No. 140        | Cogent Chartered Professional Accountants LLP                     | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Holy Trinity Roman Catholic Separate School Division No. 22        | Virtus Group LLP  | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Horizon School Division No. 205                                    | MNP LLP   | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Ile-a-la Crosse School Division No. 112                            | Vantage Chartered Professional Accountants                        | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Light of Christ Roman Catholic Separate School Division No. 16     | Vantage Chartered Professional Accountants                        | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Living Sky School Division No. 202                                 | Holm Raiche Oberg P.C. Ltd. Chartered Professional Accounts       | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Lloydminster Roman Catholic Separate School Division No. 89        | MNP LLP   | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Lloydminster Public School Division No. 99                         | Wilkinson Livingston Stevens LLP                                  | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| North East School Division No. 200                                 | Virtus Group LLP  | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Northern Lights School Division No. 113                            | MNP LLP   | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Northwest School Division No. 203                                  | Cogent Chartered Professional Accountants LLP                     | August 31, 2016 | Yes                              | Yes                                     |
| Prairie South School Division No. 210                              | Stark & Marsh CPA LLP   | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Prairie Spirit School Division No. 206                             | Deloitte LLP  | August 31, 2016 | Yes                              | Yes                                     |
| Prairie Valley School Division No. 208                             | MNP LLP   | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Prince Albert Roman Catholic Separate School Division No. 6        | MNP LLP   | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| Regina Roman Catholic Separate School Division No. 81              | Dudley & Company LLP  | August 31, 2016 | Yes                              | Yes                                     |
| Regina School Division No. 4                                       | MNP LLP   | August 31, 2016 | Yes                              | Yes                                     |
| Saskatchewan Rivers School Division No. 119                        | Deloitte LLP  | August 31, 2016 | Yes                              | Yes                                     |
| Saskatoon School Division No. 13                                   | Deloitte LLP  | August 31, 2016 | Yes                              | Yes                                     |
| South East Cornerstone School Division No. 209                     | Virtus Group LLP  | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |
| St. Paul's Roman Catholic Separate School Division No. 20          | Deloitte LLP  | August 31, 2016 | Yes                              | Yes                                     |
| Sun West School Division No. 207                                   | Close Hauta Bertoia Blanchette Chartered Professional Accountants | August 31, 2016 | See <sup>A</sup>                 | Yes                                     |



| Name of Agency  | Appointed Auditor                         | Year-End Date     | PAS*<br>Participated<br>in Audit | Financial<br>Statements<br>are Reliable |
|---|---|-------------------|----------------------------------|---|
| <b>D. Other Crown Agencies, Special Purpose and Trust Funds</b>                     |   |                   |                                  |   |
| Agricultural Credit Corporation of Saskatchewan                                     | MNP LLP                                   | March 31, 2017    | Yes                              | Yes                                     |
| Century Plaza Condominium Corporation   | Deloitte LLP                              | March 31, 2017    | Yes                              | Yes                                     |
| Community Initiatives Fund  | Virtus Group LLP                          | March 31, 2017    | Yes                              | Yes                                     |
| Crop Reinsurance Fund of Saskatchewan   | KPMG LLP                                  | March 31, 2017    | Yes                              | Yes                                     |
| Global Transportation Hub Authority, The  | Deloitte LLP                              | March 31, 2017    | Yes                              | Yes                                     |
| Métis Development Fund  | Deloitte LLP                              | December 31, 2016 | Yes                              | Yes                                     |
| Municipal Employees' Pension Commission   | KPMG LLP                                  | December 31, 2016 | Yes                              | Yes                                     |
| Municipal Financing Corporation of Saskatchewan                                     | Dudley & Company LLP                      | December 31, 2016 | Yes                              | Yes                                     |
| Operator Certification Board  | Mintz & Wallace                           | March 31, 2017    | Yes                              | Yes                                     |
| Pension Plan for the Non-Teaching Employees of the Saskatoon School Division No. 13 | Deloitte LLP                              | December 31, 2016 | Yes                              | Yes                                     |
| Public Employees' Pension Plan  | KPMG LLP                                  | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Agricultural Stabilization Fund  | KPMG LLP                                  | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Crop Insurance Corporation   | KPMG LLP                                  | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Grain Car Corporation <sup>D</sup>                                     | Miller Moar Grodecki Kreklewich & Chorney | June 30, 2017     | Yes                              | Yes                                     |
| Saskatchewan Housing Corporation  | KPMG LLP                                  | December 31, 2016 | Yes                              | Yes                                     |
| Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation                 | Virtus Group LLP                          | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Pension Plan   | KPMG LLP                                  | December 31, 2016 | Yes                              | Yes                                     |
| Saskatchewan Research Council   | Deloitte LLP                              | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Research Council Employees' Pension Plan                               | Deloitte LLP                              | December 31, 2017 | Yes                              | Yes                                     |
| Saskatchewan Trade and Export Partnership Inc.                                      | KPMG LLP                                  | March 31, 2017    | No                               | See <sup>C</sup>                        |
| Water Security Agency   | Deloitte LLP                              | March 31, 2017    | Yes                              | Yes                                     |
| Workers' Compensation Board   | KPMG LLP                                  | December 31, 2016 | Yes                              | Yes                                     |
| Pension Plan for Employees of the Saskatchewan Workers' Compensation Board          | KPMG LLP                                  | December 31, 2016 | Yes                              | Yes                                     |
| Tourism Saskatchewan  | MNP LLP                                   | March 31, 2017    | Yes                              | Yes                                     |
| <b>E. Other Agencies</b>  |   |                   |                                  |   |
| Technical Safety Authority of Saskatchewan, The                                     | MNP LLP                                   | June 30, 2017     | Yes                              | Yes                                     |
| <b>F. CIC, its Subsidiary Crown Corporations &amp; Other Related Entities</b>       |   |                   |                                  |   |
| Crown Investments Corporation of Saskatchewan (CIC)                                 | KPMG LLP                                  | March 31, 2017    | Yes                              | Yes                                     |
| CIC Economic Holdco Ltd.  | See <sup>B</sup>                          |                   |                                  |   |
| First Nations and Métis Fund Inc.   | KPMG LLP                                  | March 31, 2017    | Yes                              | Yes                                     |



| Name of Agency  | Appointed Auditor          | Year-End Date     | PAS*<br>Participated<br>in Audit | Financial<br>Statements<br>are Reliable |
|---|----------------------------|-------------------|----------------------------------|---|
| Gradworks Inc.  | Dudley & Company LLP       | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Immigrant Investor Fund Inc.                     | Ernst & Young LLP          | March 31, 2017    | Yes                              | Yes                                     |
| CIC Asset Management Inc.                                     | KPMG LLP                   | March 31, 2017    | Yes                              | Yes                                     |
| 101069101 Saskatchewan Ltd.                                   | See <sup>B</sup>           |                   |                                  |   |
| CIC FTLP Holdings Inc.  | See <sup>B</sup>           |                   |                                  |   |
| CIC FTMI Holdings Inc.  | See <sup>B</sup>           |                   |                                  |   |
| CIC Pulp Ltd.   | See <sup>B</sup>           |                   |                                  |   |
| Capital Pension Plan  | Deloitte LLP               | December 31, 2016 | Yes                              | Yes                                     |
| SaskEnergy Incorporated                                       | Deloitte LLP               | March 31, 2017    | Yes                              | Yes                                     |
| Bayhurst Gas Limited  | Deloitte LLP               | March 31, 2017    | Yes                              | Yes                                     |
| Bayhurst Energy Services Corporation                          | See <sup>B</sup>           |                   |                                  |   |
| BG Storage Inc.   | See <sup>B</sup>           |                   |                                  |   |
| Many Islands Pipe Lines (Canada) Limited                      | Deloitte LLP               | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan First Call Corporation                           | See <sup>B</sup>           |                   |                                  |   |
| TransGas Limited  | Deloitte LLP               | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Gaming Corporation                               | KPMG LLP                   | March 31, 2017    | Yes                              | Yes                                     |
| SGC Holdings Inc.   | KPMG LLP                   | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Government Insurance                             | PricewaterhouseCoopers LLP | March 31, 2017    | Yes                              | Yes                                     |
| SGI Canada Insurance Services Ltd.                            | PricewaterhouseCoopers LLP | December 31, 2016 | Yes                              | Yes                                     |
| Coachman Insurance Company                                    | PricewaterhouseCoopers LLP | December 31, 2016 | Yes                              | Yes                                     |
| Saskatchewan Government Insurance Superannuation Plan         | PricewaterhouseCoopers LLP | December 31, 2016 | Yes                              | Yes                                     |
| Saskatchewan Auto Fund  | PricewaterhouseCoopers LLP | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Opportunities Corporation                        | Virtus Group LLP           | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Power Corporation                                | Deloitte LLP               | March 31, 2017    | Yes                              | Yes                                     |
| SaskPower International Inc.                                  | See <sup>B</sup>           |                   |                                  |   |
| Northpoint Energy Solutions Inc.                              | Deloitte LLP               | March 31, 2017    | Yes                              | Yes                                     |
| Power Corporation Superannuation Plan                         | Deloitte LLP               | December 31, 2016 | Yes                              | Yes                                     |
| Saskatchewan Telecommunications Holding Corporation           | KPMG LLP                   | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Telecommunications                               | KPMG LLP                   | March 31, 2017    | Yes                              | Yes                                     |
| Saskatchewan Telecommunications International, Inc.           | KPMG LLP                   | March 31, 2017    | Yes                              | Yes                                     |
| SaskTel International Consulting, Inc.                        | See <sup>B</sup>           |                   |                                  |   |
| Saskatchewan Telecommunications International (Tanzania) Ltd. | See <sup>B</sup>           |                   |                                  |   |
| Battleford International, Inc.                                | See <sup>B</sup>           |                   |                                  |   |
| Avonlea Holding, Inc.   | See <sup>B</sup>           |                   |                                  |   |



| Name of Agency                               | Appointed Auditor | Year-End Date  | PAS* Participated in Audit | Financial Statements are Reliable |
|--|-------------------|----------------|----------------------------|-----------------------------------|
| Manalta Investment Company Ltd.              | See <sup>B</sup>  |                |                            |                                   |
| Qu'Appelle Holding, Inc.                     | See <sup>B</sup>  |                |                            |                                   |
| Nokomis Holding, Inc.                        | See <sup>B</sup>  |                |                            |                                   |
| SecurTek Monitoring Solutions Inc.           | KPMG LLP          | March 31, 2017 | Yes                        | Yes                               |
| Shellbrook Holding, Inc.                     | See <sup>B</sup>  |                |                            |                                   |
| SaskTel Investments Inc.                     | See <sup>B</sup>  |                |                            |                                   |
| DirectWest Corporation                       | KPMG LLP          | March 31, 2017 | Yes                        | Yes                               |
| Qu'Appelle Holding, Inc.                     | See <sup>B</sup>  |                |                            |                                   |
| DirectWest Canada Inc.                       | See <sup>B</sup>  |                |                            |                                   |
| Bruno Holdings Inc.                          | See <sup>B</sup>  |                |                            |                                   |
| Saskatchewan Telecommunications Pension Plan | KPMG LLP          | March 31, 2017 | Yes                        | Yes                               |
| Saskatchewan Transportation Company          | MNP LLP           | March 31, 2017 | Yes                        | Yes                               |
| Saskatchewan Water Corporation               | Deloitte LLP      | March 31, 2017 | Yes                        | Yes                               |

\* PAS—Provincial Auditor of Saskatchewan

<sup>A</sup> The Office reviewed the opinions of the appointed auditor on the reliability of financial statements, effectiveness of processes to safeguard public resources, and compliance with authorities. It also reviewed the appointed auditor's audit findings (including summary of errors) reported to the boards of the agencies. Where necessary, it followed up with the appointed auditor to clarify issues reported.

<sup>B</sup> Agency does not prepare financial statements for audit.

<sup>C</sup> Consistent with prior years, the Office examines the supervisory work carried out by the funding agency over STEP as part of its annual audit of the funding agency (i.e., Ministry of the Economy).

<sup>D</sup> Saskatchewan Grain Car Corporation was wound-up effective June 30, 2017.

## Appendix 3

# Samples of Opinions Formed on Ministries, Crown Agencies, and Crown-Controlled Corporations

The Office's *Business and Financial Plan* and *Annual Report on Operations* describe the Office along with its plans for the upcoming year and financial and non-financial results. These are available on its website ([www.auditor.sk.ca](http://www.auditor.sk.ca)).

The scope of the Office's work includes the Government as a whole, sectors or programs of the Government, and individual government agencies (see **Appendix 1**). As *The Provincial Auditor Act* requires, it uses generally accepted assurance standards published by CPA Canada to carry out its audits. The following are samples of audit opinions formed as part of the annual integrated audits.

### 1. The Effectiveness of Internal Controls (Financial-Related)

I have audited [Agency]'s operating effectiveness of internal controls as of [Year-End] to express an opinion as to the effectiveness of its internal controls related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations, and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The Chartered Professional Accountants of Canada (CPA Canada) defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Agency]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I used the control framework included in the *Guidance on Control* published by CPA Canada (control framework) to make my judgments about the effectiveness of [Agency]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

I conducted my audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. Those standards require that I plan and perform an audit to obtain reasonable assurance as to the effectiveness of [Agency]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks, and examining, on a test basis, evidence relating to control.

My audit on the effectiveness of [Agency]'s control related to the above objectives does not constitute an audit of internal control over financial reporting performed in conjunction with an audit of financial statements in *CPA Canada Handbook – Assurance* Section 5925 An Audit of Internal Control over Financial Reporting that is integrated with an Audit of Financial Statements.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities, and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Agency]'s internal controls were effective, in all material respects, to meet the objectives stated above as of [Year-end] based on the CPA Canada criteria of control framework.



## 2. Compliance with Legislative Authorities

I have audited [Agency]'s compliance with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing, and investing activities during the year ended [Year-End]:

*(List legislative and related authorities covered by this report. This list must include all relevant governing authorities.)*

Compliance with the provisions of the stated legislative and related authorities is the responsibility of management of [Agency]. My responsibility is to express an opinion on this compliance based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. Those standards require that I plan and perform an audit to obtain reasonable assurance whether [Agency] complied with the criteria established by the legislation and related authorities referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with these criteria, and where applicable, assessing the accounting principles used and significant estimates made by management.

In my opinion, for the year ended [Year-End], [Agency] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities.

## 3. The Reliability of Financial Statements

I have audited the accompanying financial statements of [Agency], which comprise the [statement of financial position] as at [Year-End], and the [statements of operations, change in net debt, and cash flow] for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [acceptable financial reporting framework] for [Treasury Board's] approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of [Agency] as at [Year-End], and [insert appropriate wording to describe financial results] for the year then ended in accordance with [acceptable financial reporting framework].