

Chapter 12

Saskatchewan Health Authority

1.0 MAIN POINTS

The Saskatchewan Health Authority's 2018–19 financial statements are reliable. In 2018–19, the Authority complied with the authorities governing its activities related to financial reporting and safeguarding public resources.

During 2018–19, the Authority had effective rules and procedures to safeguard public resources other than for the following areas. The Authority needs to:

- Sign an adequate agreement with its key IT service provider, eHealth Saskatchewan. Without an adequate service-level agreement, the Authority risks eHealth not meeting the Authority's IT needs.
- Approve a code of conduct policy covering permitted vendor-sponsored travel. Having a clear and robust policy promotes a fair approach across the organization in accepting vendor-sponsored travel and declaring conflicts of interest.
- Separate incompatible duties; involve more than one individual in making purchases, paying employees, and processing journal entries. Without adequate segregation of duties, the Authority faces a higher risk of fraud and of undetected errors in the Authority's financial information.
- Validate suppliers before adding them into its financial system. Carrying out due diligence procedures on new suppliers reduces the risk of making payments to fictitious suppliers.

2.0 INTRODUCTION

2.1 Background

The Provincial Health Authority Act makes the Saskatchewan Health Authority responsible for planning, organizing, delivering, and evaluating health services within the province. The Authority's Board is responsible for administering the affairs and conducting the business of the Authority. In addition to its own facilities and staff, Authority uses many affiliates and health care organizations to help deliver health services.

2.2 Financial Overview

As set out in **Figure 1**, in 2018–19, the Authority had revenues and expenses of \$4.139 billion and \$4.167 billion respectively, and a deficit of \$28 million. During the year, the Authority received almost 90% of its revenue from the Ministry of Health. At March 31, 2019, it held assets of \$2.111 billion including capital assets of \$1.667 billion.



Figure 1—Revenues and Expenses

	Actuals 2018–19	Actuals 2017–18 (Restated)
	(in millions)	
Ministry of Health – General Revenue Fund	\$ 3,678	\$ 3,625
Other revenues	<u>461</u>	<u>406</u>
Total Revenues	<u>\$ 4,139</u>	<u>\$ 4,031</u>
Salaries and benefits	2,555	2,517
Medical remuneration and benefits	356	349
Grants to ambulance services, health care organizations, and affiliates	324	317
Medical and surgical supplies	146	139
Amortization	134	120
Other	<u>652</u>	<u>596</u>
Total Expenses	<u>\$ 4,167</u>	<u>\$ 4,038</u>
Annual Deficit	<u>\$ 28</u>	<u>\$ 7</u>

Source: Saskatchewan Health Authority audited financial statements for the year ended March 31, 2019.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2019, we found, in all material respects:

- The Saskatchewan Health Authority had effective rules and procedures to safeguard public resources except for matters included in this chapter
- The Saskatchewan Health Authority complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

The Provincial Health Authority Act
The Provincial Health Authority Administration Regulations
The Critical Incident Regulations, 2016
The Special-Care Homes Rates Regulations, 2011
The Trustee Act, 2009

The Health Labour Relations Reorganization (Commissioner) Regulations
The Health Administration Act
The Housing & Special-Care Homes Regulations
The Executive Government Administrative Act
 Orders in Council issued pursuant to the above legislation

- The Saskatchewan Health Authority had reliable financial statements

We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 and 3531) to conduct our audit. We used the control framework included in COSO's *Internal Control—Integrated Framework* to make our judgments about the effectiveness of the Authority's controls.

As the Authority's primary expenses are salaries and benefits, and goods and services, our audit included testing processes for preparing and processing payroll; ordering, paying for, and receiving goods and services. In addition, as the Authority uses IT systems to operate, the audit included examining the Authority's processes to safeguard financial-related IT systems and data.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Adequate IT Service-Level Agreement Not Yet in Place

We recommended the Saskatchewan Health Authority sign an adequate service-level agreement with eHealth Saskatchewan to enable monitoring of the quality and timeliness of eHealth's provision of IT services. (2018 Report – Volume 2; p. 80, Recommendation 1, Public Accounts Committee has not yet considered this recommendation as of October 25, 2019)

Status—Not Implemented

The Authority does not have an adequate service-level agreement with eHealth Saskatchewan, its IT service provider.

IT is an integral part of delivering and managing health care services (e.g., lab systems, accounting systems). As of January 2017, the Minister of Health directed eHealth to consolidate IT services that the Saskatchewan Health Authority, Saskatchewan Cancer Agency, and 3sHealth previously provided into a single service. Consequently, starting in 2017–18, the Authority moved the majority of its IT systems into eHealth's data centre.

We found, as of March 2019:

- The Authority and eHealth discussed a draft master service agreement for the provision of IT services but had not yet finalized it (i.e., signed).
- The Authority and eHealth drafted an IT governance model, but had not yet formed a governance committee to help guide the strategic IT priorities for IT services that eHealth is to provide.
- The Authority and eHealth had not completed disaster recovery plans, or tested the plans, for critical IT systems and data (e.g., lab systems, hospital admissions systems). This increases the risk the Authority may be unable to restore, within a timely manner, its critical IT systems and data (including those related to the delivery of health care) in the event of a disaster.¹

Adequate service-level agreements make it clear what type of service must be provided, when, and at what cost. They outline in detail services to be provided (e.g., help desk services, server maintenance, frequency of applying patches), service availability requirements (e.g., the percentage of time networks will be available), and service delivery targets (e.g., period for creating and removing user accounts). In addition, they identify

¹ According to Chapter 3 in our 2019 Report – Volume 2, eHealth did not have a complete and tested disaster and recovery plan at March 31, 2019.



security and disaster recovery requirements and set out options available in the event something goes wrong (e.g., data security breach, IT system outage). Agreements also provide a basis for a common understanding, and monitoring of performance.

Without an adequate service-level agreement, the Authority cannot sufficiently monitor whether eHealth meets the Authority's IT needs.

4.2 Code of Conduct Policy Needed

The Authority does not have approved code of conduct and conflict of interest policies including permitted vendor-sponsored travel.

We found the Authority drafted a new Conflict of Interest Policy in 2018–19. The draft policy includes a conflict of interest declaration for senior management (directors and up) to sign annually.

As of March 2019, we found no members of senior management signed the annual declaration form; whereas all Board members signed the declaration forms.

The draft policy also anticipates using pre-approval forms for vendor-sponsored travel. Vendor-sponsored travel refers to when a vendor pays for travel expenses (e.g., accommodations, airline tickets, training costs). The Authority reported over 30 instances of vendor-sponsored travel between January 2017 and December 2018 to the Ministry of Health.

The draft policy insufficiently outlines what is acceptable vendor-sponsored travel or criteria to use when determining whether to pre-approve any proposed travel.

Good practice (see **Figure 2**) recommends that employees not attend training or travel paid for by a vendor unless the contract explicitly states the vendor will provide travel or training. Not having explicit provisions in the contract can create a perception of a vendor attempting to court favour or influence the employee for future contracts.

For the seven instances of vendor-sponsored travel we tested, we found:

- For five instances, the related contracts with the vendor did not include provisions for the vendor to pay for these travel or training costs
- For two instances, staff travelled before a new contract was awarded to the vendor who paid for the travel expenses
- For four instances, staff did not obtain formal approval for travel before travelling
- For four instances, the business reason for attending conferences was unclear (for three of these, travel was outside of Canada)

Good practice sets out the rules and principles to guide employees and Board members on how to conduct themselves when working with vendors. It provides them with specific guidance and examples (see **Figure 2** for an example of good practice—Winnipeg Regional Health Authority's Conflict of Interest Policy).

Having a clear and robust policy promotes a consistent and fair approach across the organization in accepting vendor-sponsored travel.

1. We recommend the Saskatchewan Health Authority implement an approved code of conduct policy including permitted vendor-sponsored travel.

Figure 2—Excerpts from Winnipeg Regional Health Authority’s Conflict of Interest Policy – Frequently Asked Questions

#	Question	Answer
27	Our program has awarded a contract to a vendor which outlines specific education components including education sessions and support for out-of-province conferences and training. Are we all right in allowing this type of industry support under this policy? In addition, can this vendor showcase any products not on contract or bring in outside speakers to educate "over and above" the educational components outlined in the contract?	Services and support provided by a vendor in accordance with the provisions of a contract are allowable, as only approved educational requirements form part of WRHA contracts. The rationale is that this type of industry support has been vetted through a contract tendering process, which enables fair and equitable opportunity for vendors to be awarded a contract. The showcasing of products not on contract or bringing external speakers to the WRHA outside the provisions of the contract is problematic in terms of unfairly allowing the potential for vendor influence.
34	What is the policy on education and training provided by vendors for devices not yet purchased by the WRHA? Earlier this year, a physician attended and observed a case out of town. After attending, the physician now feels comfortable in the ordering and potential usage of such a device. If the WRHA was to have purchased a device prior to attending the case, we not only would be guessing on the size requirements, but would have potentially spent significant funds for a device that could be useless.	The intent of this policy is to not interfere with or discourage staff from making informed decisions as long as it is done in a manner that does not open us up to concerns about unfair vendor influence. In this case, it would be acceptable for certain staff to go out of town and observe the use of a device prior to making a purchasing decision but only if this is part of the requirements of a Request for Proposal. The issue of inappropriate vendor influence occurs when a vendor partially or fully pays for one or more WRHA representatives to observe their products outside of any Request for Proposal process.
36	Our program recently purchased a new piece of clinical equipment and it is essential that one of our staff members attend a vendor's training session. The vendor pays all expenses, including travel, for clients to attend these sessions. Can we send one of our staff?	Yes, provided the expenses are reasonable. It is recommended that the training sessions and expenses be incorporated into any purchase contracts with the vendor.
37	I am a participant in the Logistics Product Review Evaluation Standardization process as a work group member. We are currently reviewing bids. One of the bidders has asked me to attend a focus group meeting in Victoria, B.C. They are offering to pay for all my expenses. This would be a great opportunity to network with colleagues from across Canada. Can I go?	Accepting this offer will put you in a conflict of interest situation. Others may view this as a means to influence your decision on the tender even though your intentions are good. You should respectfully decline the invitation stating the reason why is it not acceptable. Anyone involved in the contract development process with Logistics should avoid these situations. When in doubt, contact the Regional Manager-Contracting Services for advice. If a Product Review Evaluation Standardization or Work Group member accepts such an offer they may be asked to step down from participating in a contract initiative.

Source: Winnipeg Regional Health Authority Conflict of Interest Policy. www.wrha.mb.ca/about/policy/files/20.10.011.pdf (8 April 2019).

Bold emphasis added by Provincial Auditor Saskatchewan.



4.3 Validation of Supplier Information Required

The Authority does not document due diligence procedures taken to confirm the validity of suppliers before paying them. In addition, certain individuals with the ability to enter new suppliers into the financial system can also approve invoices for payment and other financial transactions.

Good practice is to perform due diligence procedures confirming the validity of new suppliers prior to purchasing from them. **Figure 3** sets out examples of such procedures. Also, periodically reviewing details about suppliers listed within the financial system helps reduce the risk of fraud and sending payments to the wrong suppliers.

Figure 3—Due Diligence Procedures for Validating New Suppliers

Examples of due diligence procedures include:

- Comparing the supplier's mailing address against the mailing addresses of employees
- Checking suppliers using a post office box as a mailing address to verify their legitimacy
- Verifying each supplier has an assigned GST number and telephone number—and then verifying accuracy of this data
- Confirming ownership of the supplier company, and actively looking for any potential employee, Board member or other key party conflicts (consider declarations of conflicts)

Source: Information compiled by the Provincial Auditor of Saskatchewan from various sources.

The Authority gives numerous staff throughout the province authority to add or change information about vendors in its financial systems. The Authority cannot identify vendors added or changes made to vendor information.

The Authority uses thousands of vendors. It informally assesses the validity of suppliers upon receipt of invoices for payment (i.e., after suppliers provide goods or services). The Authority does not require staff to research and document the validity of a new supplier prior to making a purchase.

Not carrying out sufficient due diligence procedures to confirm the validity of suppliers before adding them into the financial system increases the risk of making payments to fictitious suppliers.

2. **We recommend the Saskatchewan Health Authority document its due diligence procedures used to validate suppliers before adding them into its financial system.**

4.4 Separation of Incompatible Duties Needed

The Authority does not adequately segregate incompatible duties. Separating duties helps catch errors. In addition, involvement of more than one individual in making purchases, paying employees, and processing journal entries helps prevent fraud or theft.

Payments

More than one person should be required to complete certain tasks, such as approval for purchase initiation, receipt of goods and services, and payment approval as a basic financial control.

For the purchases we tested, we noted numerous instances where the same individual approved the initiation of the purchase and received the goods or services, or received the goods and services and approved the request for payment. For example, we identified:

- Six instances where the same individuals located in the former Cypress health region received goods and approved the payment for those goods
- In the former Saskatoon health region, staff with authority to approve purchase orders can also approve their own purchase orders within their approved spending limits
- For purchases made in the former Kelsey Trail health region, no review or approval for payments below \$50,000 exists

For three sole-sourced contracts we tested, the Authority had not documented its reasons for using the sole-source purchasing method. While these contracts appropriately outlined the services expected (e.g., individual counselling sessions, teaching sessions), it did not set out the rates of honorariums and travel for those services, or maximum cost of services. The amounts paid under these contracts ranged between \$46,000 and \$84,100. Honorariums paid ranged from \$400 to \$600 per day for similar services. For each of these contracts, the same individual approved the contract and the related payments.

We also found the Authority, through its assignment of IT user access, gave certain individuals incompatible responsibilities; these individuals can approve invoices for payments and add vendors to the financial system. No process exists to track new vendors or approve vendor changes in the former Sunrise, Sun Country, and Cypress health regions.

Good practice is to assign responsibility for reviewing new suppliers to someone who is not responsible for initiating purchases, receiving goods/services, or approving payments.

Payroll

The largest expense for the Authority is payroll.

Segregating incompatible duties reduces the risk of paying inappropriate payroll amounts to employees. Separating incompatible functions means someone independent authorizes or approves new or changed pay rates. A supervisor then authorizes time worked (e.g., electronic approval). This reduces the risk of entering incorrect rates or time into the system intentionally or unintentionally.

We found instances in two former health regions (P.A. Parkland and Kelsey Trail) where employees updated their own pay rates. In each instance, the updated rates agreed to the authorized rates of pay for those employees.



We also found 12 users in the payroll system who can both enter employee information and process payroll (incompatible duties). This increases the risk of entering a fictitious employee and processing fictitious payroll amounts.

Journal Entries

The Authority does not have a policy requiring its staff to independently review and approve journal entries. Lack of independent review and approval increases the risk of unauthorized or inaccurate entries to the accounting records resulting in financial information errors.

For the journal entries we tested, we identified numerous instances of journal entries not approved by someone independent of the person who prepared the journal entry. This was the case in six of the 12 former health regions. In addition, we found various accounting systems located across the former health regions did not segregate access for preparation and approval of journal entries.

Inappropriately separating incompatible duties between different individuals increases the risk of fraud, and not detecting errors.

3. We recommend the Saskatchewan Health Authority separate incompatible duties.

We are aware the Authority plans to implement a new Enterprise Resource Planning (ERP) system in 2019, and is considering how best to address incompatible duties through the new ERP system.

5.0 STATUS OF PREVIOUS RECOMMENDATIONS OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

The following table lists the status of recommendations related to the former health regions previously agreed to by the Standing Committee on Public Accounts and their status at March 31, 2019.

PAC ^A Agreement Date	Outstanding Recommendation	Status at March 31, 2019
2005	We recommended that the Saskatchewan Health Authority (formerly Mamawetan Churchill River) establish information technology policies and procedures based on a threat and risk analysis. (<i>2004 Report – Volume 3</i> ; Public Accounts Committee agreement October 26, 2005)	Replaced with recommendation in Section 4.1 about having an adequate service-level agreement with eHealth The majority of the former Mamawetan's IT assets (e.g., servers) moved to the eHealth data centre in 2018–19
2008	We recommended that the Saskatchewan Health Authority (formerly Cypress) configure its computer systems and data to protect them from external threats, including theft or loss. (<i>2008 Report – Volume 3</i> ; Public Accounts Committee agreement December 8, 2008)	Replaced with recommendation in Section 4.1 about having an adequate service-level agreement with eHealth Former Cypress' IT assets (e.g., servers, databases) moved to the eHealth data centre in 2018–19

PAC ^A Agreement Date	Outstanding Recommendation	Status at March 31, 2019
	We recommended that the Saskatchewan Health Authority (formerly Cypress) monitor the security controls of its information technology systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)	
2008	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)	Implemented The Authority hired a Chief Audit Officer in 2018–19 and developed an internal audit plan. The Authority hired two auditors in 2018–19 and plans to hire two additional internal auditors in 2019–20
2010	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)	Replaced with recommendation in Section 4.1 about having an adequate service-level agreement with eHealth The majority of the former Regina Qu'Appelle and Mamawetan's critical IT systems moved to the eHealth's data centre in 2018–19
2012	We recommended that the Saskatchewan Health Authority (formerly P.A. Parkland) restrict physical access to information technology systems and data. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)	Implemented Former P.A. Parkland's IT assets (e.g., servers) moved to the eHealth data centre. eHealth adequately restricts physical access to information systems and data in the data centre

^A PAC refers to the Standing Committee on Public Accounts.

