Provincial Auditor
of Saskatchewan

2020 Report – Volume 1

Report of the Provincial Auditor to the
Legislative Assembly of Saskatchewan

Provincial Auditor
of Saskatchewan

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June 23, 2020

The Honourable M. Docherty
Speaker of the Legislative Assembly
Room 129, Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2020 Report – Volume 1*, to be laid before the Legislative
Assembly in accordance with the provisions of section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Judy Ferguson, FCPA, FCA
Provincial Auditor

/mk

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Overview by the Provincial Auditor

1.0 PREAMBLE

At the time of writing this Overview, the Government of Saskatchewan and its residents (and the world) are coping with the COVID-19 pandemic and the resulting unprecedented circumstances. Our Office expresses gratitude to all people working on the front line of the COVID-19 response, and all who are supporting those workers.

Our Office continues to serve legislators and Saskatchewan residents through independent assessments of the Government's use of public resources. We are carefully considering the impact of COVID-19 as we carry out audit activities, and plan future audit work.

At the time of writing this Overview, the Government has not yet tabled the Saskatchewan Provincial Budget 2020-21 in the Legislative Assembly. Normally, the Government tables this critical planning document in mid-March each year when it tables the Estimates. Along with the Government's direction and budget for the upcoming fiscal year, the Provincial Budget typically includes a third quarter budget update for the current fiscal year.

Legislators and Saskatchewan residents need timely financial information to understand the Government of Saskatchewan's current financial situation and available capacity for future interventions both during the pandemic and in the long term. Key financial information (like the Provincial Budget and quarterly financial updates) foster this understanding and support holding the Government to account.

While our Office recognizes the increased complexity in preparing the 2020-21 Provincial Budget and related financial updates, we look forward to the Government tabling the Saskatchewan Provincial Budget 2020-21.

2.0 HIGHLIGHTS OF EACH SECTION OF THE REPORT

The *2020 Report – Volume 1* provides legislators and the public with critical information on whether the Government issued reliable financial statements, used effective processes to administer programs and services, and complied with governing authorities.

The Report includes the results of examinations completed by May 15, 2020 with details on annual integrated, performance and follow-up audits of 30 different agencies. **Appendix 1** lists each agency along with its year-end date, and whether this Report brings significant matters to the attention of the Legislative Assembly and the public.

The following provides highlights of each section of the Report—Annual Integrated Audits and IT Audit Work, Performance Audits, and Follow-up Audits.

2.1   Annual Integrated Audits and IT Audit Work

Integrated audits are annual audits of agencies that examine:

➢   The effectiveness of their financial-related controls (e.g., processes to plan, evaluate, and co-ordinate the financial activities) 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

IT audit work consists of specified procedures about controls used to manage and secure key IT systems and data. Key IT systems and data include those upon which numerous government agencies rely (e.g., MIDAS HR/Payroll).

Since the **_2019 Report – Volume 2_**, the Office along with appointed auditors (if in place) completed annual integrated audits of 60 different agencies with fiscal year-ends between July and December 2019. These include 27 school divisions with fiscal year ends of August 2019, 36 pension and benefit plans, and two crown corporations and agencies with fiscal year ends of December 2019.[1]

Most of these agencies had effective financial-related controls, complied with financial- and governance-related authorities, and prepared reliable financial statements.[2]

This Section of the Report includes detailed findings about concerns with financial-related controls at six different agencies—the ministries of Highways and Infrastructure, and Government Relations, the Workers Compensation Board, and Northern Lights, Northwest, and Sun West School Divisions. Key findings follow.

The **Ministry of Highways and Infrastructure** needs stronger processes to better oversee purchases of highway patrol equipment and supplies. It bought about $700,000 of equipment (e.g., firearms) and supplies (e.g., ammunition) to support the Saskatchewan Highway Patrol's expanded duties. Various federal and provincial laws regulate the purchase, storage, and training for certain firearms and ammunition. The Ministry needs to always follow its procurement policies when using purchase cards to buy this equipment and supplies, better oversee the purchase of regulated firearms and ammunition, and better track them and their use.

The **Workers Compensation Board** and the **Ministry of Highways and Infrastructure** each need to consistently and promptly remove unneeded user access from their IT systems. Not doing so makes their data and systems vulnerable to inappropriate access, and security breaches.

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[1] **Appendix 2** lists agencies using an appointed auditor.
[2] **Appendix 1** identifies agencies with fiscal year-ends between July and December 2019.

The **Ministry of Government Relations** continues to need improved processes to manage the Northern Municipal Trust Account. Our Office has reported concerns about these processes since 2015.

The Trust Account administers funds and property held for the municipal functions and operations (e.g., provide water) of the Northern Saskatchewan Administration District, and gives northern muncipalities grants to provide northern residents with access to a safe potable water supply, and for municipal facilities and equipment.

The Ministry must make sure it has complete and accurate information to prepare financial statements for the Trust Account. The 2018 draft financial statements presented for audit contained significant errors. Management subsequently corrected them. Furthermore, to reduce the risk of errors and fraud, the Ministry must appropriately assign responsibilities for key accounting functions of the Trust Account (e.g., receiving money, preparing bank deposits, paying invoices). Also, it needs to prepare bank reconciliations of the Trust Account before the end of the following month—as its policy expects.

Northern Lights School Division needs to prepare and review bank reconciliations and financial reports for monies raised and spent in its schools (i.e., school–generated funds). At August 31, 2019, Northern Lights reported revenue of $1.0 million and related expenses of $1.0 million for school-generated funds.

Northwest School Division needs to independently review and approve monthly bank reconciliations and journal entries. Timely independent reviews and approvals check the accuracy and reliability of its accounting records.

Sun West School Division needs to test its IT disaster recovery plan. Testing the plan would confirm the Division can deliver its programs and services if disruption or damage occurs to its IT systems.

Having effective financial controls and management helps ensure ministries and agencies have reliable financial information upon which to base decisions. They also help avoid making payments without proper authority or business purpose.

In addition, this Section reports the need for the **Public Service Commission** to formally agree on when it will receive the annual audit report on security controls with a key IT service provider. This provider hosts the human resources and payroll IT system related to employees of 34 government ministries and agencies. This IT system processes about $1 billion in annual payroll expenses.

Clear written deadlines would help the Commission consistently receive information to enable timely monitoring of security controls for these key IT systems and data.

2.2   Performance Audits

> **Performance audits** take a more in-depth look at processes related to management of public resources or compliance with legislative authorities. Performance audits span a variety of topics and sectors of government. In selecting which areas to audit, the Office attempts to identify topics with the greatest financial, social, health, or environmental impact on Saskatchewan.

This Section of the Report includes the results of eight non-financial audits. The following provides an overview of each audit.

Chapter 6: eHealth—Securing Portable Computing Devices

What the Office examined:

The processes eHealth Saskatchewan used for the 12-month period ended August 31, 2019, to secure health information on portable computing devices used in the delivery of Saskatchewan health services from unauthorized access.

Why the Office examined this area:

> ➢ Directly managed less than one-third of the almost 13,000 portable computing devices with access to the eHealth IT network
>
> ➢ Over 80%of the laptops with access to the eHealth IT network were encrypted and unsupported

Over 30 percent of healthcare providers (i.e., almost 13,000 providers, including physicians) can use portable computing devices (like laptops, and smartphones) to access provincial health IT systems. These devices can store or access private and confidential health information.

Portable computing devices are attractive targets for attackers, may become infected with a virus or malware, and are easy to lose.

Having proper controls over portable computing devices reduces the risk of security breaches including having personal health information fall into the wrong hands.

What the Office found:

Overall, eHealth needs to do much more to prevent health information on portable computing devices used in the delivery of Saskatchewan health services from unauthorized access.

Key findings include the following.

➢ The configurations settings of portable computing devices varied, and did not always align with good practice.

Unsupported and unencrypted laptops make it easier for an attacker to gain access to information stored on the device. Inappropriate settings on portable computing devices can expose the device, and the eHealth IT network to viruses and malware.

➢ eHealth does not require annual confidentiality and privacy training of all individuals with access to its IT network and data. As of December 2019, about one-half of individuals with access received IT security awareness training annually.

Uninformed staff are susceptible targets and are more likely to click on something that they should not, infecting their device with malware or a virus. This creates a potential access point for malicious software into the eHealth IT network.

➢ For three of 14 incidents of lost or potentially stolen laptops and mobile devices we tested, IT staff did not follow processes appropriately designed to minimize security risks.

Not properly wiping mobile devices or removing laptops from the eHealth IT network if lost or stolen increases the risk of unauthorized access to private and confidential health information on the device and into the network.

Furthermore, eHealth did not sufficiently control access to its IT network and related data, and had not evaluated the effectiveness of its network access controls. It was not effectively monitoring network security logs to detect malicious activity on the network.

Portable computing devices create attack paths to corporate networks. Controlling and monitoring IT network access helps mitigate the impact of security breaches.

Chapter 7: Financial and Consumer Affairs Authority—Regulating Vehicle Dealers to Protect Consumers

What the Office examined:

The processes the Financial and Consumer Affairs Authority used, for the 12-month period ended December 6, 2019, for regulating motor vehicle dealers to protect consumers.

Why the Office examined this area:

The Authority regulates Saskatchewan's financial and consumer marketplace, including motor vehicle dealers.

The sale of motor vehicles and parts represent more than one-quarter of Saskatchewan retail trade. Saskatchewan had over $5 billion in sales of motor vehicles and parts in 2018.

> ➢ About 840 motor vehicle dealers licensed each year
> ➢ $441,000 of motor vehicle dealer fees collected in 2018-19
> ➢ About 100 complaints related to motor vehicle dealers investigated each year
> ➢ About 40 dealers inspected each year

What the Office found:

The Authority had generally effective processes for regulating motor vehicle dealers to protect Saskatchewan consumers with improvements needed only in a few key areas.

The Authority's strategy to regulate motor vehicle dealers was documented clearly. The Authority proactively informed motor vehicle dealers and the public about their rights and responsibilities. It tracked and appropriately investigated consumer complaints.

However, the Authority needs to select motor vehicle dealers for inspection based on a well-defined risk-informed plan. Using clearly defined risk factors to select motor vehicle dealers for inspection would help the Authority ensure it focuses inspection resources on dealers at higher risk of non-compliance.

In addition, the Authority needs to formally analyze the results of its enforcement activities. Analyzing enforcement activity results (such as non-compliance trends) can help focus enforcement resources on areas that can best promote compliance.

A well-defined risk-informed approach can help build Saskatchewan motor vehicle consumers' confidence in the Authority's ability to protect their consumer rights.

Chapter 8: Horizon School Division No. 205—Maintaining Facilities

What the Office examined:

The processes Horizon School Division No. 205 used, for the 12-month period ended September 30, 2019, to maintain its facilities (i.e., a head office, 38 schools, bus garage, and two maintenance shops).

Why the Office examined this area:

> ➢ $75.8 million net book value of facilities (2019-20) with about $3.2 million spent on maintenance each year
>
> ➢ Nine full-time equivalent positions responsible for maintaining Horizon's facilities
>
> ➢ 15% under budget on annual facilities maintenance spending in 2018-19 with maintenance budget not fully spent from 2016 to 2019
>
> ➢ Condition of schools range from fair to critical condition

Maintenance is a key aspect of asset management. Effective maintenance helps ensure facilities perform at optimum levels over their expected service life. Ineffective maintenance can cause health and safety risks, unexpected service disruptions, and higher future repair costs.

The Ministry of Education provides school divisions with funding for maintenance each year, and expects them to keep facilities in satisfactory operating condition.

Almost 90 percent of Horizon's 38 schools are more than 50 years old, and on average, in poor condition (similar to the 2017 estimated provincial condition of schools). Horizon had deferred maintenance of almost $70 million.

What the Office found:

Horizon needs to determine whether it is doing enough and has the right maintenance to move towards having its facilities and components in a satisfactory condition. It needs to do the following.

➢ Use the maintenance IT system to its full capacity and, keep up-to-date and accurate information about asset condition and maintenance activities in that system. Tracking key information in the maintenance IT system would enhance the Division's ability to plan, track, and monitor maintenance. Also, using the system to monitor changes in

facility conditions and deferred maintenance would help Horizon determine whether it is doing maintenance at the right time.

➢ Prioritize all identified maintenance deficiencies associated with fire protection and suppression systems, and boilers. Horizon had not yet repaired seven sprinkler and 19 fire alarm systems for deficiencies identified more than a year previous. Prioritizing important maintenance deficiencies can help the Division avoid non-compliance with applicable codes, and provide safe environments for students, staff, and the public.

➢ Give its Board periodic, comprehensive maintenance reports about the results of its maintenance activities and anticipated impact to inform decisions about the nature and extent of maintenance required, and related funding.

Chapter 9: Office of the Public Guardian and Trustee of Saskatchewan—Providing Property Guardianship Services to Adult Clients

What the Office examined:

The processes the Office of the Public Guardian and Trustee of Saskatchewan used, for the 12-month period ended July 31, 2019, to provide property guardianship services to its adult clients. Adult clients include individuals over the age of 16 where a Court or a chief psychiatrist determines the individual cannot manage their own estate (Certificate of Incapacity).

Property guardianship services includes making financial-related decisions that the adult would make if he or she had the capacity to do so (e.g., financial planning, investing money, paying expenses). It does not include care decisions (e.g., where to live) or those related to a last will and testament.

Why the Office examined this area:

The Office is an agency of last resort—in that its adult clients are unable to personally manage their financial affairs and no other suitable individual exists.

Adult clients (and their families) rely on the Office to prudently manage their financial affairs. Not doing so can expose them to significant financial risk, and affect their overall well-being.

➢ 18% of the Office's 6,469 clients were adult clients in 2018-19

➢ Accepts adult clients within 90 days of receipt of an individual's Certificate of Incapacity

➢ 10.7 full-time equivalent trust officers each assigned 95 to 100 adult client cases

What the Office found:

The Office had generally effective processes to provide property guardianship services to its adult clients, with improvement needed in one area.

The Office follows clear and approved policies for accepting new clients, determining clients' financial circumstances and property guardianship service needs, and adequately managing client finances. The Office actively monitors caseloads, and considers

implications on resource requirements. Assigned trust officers give sufficient consideration of potential for conflicts of interest between the trust officer and client.

However, the Office needs to consistently keep rationale for key decisions when identifying property of adult clients, particularly those decisions requiring judgment of trust officers.

Documenting rationale for key decisions supports judgments made in specific instances. Keeping documentation of key decisions in client files would ease transitions of clients between trust officers (e.g., in event the assigned trust officer is on leave).

Chapter 10: Saskatchewan Research Council—Purchasing Goods and Services

What the Office examined:

The processes the Saskatchewan Research Council used, for the 12-month period ended November 30, 2019, to purchase goods and services.

Why the Office examined this area:

> ➢ 350 full-time equivalent staff in four locations
>
> ➢ 20 business units with responsibility for purchasing, and a Branch responsible for central oversight of purchasing
>
> ➢ 173 purchasing cards (company-issued credit cards) assigned to staff typically with individual transaction limits of $5,000

Effective procurement ensures purchases are transparent, fair, and supports achievement of best value. Not having effective procurement processes increases the risk of not using public resources wisely and placing an agency's reputation at risk.

The Council routinely procures goods and services for the delivery of research, development, design, consultation, and innovation of natural and management sciences services. It bought about $72 million of goods and services in 2018-19.

What the Office found:

Overall, the Council has reasonable processes to purchase goods and services from suppliers with improvements needed only in a few key areas. These areas include the following.

➢ Give staff written guidance on setting the time that tenders should remain open, and communicate tender results with suppliers. Establishing standard minimum tender periods and guidance on communicating tender results helps ensure the Council achieves best value, and complies with external trade agreements.

➢ Consistently follow its established policies for purchasing cards including always respecting individual transaction limits, and better monitoring changes to those limits. Adhering to purchasing card policies and monitoring individual card limits reduces the risk of employees making inappropriate purchases.

➢ Formally assess and track supplier performance. Having a formal supplier evaluation process reduces the risk of using unqualified or inappropriate suppliers.

Chapter 11: SaskEnergy—Keeping Natural Gas Transmission Pipelines Operating Safely

What the Office examined:

The processes SaskEnergy used, for the 12-month period February 1, 2019 to January 31, 2020, to keep existing natural gas transmission pipelines operating safely.

Why the Office examined this area:

SaskEnergy is responsible for the safe operation of its natural gas transmission pipelines, and is subject to provincial regulation. Transmission pipelines transport natural gas from production and processing facilities to customers.

Properly designed and effective processes to operate pipelines safely reduces the risk of fires or explosions caused by ignition of the natural gas that has leaked from transmission pipelines. These can cause serious injuries, death or significant property damage.

> ➤ Owns and operates about 15,000 kilometres of natural gas transmission pipelines in the province
>
> ➤ Transports natural gas to more than 390,000 residential, farm, commercial, and industrial customers
>
> ➤ Almost all of transmission pipelines are located near 10 or less residences
>
> ➤ About $30 million spent each year on pipeline integrity activities

What the Office found:

Overall, SaskEnergy has effective processes in place to keep existing natural gas transmission pipelines operating safely other than the following areas. It needs to:

➤ Document the rationale for how often it carries out each of its pipeline inspection activities. Documenting rationale would show it sufficiently considers and adequately addresses key risks. Having guidance also helps personnel understand the basis for planned frequency of inspections.

➤ Establish and follow timeframes for receipt of the results of key transmission pipeline inspections and their entry into its risk-modelling IT system. SaskEnergy uses contractors to do these inspections. It does not have clear expectations as to when contractors are to submit inspection reports, or by when staff are to review and enter reports into its IT system. Incorporating inspection reports in its risk-modelling IT system in a timely manner supports reliable assessments of pipeline integrity.

➤ Include the results of key inspection activities and repairs done during the year in its IT system before it completes its next annual inspection plan. Having up-to-date records reflecting current, reliable assessments of pipeline condition better supports decisions about future inspection plans and repairs.

Chapter 12: Social Services—Monitoring Foster Families

What the Office examined:

The processes the Ministry of Social Services used, for the twelve-month period ended December 31, 2019, to monitor whether foster families provide a safe and secure environment for children in care.

Why the Office examined this area:

- ➤ 856 children resided in 486 foster homes located across the province (March 2019)
- ➤ Each foster home had, on average, 2.3 children
- ➤ $25.9 million spent on supporting foster care families in 2018-19
- ➤ 65 resource workers monitor about 20 foster families each, on average

Many children placed in foster care have experienced childhood trauma and have complex behavioral, medical, emotional, developmental, and psychosocial needs.

The Ministry must ensure children placed in foster homes are well cared for and safe. It must ensure foster families receive ongoing support and provide quality of services.

Effective monitoring of children's safety and providing needed support to foster families is crucial in contributing to the children's health and well-being.

What the Office found:

While the Ministry had effective processes to monitor whether foster families provide a safe and secure environment for children in their care, staff did not consistently follow a few key processes.

The Ministry had well-defined policies and procedures, used qualified staff, regularly visited foster families, and promptly acted on quality of care concerns. In addition, it provided foster families with suitable training, reasonable financial support, and additional support when needed. Moreover, it systematically reviewed the quality of the delivery of its foster care services.

However, staff did not consistently follow its policies and established practices in the following key areas: completing necessary background checks before approving new foster families; conducting annual home safety checks; obtaining annual criminal record declarations for approved foster families; and completing annual review reports of foster families. These policies are designed to effectively monitor whether foster families provide a safe and secure environment for children in care.

Also, unlike practices in other provinces, the Ministry does not require periodic criminal record checks of adults residing in approved foster homes. For the 30 foster family files we tested, the last time the Ministry completed criminal record checks was when it approved these homes—between three and 29 years ago. Requiring periodic criminal record checks of all adults residing in the home confirms a foster home remains safe.

Chapter 13: Water Security Agency—Regulating Water Use

What the Office examined:

The processes the Water Security Agency used, for the 12-month period ended December 31, 2019, to regulate water use (subject to regulation) to support a sustainable water supply.

Why the Office examined this area:

An increasing demand for water, combined with a potentially drier climate, increases the importance of regulating water. The Agency regulates all water users other than certain domestic water users, and is responsible for the sustainability of their use of water.

Effective monitoring of water allocations and usage is key to Saskatchewan having a sustainable supply of water available. A safe and secure water supply is essential to Saskatchewan's continued economic development and high standard of living for both current and future generations.

> ➤ Over 100,000 waterbodies (i.e., lakes and rivers) in Saskatchewan, of which about 10,000 have human demand for water use
>
> ➤ About 1.4 million cubic decameters of annual licensed water use—enough to fill over 550,000 Olympic-size swimming pools each year

What the Office found:

The Agency reasonably monitors the quantity of water in and flowing through Saskatchewan on an overall basis. Nevertheless, the Agency needs to do more to better regulate on a water-use licence basis. This includes:

➤ Developing guidance about documenting key decisions and analysis when assessing water-use licence applications and water availability, and enforcement procedures to help staff identify and address significant non-compliance with conditions imposed on individual water-use licences

➤ Maintaining accurate water-use data to enable better monitoring of water use, and actively monitoring whether licenced water users comply with water-use licences

➤ Giving senior management reports on the nature and extent of non-compliance and related enforcement activities

Furthermore, to support the achievement of its goal of ensuring a sustainable water supply, the Agency needs to update when it expects to complete outstanding key actions to regulate water-use from its *25 Year Saskatchewan Water Security Plan*.

2.3 Follow-Up Audits

> **Follow-up audits** assess the sufficiency of actions taken to address recommendations made in our past performance audits, and those made by the Standing Committees on Public Accounts and on Crown and Central Agencies from their review of our reports. The Office systematically assesses the status of outstanding recommendations to determine whether agencies made recommended improvements. It does the first follow-up either two or three years after the initial audit, and every two or three years thereafter until the recommendations are implemented or identified as no longer relevant.

This Section of the Report includes 19 follow-up audits.

In general, we are pleased with the pace in which agencies are implementing our recommendations. On an overall basis, agencies implemented close to three-fifths of the outstanding recommendations, and partially implemented almost one-third of the remaining. Agencies had not yet implemented only about one-tenth of the recommendations we followed up.

Our Office recognizes more complex improvements take time to make. We encourage agencies to make improvements in conjunction with other initiatives planned or underway wherever possible.

Chapter 27 reports improvements that the **Saskatchewan Health Authority** made during its ongoing amalgamation of the former health regions. By December 2019, the Authority fully implemented five of seven recommendations from our 2014 audit of the processes related to medication management in long-term care facilities located in Kindersley and surrounding area.

Staff in long-term care facilities located in Kindersley and surrounding area followed the Authority's medication management policies about using a multi-disciplinary approach (e.g., physicians, nurses, and pharmacists) for finalizing medication plans, changing medication of residents, and documenting key medication-related activities (such as quarterly medication reviews). In addition, the Authority established processes to identify trends and issues related to medication management; and was collecting and analyzing information to improve medication plans, including the appropriateness of the use of antipsychotic medications.

However, more work remains in documenting written informed consent. In 47 per cent of 17 resident files we tested, staff did not document, as its policy requires, obtaining consent from residents or their decision makers before using medication as a restraining device. In 31 per cent of 17 resident files we tested, staff did not document, as good practice expects, obtaining informed consent from residents or their decision makers before making changes to high-risk medications. Consistently documenting whether it obtains consent is essential to show the Authority has made residents or their decision makers aware of the effects of the medication and impacts it may have on the quality of life of the resident.

We are also pleased with significant improvements made within a two- to three-year period since the initial audit.

Chapter 21 reports, by January 2020, **Prairie Valley School Division No. 208** addressed all eight recommendations from our 2018 audit of its processes to monitor the educational progress of home-based learners. These improvements helps ensure the Division assists home-based learners in making sufficient educational progress for their age and ability, and providing them with a quality education.

Chapter 25 reports, by January 2020, the **Saskatchewan Health Authority** implemented three and made progress on the other four of the seven recommendations we made in 2017 about the efficient use of magnetic resonance imaging (MRI) services in Regina. It made these improvements during a period where the Authority was amalgamating its operations and health services.

Some of the Authority's improvements included better tracking the actual completion dates of each stage of MRI services and reasons for rescheduling MRI appointments in its IT system, and monitoring the selection and volume of MRI scans sent to contracted licensed private operators.

Some areas for further improvement include analysis of MRI data to identify reasons for and ways to address significant patient waits for MRI services, formally assessing the quality of MRI interpretations radiologists provide, and monitoring the timeliness and quality of MRI scans performed by private MRI operators.

Having timely and quality MRI service delivery alleviates patient stress, avoids unnecessary referrals, and reduces costs. It also facilitates timely and appropriate diagnosis or treatment to help improve patient outcomes.

The following table summarizes the results of the 19 follow-up audits. It sets out the status of recommendations by agency grouped by initial, and subsequent follow-ups.

Chapter Name	Related Report[A,B]	Number of Recommendations Outstanding	Status of Recommendations			
			Implemented	Partially Implemented	Not Implemented	No Longer Relevant
Initial Follow-Ups						
Health—Detecting Inappropriate Physician Payments	2017–V1	4	2	2	0	0
Labour Relations and Workplace Safety—Strategies to Reduce Injury Rates	2018–V1	1	1	0	0	0
Prairie Valley School Division No. 208—Monitoring Progress of Home-based Learners	2018–V1	8	8	0	0	0
Saskatchewan Health Authority—Efficient Use of MRIs in Regina	2017–V1	7	3	4	0	0
Saskatchewan Health Authority—Minimizing Employee Absenteeism	2017–V2	5	1	2	2	0
Saskatchewan Health Authority—Overseeing Contracted Special-Care Homes in Saskatoon and Surrounding Area	2017–V1	6	1	3	2	0
Saskatchewan Water Corporation—Purchasing Goods and Services	2018–V1	7	3	3	1	0
Initial Follow-Ups Subtotal		**38**	**19**	**14**	**5**	**0**
% of Initial Follow-Ups Subtotal		**100%**	**50%**	**37%**	**13%**	**0%**
Subsequent Follow-Up Audits[C]						
3sHealth—Procuring Goods and Services for Member Agencies	2015–V2 2017–V2	5	5	0	0	0
Advanced Education—Working with the Advanced Education Sector to Achieve Ministry Strategies	2015–V1 2018–V1	1	0	1	0	0
Environment—Regulating Landfills	2013–V2 2015–V2 2018–V1	3	1	2	0	0
Highways and Infrastructure—Road Safety Concerns on Existing Highways	2015–V2 2018–V1	1	1	0	0	0

Chapter Name	Related Report[A,B]	Number of Recommendations Outstanding	Status of Recommendations			
			Implemented	Partially Implemented	Not Implemented	No Longer Relevant
North East School Division No. 200—Increasing Grade 3 Students Reading at Grade Level	2016–V1 2018–V1	1	1	0	0	0
Regina School Division No. 4—Promoting Positive Student Behaviour	2016–V1 2018–V1	3	3	0	0	0
Saskatchewan Government Insurance—Confirming Only Qualified Drivers Remain Licensed	2016–V1 2018–V1	1	0	1	0	0
Saskatchewan Health Authority—Administering Medication in Weyburn and Estevan Hospitals	2013–V2 2015–V2 2018–V1	1	1	0	0	0
Saskatchewan Health Authority—Maintaining Medical Equipment in Healthcare Facilities in Melfort and Surrounding Area	2010–V2 2012–V2 2015–V2 2018–V1	1	1	0	0	0
Saskatchewan Health Authority—Medication Management in Long-Term Care Facilities in Kindersley and Surrounding Area	2014–V2 2017–V2	7	5	0	2	0
Saskatchewan Housing Corporation—Maintaining Housing Units	2012–V1 2014–V1 2017–V2	2	2	0	0	0
Tourism Saskatchewan—Managing the Use of Social Media	2015–V2 2018–V1	1	1	0	0	0
Subsequent Follow-Ups Subtotal		**27**	**21**	**4**	**2**	**0**
% of Subsequent Follow-Ups Subtotal		**100%**	**78%**	**15%**	**7%**	**0%**
Overall Total		**65**	**40**	**18**	**7**	**0**
% of Overall Total		**100%**	**61%**	**28%**	**11%**	**0%**

Source: Compiled by Provincial Auditor of Saskatchewan.
[A] V – means Volume.
[B] 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).
[C] For Subsequent Follow-Ups, the Number of Recommendations is the number that remained not implemented after the previous follow-up audit.

3.0 ACKNOWLEDGEMENTS

The Office appreciates the co-operation it receives from the staff and management of government agencies along with their appointed auditors in the completion of the work included in this Report. It also appreciates the support of the Standing Committees on Public Accounts, and on Crown and Central Agencies.

In addition, as Provincial Auditor, I am proud to lead the Office, and its team of professionals. I am proud of their diligence, commitment, and professionalism particularly during this period of working remotely from home. Their hard work helps us fulfill our mission—to promote accountability and better management by providing legislators and Saskatchewan residents with an independent assessment of the Government's use of public resources.

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Ken Yee	Kim Lowe	Kristen Young
Larissa Sych	Leon Zhu	Lesia Lazurko
Linda Klassen	Lorisa Tamke	Mallory Demofsky
Maro Ojaide	Mason Merriman	Maureen MacCuish
Maygen Kirton	Melanie Heebner	Melissa Yanyu
Michelle Lindenbach	Nicole Dressler	Rahat Tahir
Rahil Ahmad	Renae Snyder	Rosemarie Volk
Saad Warraich	Sahar Tahir	Selina Tam
Stephanie Russell	Tara Clemett	Tea Anaka
Toni Donais	Trevor St. John	Victor Schwab
Wilfred Eze	Will Dong	

4.0 ABOUT THE OFFICE OF THE PROVINCIAL AUDITOR

The Office of the Provincial Auditor is the external, independent auditor of the Government. *The Provincial Auditor Act* makes it responsible for auditing the Government of Saskatchewan and approximately 270 agencies.

The Office promotes accountability and better management through its audit work and public reports along with its involvement with legislative committees charged with reviewing its Reports.

The Office routinely looks at the Government's administration of its programs and services.

Through *The Provincial Auditor Act*, the Provincial Auditor, the Office, and its staff are independent of the Government.

The Office uses Canadian professional auditing standards published by CPA Canada to carry out its audits. As required by the Act, the Provincial Auditor reports directly to the Legislative Assembly on the results of all examinations, and highlights matters that require the attention of legislators.

In addition to its reports on the results of its audit work, it gives legislators two key accountability reports each year—its business and financial plan, and annual report on operations. These describe the Office, including its purpose, accountability mechanisms, staffing, and key systems and practices. These reports are publicly available on its website, as well as further detail about the Office of the Provincial Auditor at auditor.sk.ca.

Annual Integrated Audits and IT Audit Work

Chapter 1
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. The Ministry did not:

➢ Adequately supervise staff responsible for recording Trust Account financial information including making sure it had complete and accurate information to prepare financial statements. The 2018 financial statements presented for audit contained significant errors (undisclosed contractual rights related to leases, and improperly recorded water and sewer expenses). Management corrected these errors; the Trust Account's 2018 financial statements are reliable.

➢ Adequately segregate duties of employees responsible for key accounting functions of the Trust Account (e.g., receiving money, preparing bank deposits, making payments)

➢ Prepare bank reconciliations of the Trust Account before the end of the following month—as its policy expects

Effective financial controls help ensure management has quality information to make decisions.

2.0 INTRODUCTION

2.1 Background

The Ministry of Government Relations is responsible for administering the Northern Municipal Trust Account.

Under *The Northern Municipalities Act, 2010*, the Trust Account is to provide for the administration of funds and property held for the following two main purposes:

➢ To administer and finance the municipal functions and operations (e.g., provide water) of the Northern Saskatchewan Administration District.[1]

The Ministry, through the Trust Account, administers all revenues relating to the Northern Saskatchewan Administration District and all moneys appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. The Trust Account also acts as a municipal operating fund for the unincorporated areas in the district (i.e., northern settlements and resort subdivisions).

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[1] 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.

➤ To assist northern municipalities in providing quality services to their residents through operating and capital grants (e.g., for funding water and sewer systems to provide residents with access to a safe potable water supply, and municipal facilities and equipment).

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

Also, the Ministry, through the Trust Account, levies and collects taxes for northern hamlets. It remits these taxes, upon receipt, to the respective entities.

The Ministry assigned five staff located in La Ronge to administer the Trust Account. An additional eight staff, located primarily in La Ronge, provide assistance in addition to their regular municipal advisory, community planning, policy analysis, and management responsibilities.

2.2   Financial Overview

As shown in **Figure 1** in 2018, the Trust Account had an annual deficit of $4.2 million (2017: surplus of $6.0 million). It managed capital assets (e.g., water treatment plants, sewer systems and buildings) of $5.3 million (2017: $5.5 million).

Figure 1—Financial Highlights

	Actual 2018	Actual 2017
	(in millions)	
Grants from Ministry of Government Relations (General Revenue Fund)	$ 22.9	$ 25.1
Taxation Revenue	6.2	6.2
Lease Fees Revenue	4.1	3.7
Revenue – Other Sources	2.0	1.7
Total Revenue	$ 35.2	$ 36.7
Grants (Northern Revenue Sharing, water and sewage, et al)	33.9	26.0
Municipal Services	4.4	3.9
Other Expense	1.1	0.8
Total Expense	$ 39.4	$ 30.7
Annual (Deficit) Surplus	$ (4.2)	$ 6.0
Total Financial Assets (e.g., Cash, Investments, Accounts Receivable)	$ 50.2	$ 52.9
Capital Assets (e.g., water and sewage, buildings, machinery)	$ 5.3	$ 5.5
Total Liabilities	$ 12.0	$ 10.8

Source: Adapted from the Northern Municipal Trust Account audited financial statements for the year ended December 31, 2018.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended December 31, 2018, we found, in all material respects:

➢ **The Ministry of Government Relations had effective rules and procedures to safeguard the Northern Municipal Trust Account's public resources except for the matters described in this chapter**

➢ **The Ministry of Government Relations complied with the following authorities governing the Northern Municipal Trust 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

➢ **The Northern Municipal Trust Account 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 Ministry's controls over the Northern Municipal Trust 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.

We focused our audit on key revenues (e.g., taxation, utility, leases, and fuel sales). The audit included assessing the Ministry's monitoring of the Trust Account's lease and land sales revenues, and testing the accuracy of its tax calculations and fuel sales.[2] In addition, the audit assessed the reasonability of management's estimates of lease receivables, accrued landfill-decommissioning costs, and contaminated sites liability. It assessed whether the Ministry properly recorded the Trust Account's fuel inventory on hand at year-end.

4.0 KEY FINDINGS AND RECOMMENDATIONS

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

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[2] The Ministry of Environment collects lease and land sales revenues on the Trust Account's behalf.

4.1 Closer Supervision of Financial Staff Needed

We recommended 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*, p. 18, Recommendation 2; Public Accounts Committee agreement September 15, 2016)

Status—Partially Implemented

During 2018, although the Ministry improved some of its financial activities, it did not review financial information in sufficient detail. A detailed review is necessary because Ministry staff preparing the financial statements do not possess robust accounting knowledge.

During the 2018 audit, we found the Ministry improved the following financial activities where we had identified concerns in prior audits. For all of the accounting entries we tested, management appropriately left evidence of independent review and approval. Staff followed up on the status of the Trust Account's GST returns submitted to the Canada Revenue Agency, and appropriately adjusted its accounts for amounts determined not collectible and for payments received.

However, during the 2018 audit, we identified instances where staff improperly followed policies, and the draft financial statements presented for audit contained numerous errors. For instance, staff:

➢ Did not prepare or review monthly bank reconciliations by the end of the following month as required by Ministry policy (see **Section 4.3**).

➢ Maintained incomplete Trust Account capital asset listings (i.e., did not always contain an appropriate description of assets) making tracking the location of capital assets difficult.

➢ Improperly recorded, from 2014 to 2018, water and sewer transfer expenses, and related amounts recoverable for two communities in the draft financial statements presented for audit. The Ministry overstated the Trust Account's expenses for 2018 by about $369 thousand, understating amounts due by about $1.08 million, and understating the opening accumulated surplus by about $711 thousand. Management later corrected the statements.

➢ Improperly accounted for a change in the Trust Account capital asset policy resulting in overstating capital assets recorded in the draft financial statements presented for audit by about $76 thousand, and overstating depreciation expense by about $13 thousand.

➢ Failed to disclose contractual rights for leases of approximately $66 million in the draft financial statements presented for audit; Canadian public sector accounting standards require such disclosure. Management later corrected the statements.

> ➢ Missed identifying errors in supporting information received from the Ministry of Environment about its leases when it later disclosed contractual rights in its revised financial statements presented for audit. This resulted in including about $67 million too much in contractual rights. Management later corrected the statements.

Without adequate supervision, including detailed review of financial information, used to prepare financial statements, the Ministry may not detect and correct, within a reasonable timeframe, errors in the Trust Account's financial records or identify instances where staff are not following key policies and processes.

4.2 Segregation of Incompatible Duties Needed

> *We recommended the Ministry of Government Relations adequately segregate duties of employees responsible for key accounting functions of the Northern Municipal Trust Account* (*2018 Report – Volume 2*, p.68, Recommendation 1; Public Accounts Committee agreement February 26, 2020)
>
> **Status**—Not Implemented

During 2018, the Ministry did not properly segregate incompatible duties of staff responsible for receiving money, preparing bank deposits, making payments, and recording financial transactions in the Trust Account's accounting system.

The Ministry has not properly restricted what users can do within the Trust Account's IT accounting system. It inappropriately allows employees whose responsibilities include receiving and depositing money, and making payments to adjust accounting records. Management told us they plan to install a new security module for the Trust Account's accounting system in early 2020. It expects to use this module to better separate responsibilities of users given access to the Trust Account's IT accounting system.

In addition, the Ministry assigned staff responsibility for incompatible duties. During the audit, we found three instances (2017: six instances) where one employee opened the mail, prepared the bank deposit, and recorded the cash received in the Trust Account's accounting records. Management acknowledged this occurred during 2018 because of a small number of financial staff.

Not properly separating responsibilities assigned to staff increases the risk of undetected fraud and error, including inappropriate adjustments to accounting records. This increases the risk of errors in the Trust Account's financial information.

4.3 Timely Reconciliation of Bank Accounts Needed

> *We recommended 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*, p.69, Recommendation 1; Public Accounts Committee agreement March 21, 2017)
>
> **Status**—Partially Implemented

During 2018, the Ministry prepared monthly bank reconciliations later than its policies expect.[3] At December 31, 2018, the Trust Account held cash of approximately $9.3 million (2017: $9.9 million) in one bank account.

Contrary to Ministry policy, staff did not always prepare bank reconciliations before the end of the following month. We found staff prepared five of 12 reconciliations from four to 23 days after the end of the following month (2017: from two to 84 days late).

We noted that in 2018 management more consistently documented its review and approval of bank reconciliations. In addition, it did a better job of resolving differences between the Trust Account's bank account balances and accounting records than in 2017. Our 2018 audit work did not find any unresolved differences.

Bank account reconciliations check the accuracy and reliability of the Trust Account's accounting records (e.g., detect unauthorized payments or unrecorded cash receipts). Doing reconciliations as close as possible following the period end enables identification and, if necessary, expedited follow up of differences and corrections. This increases the accuracy of financial records used to make decisions and monitor the Trust Account's operations.

4.4   More Timely Tabling of Annual Reports Needed

> **We recommended 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.** (*2017 Report – Volume 2,* p.45, Recommendation 1; Public Accounts Committee agreement October 10, 2018)

> **Status**—Not Implemented

The Ministry did not give the Legislative Assembly the Trust Account's 2015, 2016, 2017 and 2018 annual reports within the timeframes required by *The Executive Government Administration Act*. The Ministry's inability to give the Assembly timely annual reports for the Trust Account resulted, in part, from the matters identified in this chapter.

The Assembly received the Trust Account's 2015, 2016, and 2017 annual reports on October 31, 2016, September 29, 2017, and February 28, 2019 respectively. At February 2020, the Assembly had not yet received the Trust Account's 2018 annual report.

The Act requires the Minister of Government Relations to table the Trust Account's annual reports by the end of April each year.[4]

Not tabling the Trust Account's annual report within the timelines set in legislation results in legislators not having sufficient information to monitor the Trust Account's operations.

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[3] The Trust Account's policies require staff to reconcile the recorded bank balance to the bank's records by the end of the following month.
[4] Section 13 of *The Executive Government Administration Act* requires the Minister of Government Relations to table the Trust Account's annual report within 120 days after year-end (of December 31).

Chapter 2
Highways and Infrastructure

1.0 MAIN POINTS

The Ministry of Highways and Infrastructure had effective rules and procedures to safeguard public resources for the year ended March 31, 2019 other than the following areas.

The Ministry's Saskatchewan Highway Patrol needs to always follow policies when making purchases with purchasing cards (e.g., only making purchases within approved individual transaction limits, having supervisors approve transactions). This helps the Ministry treat suppliers equitably, and verify purchases are for legitimate business purposes.

Also, the Ministry needs stronger processes to oversee purchases of Highway Patrol equipment and supplies, and track regulated Highway Patrol equipment, such as firearms and ammunition. Requiring additional approvals or limiting these types of purchases to a few individuals would reduce the risk of buying unauthorized or inappropriate items. Given the portable and regulated nature of Highway Patrol equipment, tracking them and their use reduces the risk of liability for misplaced or lost items used for inappropriate purposes.

Furthermore, Ministry staff continues not to always ensure unneeded user access is removed promptly from its IT systems. Not following these established processes makes the Ministry's data and systems vulnerable to inappropriate access.

During 2018-19, the Ministry and the Transportation Partnerships Fund complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing, except that the Ministry did not always obtain quotes or tenders in accordance with *The Purchasing Act, 2004*.

The 2018-19 financial statements of the Transportation Partnerships Fund are reliable.

2.0 INTRODUCTION

The Ministry of Highways and Infrastructure is responsible for managing the provincial transportation network. The network consists of 26,211 kilometres of highways, more than 720 bridges and 62,000 culverts, 17 airports in northern Saskatchewan, 12 ferries, and 1 barge.[1]

The Ministry provides the public with a safe, reliable transportation system, and manages and provides for the development of an integrated provincial transportation system.[2] The transportation system is to support economic growth and prosperity for Saskatchewan, and promote the safe and efficient movement of goods and people.[3]

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[1] Ministry of Highways and Infrastructure, *Annual Report for 2018–19*, p. 3.
[2] Ibid, p. 3.
[3] Ibid, p. 3.

2.1 Financial Overview

At March 31, 2019, the Ministry managed tangible capital assets (comprised primarily of the provincial transportation system) with a book value of $5.2 billion. In 2018-19, it acquired capital assets of $630 million comprised primarily of roads and bridges (e.g., Regina Bypass).

In 2018-19, the Ministry had revenue of $56.3 million, including federal government transfers of $53.1 million from the New Building Canada Fund.[4,5] As shown in **Figure 1**, in 2018-19, it had expenses of about $461 million.

Figure 1—Total Expense by Major Program

	Estimates 2018-19	Actuals 2018-19
	(in millions)	
Central Management and Services	$ 17.9	$ 17.1
Strategic Municipal Infrastructure	22.7	24.0
Operation of Transportation System	90.8	103.6
Preservation of Transportation System	116.8	116.9
Transportation Planning and Policy	3.4	3.3
Infrastructure and Equipment Capital	672.9	630.1
Total Appropriation	$ 924.5	$ 895.0
Capital Asset Acquisitions	(672.9)	(630.1)
Capital Asset Amortization	189.7	196.5
Total Ministry Expense	$ 441.3	$ 461.4

Sources: *Government of Saskatchewan—18-19 Estimates* (Vote 16), pp.81-85, and *Ministry of Highways and Infrastructure, Annual Report for 2018-19*, p. 25.

During 2018-19, the Ministry purchased about $25 million of goods and services through about 50,000 purchasing card (p-card, company-issued credit card) transactions. At March 31, 2019, the Ministry had issued 550 p-cards to its employees.

3.0 AUDIT CONCLUSION

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

➢ **The Ministry of Highways and Infrastructure had effective rules and procedures to safeguard public resources except for the matters described below**

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[4] Ministry of Highways and Infrastructure, *Annual Report for 2018-19*, p. 26.
[5] The Government of Canada in 2014 established the New Building Canada Fund to support projects of national, regional and local significance that promote economic growth, job creation and productivity. The federal government works with provinces, territories, municipalities and the private sector to provide funds for economically-focused projects. www.infrastructure.gc.ca/plan/nbcf-nfcc-eng.html (8 April 2020).

> The Ministry of Highways and Infrastructure complied with the following authorities governing its and the Transportation Partnerships Fund's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, except the Ministry did not always obtain quotes or tenders in accordance with *The Purchasing Act, 2004*:

> *The Highways and Transportation Act, 1997*
> *The Railway Line (Short Line) 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*
> Orders in Council issued pursuant to the above legislation

> **The financial statements of the Transportation Partnerships Fund are reliable**

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 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 to maintain and construct its highways and bridges, the audit 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 making final payments; and tracking its related contractual obligations. The audit also included testing of purchases through use of p-cards.[6]

In addition, because the Ministry relies on IT systems to account for its financial activities and to manage the transportation system and related contracts, the audit included assessing the Ministry's key service level agreements, change management processes, and controls over user access for those key financial-related IT systems.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In early 2019-20, the Ministry of Highways and Infrastructure investigated employee complaints about the Saskatchewan Highway Patrol's purchasing. The Ministry hired consultants to further investigate these reported irregularities. It notified our Office about the reported irregularities and its investigations. Its investigations focused on the period September 2017 to August 2019. While the investigations were being conducted, the Ministry placed a highway patrol employee on administrative leave. Following a review of the completed investigations, the Ministry terminated the employment of the employee.

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[6] Our work related to the Ministry of Highways and Infrastructure, Saskatchewan Highway Patrol's purchases using purchase cards covered the 20-month period from April 1, 2018 to November 30, 2019.

Based on the information the Ministry provided, we did further audit work related to the Highway Patrol's purchases. **Sections 4.1** to **4.3** describe key findings related to this additional work.

Sections 4.4 and **4.5** describes other findings related to the Ministry.

4.1 Consistent Monitoring of Purchase Card Use Needed

The Ministry of Highways and Infrastructure did not sufficiently monitor whether staff of the Highway Patrol consistently follow policies for purchases using purchase cards (p-cards).

Figure 2 highlights key Treasury Board policies, *The Purchasing Regulations* requirements, and good practice the Government expects ministries to follow.[7] In addition, the Ministry gives staff further direction. For example, the Ministry's Purchase Card Policy and Procedure Manual explicitly states employees must not split transactions to bypass the transaction limits.

Figure 2—Financial Administration Manual, Treasury Board Policies, and Expected Practices Related to Use of Purchase Cards

> **Treasury Board policies** require the use of p-cards to acquire eligible goods and services, setting a maximum transaction limit of $10,000 for a single purchase, including taxes, unless approved by the Provincial Comptroller or delegate. (FAM Section 3154: Public Money and Property – Purchase Cards)
>
> *The Purchasing Regulations* allows ministries to buy supplies directly from a supplier based on processes provided by SaskBuilds or through a standing offer established by SaskBuilds.[A] The Government uses its Financial Administration Manual (FAM) to communicate some of these expectations.
>
> For example, FAM states ministries must obtain three written quotes for purchases which are to exceed $2,500 before making the purchase; and publicly tender purchases of goods over $10,000. (FAM Section 4505: Goods and Services – Purchases of Goods).
>
> **The Provincial Comptroller** sets out directives in FAM on types of purchases (e.g., travel or business expenses) eligible to be made through the use of p-cards along with expectations for issuing cards, approving p-card purchases, and monitoring the use of p-cards. For example, FAM expects independent online approval of individual p-card transactions. At month-end, the p-card holder is to prepare a summary of all purchases with all receipts and support. In most circumstances, the p-card holder's immediate supervisor or manager is to review and approve the transactions listed on the monthly statement and summary for reasonableness. (FAM Section 3154: Public Money and Property – Purchase Cards)

[A] The Single Procurement Service Branch of SaskBuilds may be involved in competitive methods of procurement (e.g., public tenders). For example, depending upon the nature of the purchase, the purchaser may need to publicly tender the purchase (e.g., for purchase of goods over $10,000 or purchase of services over $75,000).

Each quarter, the Ministry receives from the Provincial Comptroller the results of the Comptroller's p-card testing (i.e., a listing of its p-card transactions that did not comply with directives).[8] We found the Ministry follows up the identified exceptions (e.g., sent general reminder e-mails to cardholders, held discussions with the cardholder that did not follow the directives).

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[7] The Financial Administration Manual (FAM) is publicly available at applications.saskatchewan.ca/fam. It sets out Treasury Board policies and Provincial Comptroller directives which reflect good practice ministries are to follow when making purchases. (02 February 2020).
[8] Each year, the Provincial Comptroller's Division of the Ministry of Finance audits a sample of the Ministry of Highways and Infrastructure's purchase card transactions to assess compliance with Provincial Comptroller directives.

Ministry policy requires its Administration Branch to review a sample of p-card purchases to confirm they follow relevant policies and authorities.[9,10] Management indicates, because the Provincial Comptroller tests p-card transactions, the Ministry of Highways and Infrastructure intends to remove this policy and did not test a sample of purchases.

In our testing of 34 purchases made by the Highway Patrol, through the use of p-cards, we found instances of p-card purchases not complying with related Treasury Board policies and related authorities.

For example, we found the following instances where Ministry employees divided an individual purchase into more than one purchase either to stay within the $10,000 purchase limit, or to avoid having to use competitive purchasing methods (obtaining quotes or publicly tender). Documentation supporting each of these purchases did not provide reasons for not following expectations (e.g., unusual or emergency situation). We found:

➢ One purchase of bulletproof vests for highways patrol activities costing just over $10,000 from a single supplier was split into three equal purchase card payments onto three different employee p-cards.

➢ Three separate invoices from the same supplier for similar equipment purchased on the same date totalling just over $19,000 for highway patrol equipment and belt systems to carry the equipment.

➢ Use of p-cards to make separate below-limit purchases of equipment and training instead of combining expected purchases and using competitive purchasing methods. During 2018-19, the Ministry used p-cards to buy about $800,000 of equipment and training to support the expanded role of the Highway Patrol. This included spending $54,000 on 26 carbines (with parts and accessories).[11] It bought another six carbines in 2019-20. It did not use any competitive purchasing methods (e.g., obtain quotes) when making these purchases. This does not comply with *The Purchasing Act, 2004*.

In our testing of 34 p-card transactions for the Highway Patrol, we found 26 instances where, contrary to policy expectations, someone other than the p-card holder's immediate supervisor approved the transaction and/or monthly statement. In addition, for the Highway Patrol p-card purchases, we identified four instances where the monthly statement did not have any approval signatures.

Not respecting p-card transaction limits or limits used to determine appropriate procurement methods increases the risk of not treating suppliers equitably, and the Ministry not getting best value when making purchase decisions. In addition, it increases the risk of inappropriate purchases. Systematic reviews of purchases can identify non-compliance and provide opportunities to explain and reinforce established purchasing policies and processes.

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[9] Ministry of Highways and Infrastructure, Purchase Card Program Policies and Procedures Manual, Section 5.2.7.
[10] Purchase cards are typically used for smaller purchases. The purchase cards are summarized on a monthly basis and one payment is issued to the financial institution for all of the purchases in a month. This reduces the administration costs of making payments for each individual purchase.
[11] A carbine is a rifle characterized by a shorter barrel than a standard rifle.

1. **We recommend the Ministry of Highways and Infrastructure increase its monitoring of compliance with established transaction limits for purchases made using purchase cards.**

4.2 Additional Oversight of Firearms and Ammunition Purchases Needed

The Ministry of Highways and Infrastructure did not sufficiently oversee the purchase of firearms and ammunition bought to support the Highway Patrol duties (e.g., clearly define types of firearms and weapons necessary, and set out desired procurement methods [e.g., p-cards, standing orders]).

Since August 2017, the Saskatchewan Highway Patrol officers (i.e., Highways Commercial Vehicle Enforcement Officers) are part of the Protection and Response Team whose role is to aid in the reduction of rural crime.[12] The Protection and Response Team is considered a first responder, and is to turn over investigations to a police service (e.g., RCMP) at the first available opportunity.

Since the Team's inception, the Ministry has bought equipment (e.g., firearms, helmets) and supplies (e.g., ammunition) totalling about $700,000 to support its expanded highway patrol activities.[13]

Laws recognize the importance of controlling access to and use of firearms and ammunition.[14] These laws apply to the Highway Patrol activities and its officers. Under the Federal Government's *Public Agency Firearm Regulations*, the Ministry must register its purchases of firearms, and meet requirements related to storage of firearms and training for the personnel using those firearms. Also as shown in **Figure 3**, *The Municipal Police Equipment Regulations, 1991* (Saskatchewan) restrict the type of equipment the Ministry is authorized to use in the course of duty. Section 5 of the *Municipal Police Equipment Regulations* gives the chief of a police service discretion to use other firearms and special equipment in emergency situations.

Figure 3—Types of Firearms and Ammunition permitted for Police Services under *The Municipal Police Equipment Regulations, 1991* (Saskatchewan)

A police service may only use:
➢ A pistol that is 40 calibre
➢ A carbine that is semi-automatic
➢ A certain model of carbine (i.e., AR-15)
➢ Factory loaded ammunition

The Ministry's delegation of authority policy (which sets out the type and size of purchase staff are authorized to make) gives Directors within the Ministry the authority to make purchases of goods or services up to $200,000. Neither the Ministry's delegation of authority policies nor other policies explicitly restrict which staff have the authority to buy firearms and/or ammunition, or require additional oversight or review of these purchases.

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[12] Government of Saskatchewan News Release, August 22, 2017. After obtaining the necessary equipment and training, the Saskatchewan Highway Patrol began carrying out their duties with expanded powers on July 1, 2018.

[13] For complete definitions of the different classes of firearms, see www.rcmp-grc.gc.ca/en/firearms/classes-firearms. (3 April 2020)

[14] The *Criminal Code* (Canada) set out rules and restrictions related to firearms and restricted weapons. Section 117.07 exempts police services from these restrictions in the course of their duties.

While the Ministry has authority to possess firearms or restricted weapons in the course of the Highway Patrol's duties, the Ministry did not document a business need to buy certain types of firearms and weapons given the Highway Patrol's role as a first responder in emergency situations.[15]

We found the Ministry owns various firearms and other weapons that are not included in *The Municipal Police Equipment Regulations, 1991* (Saskatchewan). This includes three nine-millimetre pistols, two fully automatic rifles, one AR-10 carbine, and 12 suppressors (silencers). The Ministry advises us legislation allows the Ministry to possess these firearms and weapons for training purposes even though it cannot use them in its highway patrol duties. We also found the Ministry possesses a shotgun even though the Deputy Minister specifically directed staff not to purchase any shotguns. Management indicated it has not deployed any of these items for operational use, and all are in locked storage.

As reported in **Section 4.1**, we found the Ministry used p-cards to buy many of these firearms and related ammunition.

The Ministry's further investigation into p-card purchases of the Highway Patrol identified questionable purchases that did not have sufficient support to demonstrate business need or alignment with the Ministry's first responder responsibilities. Questionable purchases included purchases of certain firearms and ammunition, suppressors (silencers), drug test kits, a drone, and a high power rifle scope.

The use of p-cards is a decentralized purchase method with fewer controls over the authorization of purchases. Having clear policies that restrict who can buy regulated items like firearms and ammunition (e.g., require additional approvals or limiting these types of purchases to a few individuals), and restrict how employees can buy them (e.g., disallowing use of p-cards, requiring the use of a purchase order) would assist in overseeing purchases of regulated goods, and reduce the risk of buying unauthorized or inappropriate items.

> 2. **We recommend the Ministry of Highways and Infrastructure implement policies to better oversee purchases of regulated firearms and ammunition to ensure they support its business needs.**

4.3 Regulated Highway Patrol Equipment not Properly Tracked

The Ministry of Highways and Infrastructure does not sufficiently track regulated equipment (e.g., firearms, ammunition, and accessories such as gun belts and protective gear used to carry out its highway patrol activities). It has not formally assigned to staff responsibilities for tracking related equipment (e.g., keeping an accurate, up-to-date listing), or for periodically confirming the existence and location of such items.[16]

The expansion of the Ministry's Highway Patrol activities resulted in a need for different and more equipment some of which is sensitive (e.g., firearms, ammunition).

At March 2019, the Ministry uses spreadsheets to track highway-patrol equipment purchases like firearms, and accessories (e.g., gun belts and protective gear). The

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[15] The Saskatchewan Highway Patrol's expanded powers relate to being first responders. (Government of Saskatchewan News Release, August 22, 2017).
[16] Responsibilities would include those for recording additions, disposals and reassignments of items.

spreadsheets list details about individual items such as current location or the individual to whom the Ministry assigned the item. We found various staff within the Highway Patrol had the ability to make changes to information on this spreadsheet.

When the Ministry assigns firearms to its officers, officers are to sign a standard sign-out form to take responsibility for the equipment. The Ministry maintains the signed forms. In addition, the Ministry expects officers to immediately report missing equipment.

In July and August of 2019, the Ministry assessed the accuracy of the Highway Patrol equipment spreadsheet. This was the first assessment since the purchases of equipment, which began on or about April 2018. To assess the accuracy, the Ministry compared purchases of Highway Patrol items to items listed on the spreadsheet, and located each of the items.

The Ministry identified a number of inaccuracies in the spreadsheet (e.g., pieces of equipment not with individuals noted on the listing, equipment not included on listing). The items not with the individuals noted on the listing included combat helmets, communication equipment, and a drone. The Ministry followed up these discrepancies and located all but two pieces of equipment (i.e., communication equipment). It had purchased the communication equipment in March 2019 for just over $6,000. Upon further investigation, the Ministry determined it had not received the equipment. In January 2020, it received a credit from the supplier for the amount it had paid.

The sensitive and portable nature of regulated Highway Patrol equipment (e.g., firearms, ammunition) increases the importance of keeping track of them and their use. Without processes such as periodic inventory checks or counts, and restricting who can make changes to equipment tracking records, the Ministry risks being held liable for misplaced or lost items used for inappropriate purposes. Also, the Ministry risks incurring loss of public money if items go missing.

> 3. **We recommend the Ministry of Highways and Infrastructure implement better processes to track regulated highway patrol equipment.**

4.4 Use of Purchase Cards not Aligned with Policy

The Ministry of Highways and Infrastructure did not always follow policies for purchases made through use of purchase cards (p-cards).

In our testing of p-card transactions for the Ministry (other than those of the Highway Patrol), we found one instance where a purchase was split into two payments to stay within the maximum transaction purchase limit of $10,000. The purchase was for machinery parts for the Operation and Maintenance Division costing almost $11,000 (one payment for $5,000 and one payment for the remaining amount). The purchase documentation did not include any rationale for why the purchaser used a p-card for the transaction that was over the limit and why they did not obtain quotes or tenders.

As noted in **Figure 2**, the maximum transaction limit for a single p-card purchase is $10,000 and purchases over $2,500 require the purchaser to obtain three written quotes.

See **Recommendation 1** about monitoring p-card transactions for compliance.

4.5   Prompt Removal of Expired Users' Access Needed

> ***We recommended the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data.*** (*2009 Report — Volume 3*, p. 251, Recommendation 1; Public Accounts Committee agreement April 21, 2010)

> **Status**—Partially Implemented

Although the Ministry has established procedures to remove user access from its computer systems and data, it did not always follow them. Ministry staff are not consistently requesting the removal of user access promptly.

Each year, the Ministry hires seasonal staff in about 300 temporary positions to assist it with highway maintenance activities.

The Ministry expects its supervisors to request user access removal for their staff who leave the Ministry's employment; they are to make this request on or before their staff's departure.

In addition, supervisors are to review, each month, a termination list obtained from the Public Service Commission. The purpose of this review is to confirm removal of MIDAS user access for individuals listed. MIDAS is the central IT 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.

We found its monthly review of the termination list ineffective. Consistent with findings from our previous audits, we found former employees whose access to the Ministry's network and IT systems was not promptly removed.

During 2018–19, user access for eight of 10 individuals (2017–18, eight of 10) we examined had a request sent by the Ministry to remove network access between six to 140 days after an individual's last day of employment (2017–18, 15 to 100 days).[17]

Not promptly removing user access increases the risk of unauthorized individuals accessing the Ministry's IT systems and sensitive data.

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[17] Requests related to network access are sent to the Ministry of Central Services.

Chapter 3
Public Service Commission—Centrally Managing and Securing MIDAS HR/Payroll

1.0 MAIN POINTS

The Public Service Commission manages the Government's human resources and payroll IT systems (MIDAS HR/Payroll) for 34 government ministries and agencies with approximately $1 billion in annual payroll expenses. Annually, we complete specified auditing procedures to support our integrated audits of agencies that use MIDAS HR/Payroll.

The Commission uses third-party service providers to help manage and host its payroll systems. The Commission did not agree in writing on a deadline for receiving the annual audit report on security controls with the service provider responsible for hosting the online portal access for government employees (i.e., PSC Client). The Commission received the January to December 31, 2019 report timely (i.e., on March 6, 2020), but it did not receive reports timely for the prior three years.

Clear written deadlines could help the Commission consistently receive timely information to monitor security controls for PSC Client and its data.

Without timely information to monitor security controls at its key service providers, the Commission may be unaware of control deficiencies that could allow unauthorized disclosure of, or changes to, payroll data.

2.0 INTRODUCTION

This chapter contains the results of specified procedures about the Public Service Commission's central controls used to manage and secure the human resource and payroll systems and data (MIDAS HR/Payroll) for the 12-month period ending December 31, 2019. **Section 4.0** sets out our approach and lines of inquiry.

We do this work annually to support our integrated audits of agencies that use MIDAS HR/Payroll to process and record payroll transactions. **Section 5.0** lists agencies using MIDAS HR/Payroll. These agencies rely on the Commission's controls to keep payroll and human resource systems and data appropriately managed and secure (i.e., controls to protect the integrity and availability of MIDAS HR/Payroll systems and data).

Without effective controls, someone could gain unauthorized access, obtain confidential information, inappropriately modify systems or data, or perform malicious acts that could affect system availability.

This engagement does not assess controls or processes at agencies that use MIDAS HR/Payroll.

2.1   Responsibility for MIDAS HR/Payroll

Under *The Public Service Act, 1998*, the Public Service Commission, as the central human resource agency for the Saskatchewan public service (e.g., ministries), delivers human resources services. This includes payroll, staffing, classification, and strategic support, including labour relations and organizational development.[1]

The Commission is responsible for MIDAS HR/Payroll; an IT application. MIDAS HR/Payroll helps the Commission and agencies using the application manage employee information (e.g., benefits, salary, job assignment, and training) and process payroll transactions. The Commission's Human Resource Service Centre, a centralized unit, provides employee, payroll, and benefit administration for ministries and other agencies using MIDAS HR/Payroll.

Agencies have certain responsibilities when using MIDAS HR/Payroll. For example, they are responsible for inputting and approving employee timecards in an IT system (PSC Client).[2] PSC Client is an online portal that gives government employees access to view their payroll and human resource data. They can access information such as their health benefits, entitlement reports, pay stubs, and T4s.

Each year, MIDAS HR/Payroll processes about $1 billion in payroll expenses. At December 2019, MIDAS HR/Payroll includes about 13,400 permanent full-time, permanent part-time, term, and labour service staff (with about 14,300 job assignments) employed primarily by government ministries.[3]

3.0   KEY FINDING AND RECOMMENDATION

3.1   Agreement for Receiving Report on Service Provider Controls Needed

> *We recommended the Public Service Commission agree in writing on a deadline with its service provider for receiving the annual audit report on security controls at the data centre hosting PSC Client.* (*2019 Report – Volume 2*, p.77, Recommendation 1; Public Accounts Committee has not yet considered this recommendation as of May 15, 2020)

> **Status—**Partially Implemented

The Public Service Commission has not agreed with its service provider on a deadline for receipt of the annual audit report on security controls at the data centre hosting PSC Client (i.e., the online portal for employees).

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[1] Public Service Commission, *2018-19 Annual Report*, p 3.
[2] Since 2017, employees input, and managers approve, time cards online using PSC Client.
[3] Public Service Commission payroll records.

In March 2019, the Commission requested its service provider include a deadline for the annual audit report in the maintenance agreement for PSC Client. The annual audit is of controls at the data centre for each calendar year (i.e., covers the period from January 1 to December 31 each year). The Commission advised us that as of April 7, 2020, it continues to negotiate an acceptable deadline with its service provider.

The Commission received the 2019 annual audit report from its service provider on March 6, 2020. This is a significant improvement from past years, when the Commission received reports in May 2019, May 2018, and August 2017.

Clear written deadlines can reduce the risk that the Commission does not receive timely information to enable sufficient monitoring of controls for PSC Client and its data. Without sufficient monitoring, the Commission may be unaware of control deficiencies (if any) that could allow unauthorized disclosure of, or changes to, PSC Client data.

4.0 SCOPE OF WORK AND APPROACH

This chapter is based on specified procedures. Such procedures do not constitute an audit engagement in that they are not designed to enable concluding on the overall effectiveness of the Commission's central controls to manage and secure MIDAS HR/Payroll.

Rather the specified procedures, at minimum, covered work related to the control objectives in **Figure 1**. We based the objectives on the control framework included in COSO's Internal Control-Integrated Framework and the Trust Services Principles, Criteria, and Illustrations, as well as international standards, literature, and reports of legislative auditors.[4,5] The Commission's management agreed they were reasonable.

Figure 1—Control Objectives

1. Payroll expenditures exist, are complete, properly recorded, and comply with the law
2. Disbursements are properly approved
3. Accrued payroll exists, is complete, and is correctly valued and recorded
4. Security controls operate as planned
5. Infrastructure and application change management processes are in place and followed
6. Access controls protect the system from unauthorized access
7. Agreements with outsourced service providers are in place and monitored

Adapted from COSO's Internal Control—Integrated Framework and Trust Services, Principles, Criteria and Illustrations.

We interviewed Commission staff involved in carrying out controls to manage and secure MIDAS HR/Payroll. We examined the Commission's agreements, plans, reports, and policies. We also tested selected accounting records and related data. We did not assess the effectiveness of controls or processes at the agencies that use MIDAS HR/Payroll.

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[4] The Committee of Sponsoring Organizations of the Treadway Commission *Internal Control–Integrated Framework*. www.aicpastore.com/content/media/producer_content/generic_template_content/Illustrative_Tools.jsp (25 March 2020).
[5] Chartered Professional Accountants of Canada and the American Institute of Certified Public Accountants (AICPA), *Trust Services Principles, Criteria, and Illustrations,* (2014).

5.0   LIST OF AGENCIES USING MIDAS HR/PAYROLL

The following agencies use MIDAS HR/Payroll as at December 31, 2019:

Ministries	**Certain Agencies**
Advanced Education	Apprenticeship and Trade Certification Commission
Agriculture	Financial and Consumer Affairs Authority
Central Services	Global Transportation Hub Authority
Corrections and Policing[A]	Innovation Saskatchewan
Education	Provincial Archives of Saskatchewan
Energy and Resources	Provincial Capital Commission
Environment	Public Service Commission
Executive Council	Saskatchewan Pension Plan
Finance	Saskatchewan Public Safety Agency
Government Relations	SaskBuilds Corporation
Health[B]	
Highways and Infrastructure	**Certain Legislative Offices**
Immigration and Career Training	Advocate for Children and Youth
Justice and Attorney General[A]	Chief Electoral Officer
Labour Relations and Workplace Safety	Conflict of Interest Commissioner
Parks, Culture and Sport	Information and Privacy Commissioner
Social Services	Legislative Assembly
Trade and Export Development	Ombudsman and Public Interest Disclosure Commissioner

[A] Includes Integrated Justice Services.
[B] Includes Roy Romanow Provincial Laboratory (RRPL), formerly the Saskatchewan Disease Control Laboratory, until its amalgamation with the Saskatchewan Health Authority in 2018-19.

Chapter 4
Saskatchewan Workers' Compensation Board

1.0 MAIN POINTS

Other than the need for better management of user access to its IT systems and data, the Saskatchewan Workers' Compensation Board (WCB) had effective rules and procedures to safeguard public resources as at December 31, 2019. WCB's 2019 financial statements were reliable and it complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

2.0 INTRODUCTION

The Board of WCB operates under the authority of *The Workers' Compensation Act, 2013*. WCB protects registered employers from lawsuits when a workplace injury happens. It provides guaranteed benefits and programs to injured workers in industries covered by the Act. It uses premiums paid by employers in covered industries to fund its costs. Premiums are based on a combination of the risk of incurring claims costs and the value of what is insured (employer payrolls).[1]

At December 31, 2019, WCB held total assets of $2.19 billion (2018: $1.97 billion), which included investments of $2.15 billion (2018: $1.92 billion). It had liabilities of $1.58 billion (2018: $1.53 billion), including workers compensation benefits liability of $1.33 billion (2018: $1.28 billion).

During 2019, WCB generated comprehensive income of $170 million (2018: comprehensive loss of $154 million), comprised of revenue of $545 million (2018: $215 million) and expenses of $375 million (2018: $369 million).[2]

3.0 AUDIT CONCLUSIONS

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of the Saskatchewan Workers' Compensation Board. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.

In our opinion, for the year ended December 31, 2019:

> **The Saskatchewan Workers' Compensation Board had effective rules and procedures to safeguard public resources except for the matter reported**

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[1] Saskatchewan Workers' Compensation Board *2018 Annual Report*, p.8.
[2] This will refer to the 2019 annual report of the Saskatchewan Workers' Compensation Board at www.wcbsask.com/.

➢ **The Saskatchewan Workers' Compensation Board complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Workers' Compensation Act, 2013	*The Executive Government Administration Act, 2014*
The Workers' Compensation Board Pension Implementation Act	*The Pension Benefits Act, 1992*
	The Members' Conflict of Interest Act
The Financial Administration Act, 1993	*The Income Tax Act (Canada)*
The Occupational Health and Safety Act, 1993	Regulations and Orders in Council pursuant
The Crown Employment Contracts Act	to the above Legislation

➢ **The Saskatchewan Workers' Compensation Board 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 WCB'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 FINDING AND RECOMMENDATION

4.1   Better Management of User Access Needed

The Workers' Compensation Board needs to improve its processes for managing user access to its IT systems and data. WCB makes significant use of its IT systems to manage operations including recording premium revenues, paying claims, and preparing financial statements.

WCB did not adequately manage user access to its IT systems and data. We found WCB did not:

➢ Consistently remove access for terminated users on a timely basis as access was removed up to one month after termination

➢ Perform its periodic IT user access review to assess validity of user accounts as specified in its policy

➢ Properly manage settings for user accounts

Not having proper account management practices could result in not promptly removing unneeded user access and increases the risk of unauthorized access to WCB's IT systems and data, including access to confidential information, and of inappropriate modifications to IT systems or data. Unauthorized access or modifications could result in incorrect premium revenues being collected and/or recorded, incorrect claims being paid and/or recorded, and/or inaccurate financial statements.

1. **We recommend the Saskatchewan Workers' Compensation Board follow its documented procedures for managing user access to its IT systems and data.**

Chapter 5
School Divisions

1.0 MAIN POINTS

This chapter summarizes the results of the 2018–19 annual audits of the 27 school divisions. The 2018–19 financial statements of each of these school divisions are reliable, and each complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Twenty-four of the 27 school divisions had effective rules and procedures to safeguard public resources. Northern Lights needs to prepare and review financial reports for school–generated funds. Northwest needs to independently review and approve monthly bank reconciliations and journal entries. Sun West needs to test its IT disaster recovery plan.

Also, in 2018–19, Lloydminster Public improved its financial-related controls and implemented previous recommendations.

2.0 INTRODUCTION

Over 186,000 students attend more than 760 provincially funded schools each day.[1] *The Education Act, 1995* and related regulations set out the roles and responsibilities of the Ministry of Education and Saskatchewan's 27 school divisions.

Elected boards of education (school boards), including the Conseil scolaire fransaskois (French language schools), are responsible for administering and managing provincially funded schools (i.e., public, separate, or French language). **Figure 1** provides the combined financial results of the 27 school divisions for 2017–18 and 2018–19.

Figure 1—School Divisions' Combined Financial Results

	2018–19	2017–18
	(in billions)	
Net Financial Assets[A]	$ 0.2	$ 0.2
Non-financial Assets[B]	$ 2.4	$ 2.4
Grants from the Ministry of Education	$ 1.9	$ 1.6
Property Taxes	$ 0.1	$ 0.3
Other Revenue (e.g., school generated funds, tuition)	$ 0.1	$ 0.2
Total Revenue	$ 2.1	$ 2.1
Total Expense	$ 2.2	$ 2.2
Annual (Deficit) Surplus	$ (0.1)	$ (0.1)

Source: Audited school division financial statements years ending August 31.
[A] Net financial assets are financial assets (like cash and receivables) less liabilities (like accounts payable and debt).
[B] Non-financial assets includes capital assets such as schools and busses.

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[1] publications.saskatchewan.ca/#/products/103519 (17 January 2020); Provincially funded schools do not include schools under the responsibility of First Nations or private schools.

3.0 AUDIT CONCLUSIONS

Our Office worked with appointed auditors to carry out the annual integrated audits of the school divisions. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.* See **Appendix 2** for the name of each school division and its appointed auditor.

In our opinion, for the year ended August 31, 2019:

➢ **Each school division complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

> *The Education Act, 1995*
> *The Education Regulations, 2015*
> *The School Division Administration Regulations*
> *The Education Property Tax Act*
> *The Financial Administration Act, 1993* (section 38)
> *The Pension Benefits Act, 1992* (section 44)
> *The Pension Benefits Regulations, 1993* (section 38)
> *Pension Benefit Standards Regulations, 1985* (Canada) (sections 9[1], 11[1])

➢ **The financial statements of each school division are reliable**

➢ **Each school division had effective rules and procedures to safeguard public resources except for the matters related to the following school divisions: Northern Lights, Northwest, and Sun West**

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 each school division'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.

As school divisions' expenses consist primarily of payroll and other goods and services, each audit included examining processes for preparing and processing payroll, and ordering, paying for, and receiving goods and services. Also, as each school division uses IT systems to operate, we examined school divisions' processes to safeguard financial-related IT systems and data.

4.0 KEY FINDINGS AND RECOMMENDATIONS BY SCHOOL DIVISION

4.1 Northern Lights School Division No. 113

Financial Reports for School-Generated Funds Not Prepared

During 2018–19, Northern Lights School Division No. 113 did not prepare monthly bank reconciliations and financial reports for all school–generated funds (e.g., student fees,

proceeds from fundraising activities). Audit testing found that one school did not prepare these reconciliations and reports as expected. At August 31, 2019, Northern Lights reported school-generated funds revenue of $1.0 million and related expenses of $1.0 million.

Not regularly preparing and reviewing financial reports for school-generated funds increases the risk that money may be misappropriated, inappropriate expenses may be incurred, and revenues recorded in the financial statements may not be complete.

1.   **We recommend Northern Lights School Division No. 113 prepare and review monthly bank reconciliations and financial reports for school– generated funds.**

4.2   Northwest School Division No. 203

Independent Review and Approval of Bank Reconciliations Needed

Northwest School Division No. 203 did not independently review and approve monthly bank reconciliations.

Regular reconciliations, and the review and approval of such reconciliations, checks that all charges to bank accounts are proper and all money has been received and deposited into the right accounts. It also checks the accuracy and reliability of the accounting records.

2.   **We recommend Northwest School Division No. 203 independently review and approve monthly bank reconciliations.**

Independent Review and Approval of Journal Entries Needed

Northwest did not independently review and approve journal entries. Audit testing identified some journal entries made by staff were not independently reviewed and approved.

Lack of independent review and approval increases the risk of unauthorized entries made into the accounting records which could result in decision–makers using inaccurate financial information.

3.   **We recommend Northwest School Division No. 203 independently review and approve journal entries.**

4.3   Sun West School Division No. 207

Disaster Recovery Plan Not Complete

We recommended Sun West School Division No. 207 formally document its IT disaster recovery plan. (2017 Report – Volume 1, p. 22, Recommendation 2; Public Accounts Committee agreement June 12, 2018)

Status—Partially Implemented

In January 2019, Sun West School Division No. 207 finalized and approved a disaster recovery plan. However, Sun West has not yet tested its disaster recovery plan.

Without a tested disaster recovery plan, Sun West does not know if the approved disaster recovery plan works as expected—increasing the risk of not being able to deliver its programs and services if disruption or damage occurred to its IT systems.

5.0 IMPLEMENTED RECOMMENDATIONS BY SCHOOL DIVISION

Figure 2 sets out by school division, past recommendations and highlights key actions taken to implement each of them during 2018–19.

Figure 2—Implemented Recommendations by School Division

Past Recommendation (Initial PAS Report, Date of Agreement of PAC)[A]	Key Actions Taken During 2018–19 to Implement Recommendation
Lloydminster Public School Division No. 99	
We recommended that Lloydminster Public School Division No. 99 independently review and approve monthly bank reconciliations. (*2019 Report – Volume 1*, p. 17, Recommendation 1; Public Accounts Committee agreement September 25, 2019)	During 2018–19, Lloydminster Public independently reviewed and approved monthly bank reconciliations.
We recommended that Lloydminster Public School Division No. 99 independently review and approve journal entries. (*2019 Report – Volume 1*, p. 17, Recommendation 2; Public Accounts Committee agreement September 25, 2019)	During 2018–19, Lloydminster Public independently reviewed and approved journal entries.

[A] PAS – Provincial Auditor Saskatchewan
PAC – Standing Committee on Public Accounts

Performance Audits

Chapter 6
eHealth—Securing Portable Computing Devices

1.0 MAIN POINTS

Portable computing devices (e.g., laptops, smartphones) create security risks for an organization because they are attractive targets for attackers, may become infected with a virus or malware, and are easy to lose.

This chapter reports on the processes eHealth Saskatchewan had to secure health information on portable computing devices from unauthorized access.

At August 2019, eHealth had effective processes, other than in the following areas, to secure health information on portable computing devices. eHealth needs to:

➢ Adequately configure portable computing devices

Unsupported and unencrypted laptops make it easier for an attacker to gain access to information stored on the device. Inappropriate security settings on portable computing devices can expose the device, and the eHealth IT network to viruses and malware.

➢ Regularly train staff on the security threats associated with portable devices

Uninformed staff are susceptible targets who may click on something that they should not, infecting their device with malware or a virus. This creates a potential access point for malicious software into the eHealth IT network.

➢ Take appropriate action when devices are reported as lost or stolen

Not properly wiping mobile devices or removing laptops from the eHealth IT network if lost or stolen increases the risk of unauthorized access to private and confidential health information on the device and into the network.

➢ Sufficiently control and monitor the eHealth IT network access to detect and prevent malicious activity

Portable devices create attack paths to corporate networks. Controlling and monitoring the eHealth IT network access helps mitigate the impact of security breaches.

Having proper controls over portable computer devices reduces the risk of security breaches including having personal health information fall into the wrong hands.

2.0 INTRODUCTION

Portable devices includes smartphones, personal digital assistants, tablets, and laptops. The audit looked at processes for portable devices with the ability to access IT systems for which eHealth is responsible.

2.1 eHealth Saskatchewan—Responsible for Security of Portable Devices

A cabinet-appointed Board oversees eHealth Saskatchewan. The Board is accountable to and reports to the Minister of Health.

eHealth is responsible for managing critical IT services used to administer and deliver health care services in Saskatchewan. This includes responsibility for Saskatchewan's electronic health record and health information systems, and IT systems in use at the Saskatchewan Health Authority, Saskatchewan Cancer Agency, and 3sHealth.[1,2] The Authority has more than 40,000 employees and over 2,500 physicians.[3]

Since the consolidation of the province's health regions into a single Authority in January 2017, eHealth has been working to consolidate IT services into a single service provided by eHealth.[4]

The December 4, 2017 Operating Agreement for Interim Services with the Authority clearly makes eHealth responsible for managing laptops and mobile devices (e.g., smart phones and tablets) used in the management and delivery of provincial health services. **Figure 1** sets out some of eHealth's specific responsibilities under this agreement. This Agreement remains in effect at January 2020.

Figure 1—eHealth's Responsibilities under December 4, 2017 Operating Agreement for Interim Services

eHealth agrees to provide:

➢ Computer and Peripheral Setup: eHealth will purchase and supply computers and related equipment. Additionally, eHealth will manage workstations (e.g., laptops) through standard images and updating processes.

➢ Mobile Device Management: eHealth will purchase, setup, and manage smart phones for authorized staff, and configure mobile devices to access email and calendars.

➢ Information Security: eHealth will keep devices up-to-date against registered security threats and vulnerabilities (e.g., anti-virus, anti-malware, patching).

As of August 2019, eHealth had about 340 staff. Its Technology program area is responsible for the configuration and security settings applied to portable computing devices. Its IT Security team is responsible for monitoring the security of the eHealth IT network. This network houses critical IT health systems and data essential to the management and delivery of provincial health services, along with a significant amount of other private and confidential data (e.g., vital statistics and provincial health card information).

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[1] Saskatchewan Order-in-Council 734-2010.
[2] In addition, eHealth is responsible for administering and operating the *Vital Statistics Act* (2009), the *Change of Name Act* (1985), and the Health Registration Registry. It also has responsibility for procuring, implementing, owning, operating or managing other health information systems.
[3] We refer to these individuals as Authority staff in this report.
[4] www.saskatchewan.ca/government/news-and-media/2017/january/10/transition-to-single-provincial-health-authority-underway (03 February 2020).

2.2   Risks Associated with Use of Portable Computing Devices

Portable devices are attractive targets for attackers. Therefore, effective management of device security is essential. Portable devices present many risks to an organization including, but not limited to:

➢   Use of portable devices give individuals wireless access to IT systems and data (that is, do not require physically connecting to a corporate IT network). Wireless networks are typically less secure than wired networks.[5] Sending data via a wireless network creates an opportunity for data to be intercepted before it arrives at its intended destination.

➢   Portable devices' use of public Wi-Fi increases the risk of infecting portable devices with a virus or malware. Without appropriate safeguards, an infected device connecting to a corporate IT network can risk infecting an organization's IT network or portion thereof. Addressing infected IT networks takes time and resources and may affect the availability of IT systems and data.

➢   Portable device users do not always encrypt documents or data on their devices. Unencrypted information stored on the device is easily obtainable if an attacker gains physical or wireless access to the device (e.g., through theft of the device or through hacking the device).

➢   The small size of mobile devices make them easier to lose or be taken. Attackers using improperly managed portable devices have a greater likelihood of gaining unauthorized access to the corporate network.

Almost 13,000 (over 30 percent) healthcare providers (including physicians) can access provincial health IT systems through the use of portable devices (e.g., laptops). They use this access to help them manage and deliver health services. These devices can access or may also store private and confidential health information.

Without proper controls over portable computing devices, eHealth risks security breaches including personal health information, falling into the wrong hands. Security breaches may impact eHealth's ability to provide health agencies with access to IT systems and data necessary for effective health service delivery. Unavailable IT systems can in turn affect the ability of the health sector to provide adequate and timely care, and diagnosis to patients.

3.0   AUDIT CONCLUSION

We concluded, for the 12-month period ended August 31, 2019, eHealth Saskatchewan had effective processes, except in the following areas, to secure health information on portable computing devices used in delivery of Saskatchewan health services from unauthorized access.

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[5] Mobile devices use wireless networks (e.g., Wi-Fi) to send data between devices.

eHealth needs to enhance and standardize the configuration settings for its portable computing devices. This will mitigate the risk of unauthorized access, breach, or interrupted service through nefarious activities carried out on portable devices.

eHealth also needs to keep staff sufficiently informed of security threats associated with portable devices and take appropriate action when devices are reported as lost or stolen.

Portable computing devices connecting to corporate IT networks creates attack paths for security threats. eHealth needs to sufficiently monitor its network to detect and prevent malicious activity and adequately mitigate impact to its network in the event of an attack.

Figure 2—Audit Objective, Criteria, and Approach

Audit Objective: Assess the effectiveness of eHealth Saskatchewan's processes during the 12-month period ending August 31, 2019 to secure health information on portable computing devices used in the delivery of Saskatchewan health services from unauthorized access.

Audit Criteria: Processes to:

1. Plan to secure portable computing devices against security threats
   1.1 Identify risks associated with giving portable computing devices access to systems and data of eHealth and its stakeholders (e.g., Saskatchewan Health Authority, Saskatchewan Cancer Agency)
   1.2 Maintain approved policies and related security requirements that address identified risks (e.g., access control rules, data retention, encryption)
   1.3 Annually train users of authorized portable computing devices on applicable policies and procedures, and consequences for not adhering to them

2. Enforce policies and procedures
   2.1 Grant access only to portable computing devices that are compatible with eHealth's systems and data and required for a business purpose
   2.2 Centrally monitor whether authorized portable computing devices comply with eHealth's security requirements (e.g., centrally track, configure, and update devices, remote wipe lost devices) and are used for business purpose
   2.3 Apply adequate access control rules
   2.4 Maintain up-to-date anti-virus and anti-malware on authorized portable computing devices
   2.5 Store and transmit data securely (e.g., backups, encryption)

3. Detect unauthorized portable computing devices
   3.1 Routinely review security logs
   3.2 Follow effective incident management processes (e.g., help desk, breach response)
   3.3 Address identified security threats and policy non-compliance (e.g., revoke access of mobile device) within a reasonable timeframe

Audit Approach: To conduct this audit, we followed the standards for assurance engagements published in the CPA Canada Handbook—Assurance (CSAE 3001). To evaluate eHealth's processes, we used the above criteria based on related work, reviews of literature, and consultations with management. eHealth's management agreed with the above criteria.

Our examination included discussions with eHealth staff, as well as IT staff of the Saskatchewan Health Authority located in Regina and Saskatoon. We examined policies and procedures related to securing and configuring portable computing devices that can connect to the eHealth IT network. We hired an external consultant to assess the configuration of six portable computing devices (i.e., three laptops configured by Regina, Saskatoon, and eHealth and three smartphones deployed from Regina, Saskatoon, and eHealth) against good practice. We also tested a sample of portable computing devices provisioned to eligible users, and a sample of incident reports.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Security Policies over Portable Computing Devices Generally Reasonable

IT security policies for portable computing devices in use in the provincial health sector generally include sufficient and appropriate high-level direction, even though they vary somewhat in form and content.

At August 2019, eHealth had not yet established a common set of IT security policies for healthcare IT systems which it assumed responsibility for under the January 2017 decision to consolidate IT services into eHealth.[6]

Instead of eHealth mandating the use of its IT security policies for securing portable devices, it allowed agencies with IT staff that had not transitioned into eHealth to continue to use the IT security policies of their agency or former health region. At August 2019, IT staff of the Saskatchewan Health Authority who were part of the former Regina Qu'Appelle and Saskatoon health regions had not yet transitioned to eHealth. In the intervening period, eHealth must continue to identify and mitigate vulnerabilities because of variations in practice.

Figure 3—Breakdown of Number of Portable Computing Devices Accessing the eHealth IT Network by Type and Device Owner as of August 2019

Device Owner	Laptops		Mobile Devices [A]	
	Number of	% of Total	Number of	% of Total
eHealth	227	2.9%	125	2.4%
Ministry of Health, 3sHealth, the Saskatchewan Cancer Agency, and the Saskatchewan Health Authority (other than Regina Qu'Appelle and Saskatoon)	2,816	31.4%	2,408	27.9%
Saskatchewan Health Authority (Former Regina Qu'Appelle health region)	2,394	28.7%	1,472	24.1%
Saskatchewan Health Authority (Former Saskatoon health region)	2,189	37%	1,273	45.6%
	7,626	100%	5.278	100%

Source: Information provided eHealth Saskatchewan.
[A] Mobile devices include smartphones, personal digital assistants, and tablets.
eHealth directly manages the devices noted in the gray-shaded cells.

As shown in **Figure 3**, eHealth directly managed less than one-half of portable devices accessing eHealth's IT network. Also, at least three sets of IT security policies were in use. That is:

➢ eHealth is using its policies for the portable devices it owns and for those it centrally manages on behalf of others (e.g., former health regions).

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[6] The consolidation of IT services into eHealth includes transitioning IT staff of the various health agencies into eHealth.

➤ The Authority's staff located within the former Regina Qu'Appelle and Saskatoon health regions each use the policies of the former health regions for their portable devices.[7] eHealth expected IT staff to transition into eHealth by January 2020. However, at February 2020, this transition was not yet complete. eHealth noted the transition is taking longer than it anticipated.

Our review of three sets of IT security policies for portable devices found, while variations exist, each had reasonable policies that were generally in line with good practice (e.g., ISO 27002). Each set included direction on user access, storing data, setting passwords, and having anti-virus and anti-malware software.

We also found each set of policies were sufficiently accessible with electronic copies available via the related intranet. In addition, we found the procedures for laptop users to contact the help desk to reset their passwords reasonable.

Consolidating all IT security policies into a single set of overarching policies would reduce complexity and inconsistencies.

We found variations existed in standard configuration settings applied to portable devices (e.g., password requirements, encryption requirements). A few of these variations did not align with good practice. For example, see **Section 4.3** (for laptops) and **Section 4.4** (formobile devices) about making sure portable devices with access to the eHealth IT network are appropriately configured.

4.2 More Frequent User Awareness Training Needed for Users of Portable Computing Devices

eHealth has not set minimum confidentiality and privacy training requirements for individuals accessing the eHealth IT network through use of portable computing devices.

As shown in **Figure 3**, the staff of the Saskatchewan Health Authority account for the majority of individuals accessing the eHealth IT network through use of portable devices.

eHealth and the Authority each have their own user awareness security training programs. At August 2019, the Authority had staff in about 40,000 full-time equivalent positions (FTEs); eHealth had about 340 FTEs.

We found the content of each training program sufficient for users accessing the eHealth IT network through use of portable devices. For example, both training programs include information on protecting personal health information (e.g., protecting portable devices from theft, loss, or unauthorized disclosure of information), and acceptable use of portable devices (e.g., do not access websites with known malicious software such as pornographic or illegal video streaming sites).

In addition, both eHealth and the Authority require staff to complete a test on the training received to show their awareness.

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[7] Saskatchewan Health Authority continues to own portable computing devices and had voluntarily adopted the same anti-virus/anti-malware technology as eHealth.

However, the frequency of the training differs. We found:

➢ Consistent with good practice, eHealth requires its staff to complete confidentiality and privacy training each year.[8] In addition, eHealth requires staff to annually acknowledge their compliance with eHealth's code of conduct including acceptable use of IT assets.

➢ The Authority is aiming to have staff complete training every three years. The Authority's goal is to have 21,900 staff (of its over 40,000 staff) complete the training by March 31, 2020, and all staff complete the training by March 31, 2021. The Authority requires staff to sign a standard Confidentiality Agreement upon being hired; it refers to its security policies and procedures.

eHealth has not asked the Authority to place priority on training Authority staff using portable devices accessing the eHealth IT network.

As of December 2019, we found all eHealth staff completed the training for the 2019-20 fiscal year, and about 21,400 Authority staff completed the training. As **Figure 4** explains training reinforces user awareness of good security practices to limit the risk of significant incidents and to protect the eHealth IT network from attacks (e.g., malware).

Figure 4—Importance of IT Security Awareness Training

> Training reinforces that hackers are particularly interested in sensitive and confidential information (like health data). It helps staff know, while having an anti-virus program is an important first step, anti-virus programs cannot always protect from a user's computer behaviors like clicking on harmful links or failing to update software. Informed staff are less likely to open email attachments containing malware, or download applications that can infect a device which in turn may impact a corporate IT network.

Source: Brodie, Cindy. (2008). The Importance of Security Awareness Training. (www.sans.org/reading-room/whitepapers/awareness/importance-security-awareness-training-33013). (04 February 2020).

The importance of awareness training is higher for staff using portable devices because those devices can pose security risks beyond those of wired computers. Awareness training informs device users of security threats and vulnerabilities associated with their devices. Informed staff are more likely to keep the operating systems of devices up-to-date, limit the data kept on their devices, use a strong password, and report lost/misplaced devices immediately.

Furthermore, IT security threats and vulnerabilities can change quickly with confidential and private information (like health information) increasingly the target of attacks. These factors increase the importance of providing training sufficiently frequently to keep device users informed about the latest malware.

1. **We recommend eHealth Saskatchewan work with the Saskatchewan Health Authority to implement an annual security awareness training program for users of portable computing devices with access to the eHealth IT network.**

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[8] www.isaca.org/resources/isaca-journal/past-issues/2011/jonline-impact-of-security-awareness-training-components-on-perceived-security-effectiveness (04 February 2020).

4.3 Robust Plan to Mitigate Laptops Security Threats and Vulnerabilities Needed

eHealth's plan to manage health sector laptops is not sufficiently robust. It does not contain sufficient detail on how to mitigate security threats and the vulnerabilities of laptops with access to the eHealth IT network. This network houses critical IT health systems and data essential to the provincial delivery of health services.

Since December 2017 (through the Operating Agreement for Interim Services with the Saskatchewan Health Authority), eHealth has been responsible for keeping Authority laptops up-to-date against security threats and vulnerabilities. Yet, at August 2019, eHealth directly managed only about one-third of laptops with access to the eHealth IT network (about 3,000 laptops). The Authority managed the rest.

Anti-virus and anti-malware software used: eHealth is actively managing the use of anti-virus and anti-malware software. Good practice suggests the use of such software as one of many lines-of-defence to safeguard against security threats.

We found eHealth gave Authority IT staff direction about approved versions of anti-virus and anti-malware to deploy onto laptops, and when to apply laptop operating system security updates. We found anti-virus, anti-malware, and patches applied to both eHealth and Authority laptops was up-to-date.

Central management plan contingent on timing of transition of all IT staff: As of August 2019, eHealth has documented plans to centrally manage all laptops with access to the eHealth IT network. Plans include expanding its current use of a central configuration manager program (i.e., Microsoft's System Centre Configuration Manager [SCCM]) once the transition of IT staff from the Authority into eHealth is complete. As **Figure 5** describes using configuration manager programs, like SCCM, can help manage and configure large number of laptops efficiently and consistently.

Figure 5—Brief Description of Microsoft's System Centre Configuration Manager (SCCM)

SCCM allows IT staff to manage a large number of Windows-based computers. SCCM features remote control, patch management, operating system (e.g., Windows) deployment, and other various services. SCCM can roll out anti-virus and anti-malware updates, operating system security updates and patches, and security configurations to laptops in a consistent manner.

Source: www.computerhope.com/jargon/s/sccm.htm. (04 February 2020).

Provisioning processes followed: At August 2019, at least three sets of laptop provisioning processes, and standard configuration settings were in place (e.g., eHealth, Saskatchewan Health Authority—former Regina Qu'Appelle health region [Regina], and Saskatchewan Health Authority—former Saskatoon health region [Saskatoon]).

Our testing of 30 laptops provisioned during the 12-month period ending August 2019 found supervisors properly approved providing staff with corporate laptops, consistent with the relevant provisioning process.

Configuration settings vary: At August 2019, our review of each set of standard laptop configuration settings, and test of three laptop configurations found the configuration and

operating systems on eHealth-managed, Regina–managed, and Saskatoon-managed laptops varied.

We also found eHealth did not have sufficient plans to mitigate security threats and vulnerabilities associated with these variations in configurations and operating systems—in particular security threats and vulnerabilities associated with the following:

➢ Unencrypted laptops

➢ Laptops using unsupported operating systems

➢ Unrestricted USB ports or CD/DVD burners on laptops

Risks associated with unencrypted laptops not mitigated: We found over 80 percent of the laptops with access to the eHealth IT network are not encrypted. When eHealth configures a laptop, it encrypts the laptop; whereas Regina and Saskatoon do not.

As of January 2020, eHealth does not have plans to encrypt all laptops with access to the eHealth IT network.

Our testing of the strength of laptop configuration for each organization found two laptops were not set up in a way to stop unauthorized access to data stored on the laptop, primarily because of the lack of encryption.

From September 2018 to August 2019, eHealth staff and the Authority staff in Regina and Saskatoon reported 49 incidents of stolen or lost laptops. We noted one instance where an unencrypted laptop was stolen that contained personal health information.[9]

Protecting laptops through encryption helps reduce the risk of compromise in the event that the laptop is lost or stolen. In addition, encrypted laptops could protect eHealth from unauthorized individuals gaining access to locally stored passwords and the eHealth IT network.

Risks associated with unsupported operating systems not mitigated: eHealth is aware that over 80 percent of laptops with access to the eHealth IT network use Microsoft's Windows 7 Operating System (an unsupported operating system as of January 2020). Staff of the Authority use most of these laptops.

As of January 2020, eHealth had not determined when or how much it would cost to upgrade the operating systems of these laptops and/or replace the laptops. In addition, it had not determined who is responsible for the related costs.

Microsoft no longer supports its Windows 7 Operating System as of January 14, 2020 (i.e., no longer provides security patches or updates). Security patches and updates provide protection against known vulnerabilities.

Laptops using operating systems that exceed their end-of-support dates are susceptible to compromise and failure. Without regular security patches and updates, these laptops are vulnerable to unauthorized access, resulting in an increased risk of malware and

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[9] This incident was reported to the Office of the Saskatchewan Information and Privacy Commissioner.

ransomware attacks successfully breaching data (like personal health information). In addition, not keeping laptops sufficiently secure can place IT systems on the eHealth IT network at risk.

Risks associated with use of USB ports and CD/DVD burners not mitigated: in August 2019, we found laptops in use by the Authority staff in Regina and Saskatoon with CD and DVD burners installed and operating. Good practice views USBs, CDs, and DVD burners as insecure tools.

eHealth did not have plans to limit the use of USBs, CDs, or DVD burners in laptops. Rather it permits the use of any USB device on laptops with access to the eHealth IT network. It allows the purchase of laptops with CD/DVD burners installed, and does not require restricting access to only staff with documented business needs.

We recognize situations may exist where staff have a business need for using these unsecured tools. For example, certain units in the hospitals may require access to DVD burners where clinical applications are only compatible with provided data on a DVD. Good practice treats such situations as exceptions, and only grants access to these unsecure tools after identifying and documenting business need, and taking appropriate mitigation steps (e.g., training and supervision).

Blocking the USB ports can prevent devices from downloading data, or uploading malicious software and tools. USBs, CD's and DVD's can store large amounts of data. Disabling use of USB ports or CD/DVD burners can prevent a means to copy confidential data from the laptop. Appropriately restricting users from transferring data via portable devices can control sensitive and confidential health information from leaving the care and control of eHealth.

2. **We recommend eHealth Saskatchewan implement a written risk-informed plan to protect laptops with access to the eHealth IT network from security threats and vulnerabilities.**

Because eHealth is managing IT systems and data on behalf of various health agencies, it must also ensure a clear understanding exists over the responsibilities of each party for these activities including who is responsible for the costs of them. As shown in **Figure 3**, staff of the Authority use most of the laptops with access to the eHealth IT network. See **Chapter 3** of our *2019 Report —Volume 2* (p. 29) about eHealth's need for an adequate service level agreement with the Authority. At January 2020, such an agreement was not yet in place.

4.4   Central Management of Mobile Devices Needed

eHealth does not have a plan to properly secure corporate-owned mobile devices (e.g., smart phones, and tablets) with access to the eHealth IT network.[10] As previously noted, this network houses critical IT health systems and data essential to the management and delivery of provincial health services.

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[10] Each organization with access to the eHealth IT network (i.e., eHealth, Saskatchewan Health Authority, 3sHealth, Saskatchewan Cancer Agency, and the Ministry of Health) owns their own corporate mobile devices.

Since December 2017, eHealth is responsible for about 5,000 mobile devices. As of August 2019, it only directly manages about 125 mobile devices. Other health sector agencies (e.g., Saskatchewan Health Authority) own and manage the rest. Corporate-owned mobile devices have access to email, contacts, and calendars only.

At least three sets of mobile device provisioning processes, and standard configuration settings were in place (e.g., eHealth, Saskatchewan Health Authority—former Regina Qu'Appelle health region [Regina], and Saskatchewan Health Authority—former Saskatoon health region [Saskatoon]). We tested three sets of mobile device provisioning processes, and standard configuration settings.

Provisioning processes followed: Our review found each set requires a supervisor approval before staff receive a mobile device. eHealth manages the mobile devices it owns, and the Authority manages the mobile devices that it owns. Each respective party pays for the mobile devices it owns.

Our testing of 30 mobile devices granted during the 12-month period ending August 2019 found supervisors properly approved providing corporate mobile devices to staff, consistent with the relevant provisioning processes.

Configurations vary: Our review of each mobile device configuration settings, and testing of each mobile device configurations found both similarities and variations.

We found the following similarities:

➢ Each used a standard configuration setting to set up their corporate mobile devices, and how they accessed the eHealth IT network.

➢ Each enabled GPS tracking on corporate mobile devices.

➢ Each can wipe a device in the cases where the corporate mobile device is lost or stolen (wiping a device makes data stored on the device unreadable and inaccessible).

➢ Each expected users of corporate mobile devices to accept and apply patches and updates to their device's operating systems as issued by vendors (e.g., Apple, Samsung).

➢ Both eHealth and Regina used a mobile device management system (albeit different ones) to help manage their corporate mobile devices; Saskatoon did not.

We also identified the following differences in the configuration of corporate mobile devices; some of which do not align with good practice:

➢ **Not all jailbroken/rooted devices blocked**:[11] Consistent with good practice, two of the three configurations were set to block devices that have been jailbroken or rooted; this was done through the use of a mobile device management system. One mobile device configuration did not have the capability to block this activity, as a mobile device management system was not used.

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[11] Jail Break / Rooting: Bypassing the restrictions placed on the mobile device by the manufacturer. With a jailbroken mobile device, you can install apps and setting changes not authorized by the manufacturer. Additionally, you remove the default security protections built into the mobile device by the manufacturer.

A jailbroken mobile device allows users to bypass manufacturer restrictions and security protections on their smartphones, thereby exposing the devices, and the eHealth IT network to viruses and malware.

At January 2020, eHealth did not have a documented plan to move towards a central mobile device management system.

➢ **Password settings do not align with good practice**: Two of the three standard configuration settings require a minimum password Personal Identification Number (PIN) of four characters. Good practice recommends six characters.

At August 2019, eHealth had not set minimum password requirements for all corporate mobile devices with ability to access the eHealth IT network.

➢ **Unlimited downloading of applications allowed**: All three of the standard configuration settings did not limit the number of or types of applications users can download onto corporate mobile devices. None restricts applications to those with a business purpose (e.g., no social media, no games) or requires users to seek approval before downloading applications.

Good practice recommends restricting which applications may be installed and from where.[12] Allowing downloading of unapproved applications increase the risk of users installing malware on corporate mobile devices. Devices infected with malware can pose a security risk to the organization, its corporate network, and data.

At August 2019, eHealth did not have plans to place limits on applications users can download.

➢ **Auto Lock setting too lengthy**: One of the three standard auto-lock settings is set to one hour instead of a shorter timeframe; good practice suggests a short-period of time (e.g., five minutes).[13]

Auto-lock automatically closes the display on a mobile device when it remains idle. Automatically closing the display minimizes risk of snooping, and requires a user to re-enter the devices password to unlock the device. With a long auto-lock period, a user may leave their mobile device unattended and unlocked, increasing the risk of loss of sensitive data.

At August 2019, eHealth did not have plans to enforce a consistent auto lock setting for all mobile device users.

➢ **Containerization Not Used**:[14] Neither eHealth nor the Authority use containerization to separate users' personal usage from their corporate usage even though both allow staff to use corporate mobile devices as their personal devices.

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[12] nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-124r1.pdf. (05 February 2020).
[13] nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-124r1.pdf. (05 February 2020).
[14] Containerization creates a secure and segregated user profile from the staff's personal profile. This approach isolates applications and data specific to the organization from the staff's personal applications and data.

Co-mingling personal and corporate use on a device increases the risk of sharing sensitive data publicly, either intentionally or unintentionally. Best practice suggests use of containerization of corporate mobile devices to help secure corporate confidential data.

At August 2019, eHealth did not have plans to consider containerization.

Inconsistent configuration settings on mobile devices results in increased security risks. Well-configured security settings can protect the eHealth IT network from malicious software by limiting what users can access on their mobile devices through containerization, and applying restrictions on applications. Additionally, without appropriate password settings or security settings (e.g., auto-lock settings) lost or stolen mobile devices are a potential access point for malicious software into the eHealth IT network.

3. **We recommend eHealth Saskatchewan standardize the configuration settings for mobile devices with access to the eHealth IT network to mitigate associated security threats and vulnerabilities.**

Organizations can efficiently enforce consistent configuration of mobile devices through use of a central mobile device management system. Such a system provides corporate data segregation, email security, enforcement of configuration settings (e.g., password settings), device tracking (e.g., in instances of a lost or stolen device), and device usage. Additionally, it can be used to lock and wipe the hard drive of a device.

In addition, implementing a central mobile device management system and requiring staff to have their mobile devices registered on that system would help ensure only authorized users have access to corporate email, contacts, or calendars.

4. **We recommend eHealth Saskatchewan analyze the cost-benefits of use of a central mobile device management system to secure and monitor mobile devices with access to the eHealth IT network.**

4.5 Management of Personal Mobile Devices with Access to Corporate Information Needed

eHealth does not manage personal mobile devices with ability to access corporate email, contacts, and calendars only.

Neither eHealth nor the Saskatchewan Health Authority (Saskatoon) monitor whether users complete a registration with them before downloading ActiveSync on their personal device.[15] Even though, both require users who wish to register their personal devices on ActiveSync to complete an exemption form beforehand. ActiveSync gives users access to their corporate email.

We found eHealth does not know the number of and types of unmanaged personal mobile devices that remotely access corporate email via the eHealth IT network. We found 56 users at eHealth with ActiveSync downloaded on their personal devices who had not completed an exception form.

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[15] ActiveSync is a mobile data synchronization application developed by Microsoft. It synchronizes data with handheld devices and computers (desktop computers, or laptops).

Unmanaged mobile devices are not subject to minimum security settings (e.g., GPS tracking, wiping capability, passwords) in use for managed mobile devices. At times, corporate emails may contain private and confidential health information. If lost or stolen, unmanaged mobile devices present a risk of exposing confidential information. See **Recommendations 3** and **4** about having standardized configuration settings and central corporate management of all mobile devices with access to the eHealth IT network.

4.6 Lost and Stolen Portable Devices Not Always Acted On

Although adequate processes exist to appropriately minimize security risks associated with lost or stolen laptops and mobile devices, they are not always followed.

Consistent with its IT security policies, at August 2019, at least three sets of incident management policies were in place (e.g., eHealth, Saskatchewan Health Authority—former Regina Qu'Appelle health region, and Saskatchewan Health Authority—former Saskatoon health region).

Our review of three sets of incident management policies found they allowed for a quick and effective response to incidents including those involving portable devices with access to the eHealth IT network. In general, they require staff to promptly report details about the incident to a relevant IT department, and the IT department to address the incident and to document the actions taken. For example,

➤ For reported lost or potentially stolen laptops, IT staff are to remove the laptop from the eHealth IT network to prevent access to the network.

➤ For reported lost or potentially stolen mobile devices, IT staff are to cancel the mobile plan and wipe the device. Wiping a device makes data stored on the device unreadable and inaccessible.

For the twelve-month period ending August 2019, staff reported 14 incidents of lost or potentially stolen portable devices.

In three of 14 such incidents, IT staff did not take action consistent with the IT incident management policies. That is, the laptop's access to the eHealth IT network was not removed, or a lost mobile device was not wiped. For one other incident, IT staff did not keep evidence of action taken.

Not properly wiping the lost or stolen mobile device, or removing the lost or stolen laptop from the eHealth IT network increases the risk of unauthorized access to the network and private and confidential health information.

5. **We recommend eHealth Saskatchewan take appropriate action to minimize the risk of security breaches when a portable computing device is reported lost or stolen.**

4.7 Evaluation of IT Network Access Controls Needed

eHealth does not sufficiently control access to the eHealth IT network, nor has it evaluated the effectiveness of its network access controls.

eHealth does not restrict where users and devices can go on the eHealth IT network and what they can do.

Our testing of the security configuration of two of three laptops was able to bypass laptop security (e.g., compromise local administrative credentials) and gain access to the eHealth IT network. Therefore, the standard configuration settings used for the two laptops tested did not provide an effective level of protection from unauthorized access (see **Recommendation 2**).

To protect against the many ways an attacker may attempt to gain access to systems and data, good practices suggest the use of a defence-in-depth strategy. The principle of defence-in-depth is that layered security mechanisms increase security of the IT system as a whole. If an attacker causes one security mechanism to fail, other mechanisms may still provide the necessary security to protect the system. For example, establishing IT network access control restricts the access of users to only what they need, making it much harder for attackers to escalate privileges and take aim at vital assets (in the event a portable device is compromised). Good practice also suggests the use of network segmentation to limit movement across a network in the event an attacker gains unauthorized access to a network.

The connection of portable devices to corporate networks creates attack paths for security threats. The more portable devices that connect, the greater the risk of the corporate network being breached. Controlling IT network access helps mitigate the risk of security breaches, and the extent of breaches.

6. **We recommend eHealth Saskatchewan implement a risk-based plan for controlling network access to mitigate the impact of security breaches.**

4.8 Monitoring of Unauthorized Network Access Limited

eHealth is not effectively monitoring network security logs to detect and prevent malicious activity on the eHealth IT network.

At August 2019, eHealth's IT Security team (including the Chief Security Officer) consisted of staff in 3.5 full-time equivalent positions. This team is responsible for monitoring the eHealth IT network.

We found that eHealth performs limited monitoring of its IT network to identify if unauthorized individuals have access, or actively search the network for sensitive information (e.g., passwords, personal health information). At August 2019, eHealth was not using network security equipment to log security alerts, errors, and warning messages to detect malicious activity on the network, such as reports related to vulnerability scans, network usage, potential security violations like invalid login attempts, or unauthorized attempts to modify sensitive servers or files.

In addition, since 2018, eHealth did not produce and monitor reports about patch management activities.

As noted in **Section 2.2**, portable devices can present additional security risks if not properly configured or monitored. As noted in **Sections 4.3** and **4.4**, eHealth needs to do more to better secure laptops and mobile devices with access to the eHealth IT network.

Without effective IT network monitoring, eHealth may not detect malicious activity and mitigate risks of a successful attack on its corporate network within sufficient time to prevent a security breach.

> 7. **We recommend eHealth Saskatchewan utilize key network security logs and scans to effectively monitor the eHealth IT network and detect malicious activity.**

5.0 GLOSSARY

Application – A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

Configuration – To set up or arrange in order to achieve a specific purpose (e.g., maximize security)

Encryption – The process of converting information or data into a code, especially to prevent unauthorized access.

Malware – Software that is specifically designed to disrupt, damage, or gain unauthorized access to a computer system.

Malicious Activity – External or internal threats to a corporate network and could potentially have impact on the confidentiality, integrity, and availability of data.

Network – A group of computers that communicate with each other

Patch – An update to a computer program or system designed to fix a known problem or vulnerability.

Ransomware – Malicious software designed to block access to a computer system and its files until a sum of money is paid.

Server – A computer that hosts systems or data for use by other computes on a network.

Unauthorized access – When someone gains access to a website, program, server, or other systems and data using someone else's account or other methods.

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Chapter 7
Financial and Consumer Affairs Authority—Regulating Vehicle Dealers to Protect Consumers

1.0 MAIN POINTS

The Financial and Consumer Affairs Authority is responsible to regulate Saskatchewan's financial and consumer marketplace, including motor vehicle dealers.

The Authority had, other than in the following areas, effective processes for regulating motor vehicle dealers to protect consumers. The Authority needs to:

➢ Select motor vehicle dealers for inspection based on a formal analysis of key risks for non-compliance.

Using clearly defined risk factors to select motor vehicle dealers for inspection can help the Authority ensure it focuses inspection resources on dealers at higher risk of non-compliance. In addition, it can help the Authority plan for investigating unlicensed motor vehicle dealers. Having documented rationale for selecting dealers would also help demonstrate the use of a fair and consistent regulatory approach.

➢ Formally analyze the results of its enforcement activities so it can determine whether those activities achieve their intended impact.

Analyzing enforcement activity results (such as non-compliance trends) can help focus enforcement resources on areas that can best promote compliance. A well-defined risk-informed approach can help build Saskatchewan motor vehicle consumers' confidence in the Government's ability to protect their consumer rights.

2.0 INTRODUCTION

The Authority is responsible to regulate Saskatchewan's financial and consumer marketplace to protect Saskatchewan consumers, public interests, and businesses.[1] It is specifically responsible for regulating financial securities and services, insurance and real estate, pensions, and consumer-related businesses, including motor vehicle dealers.

The Authority is based in Regina, Saskatchewan, and employs staff in about 60 full-time equivalent positions.[2]

The Consumer Protection Division is responsible for regulating consumer protection in Saskatchewan. This includes licensing and registration across nine industries, including motor vehicle dealers.[3] The Division consists of individuals in about ten full-time equivalent

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[1] Financial and Consumer Affairs Authority of Saskatchewan, *Annual Report 2018/2019*, p. 5.
[2] Ibid., p.11.
[3] Ibid., p.11.

positions comprised of a Director, a Deputy Director, two licensing officers, four investigators, and two administrative support.

The Authority funds its activities primarily through fees and taxes. As **Figure 1** shows, in 2018–19, it had a surplus of $19.7 million. The Authority pays its annual surplus to the General Revenue Fund.[4]

Figure 1—2019 and 2018 Actual Revenue and Expense by Division

	2018-19	2017-18
	(in millions)	
Securities Division	$ 21.7	$ 24.2
Consumer Credit Division	2.1	2.1
Insurance and Real Estate Division	1.7	2.6
Consumer Protection Division ᴬ	1.2	1.1
Pensions Division	0.6	0.6
Chair's Office/Administration	0.3	0.2
Legal Branch	--	--
Total Revenue ᴮ	**27.6**	**30.8**
Securities Division	$ 2.6	$ 2.5
Consumer Credit Division	0.6	0.6
Insurance and Real Estate Division	0.7	0.7
Consumer Protection Division	1.3	1.2
Pension Division	0.6	0.6
Chair's Office/Administration	1.2	1.1
Legal Branch	0.9	1.0
Total Expense	$ 7.9	$ 7.7
Annual Surplus	$ 19.7	$ 23.1
Dividend to General Revenue Fund	$ 20.1	$ 22.7

Source: Adapted from Financial and Consumers Affairs Authority of Saskatchewan, *Annual Report 2018/2019*, pp. 33 and 41-42. Grey shaded rows reflect revenue and expense of the Consumer Protection Division, which includes motor vehicle dealers.
ᴬ Each year, about one-third of the revenue of the Consumer Protection Division is from motor vehicle fees (2018–19: $0.4 million; 2017–18: $0.3 million).
ᴮ Revenue includes fees of $24.9 million in 2018–19 and $28.3 million in 2017–18.

2.1   Protecting Motor Vehicle Consumers

The Consumer Protection and Business Practices Act and related regulations make the Authority responsible for:

➢   Administering and enforcing consumer protection policies and legislation

➢   Informing consumers and vehicle dealers on their rights and responsibilities under legislation

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[4] The General Revenue Fund is a special purpose fund into which public monies (such as provincial taxes) are deposited, and from which monies are available through appropriation.

➤ Assessing licence applications for suitability of an applicant

➤ Conducting inspections or investigations and taking enforcement action if deemed appropriate

The Act also makes the Authority's Director of Consumer Protection responsible for licensing motor vehicle dealers and enforcing related consumer protection provisions such as disclosure requirements, fair practices, and record keeping requirements.[5] **Figure 2** provides examples of requirements *The Consumer Protection and Business Practices Regulations* (Subdivision 3) places on motor vehicle dealers to protect consumers buying vehicles in Saskatchewan.

Figure 2—Examples of Regulatory Requirements Placed on Motor Vehicle Dealers

➤ Advertising by a dealer must not misrepresent, through statements or omissions, a vehicle's mechanical or structural condition, and not imply a warranty exists with respect to a vehicle or a repair or service unless that warranty exists and is available at the price advertised.
➤ If a vehicle is displayed for sale at a dealer's premises and a vehicle price is displayed, the price displayed must be the drive-away price.
➤ A dealer who advertises a periodic payment for a vehicle to be financed on approved credit must include, in the advertised price, the total charges a consumer would pay if credit is approved, not including taxes payable pursuant to *The Provincial Sales Tax Act* and Part IX of the *Excise Tax Act* (Canada).
➤ A dealer must disclose all material facts, as the dealer knows or should reasonably be expected to know at the time a vehicle contract is entered into; it must make this disclosure, in writing, to a prospective purchaser or lessee before entering into a contract of sale or lease.

Source: Adapted from *The Consumer Protection and Business Practices Regulations* (Subdivision 3).

In 2018, retail trade made up 4.5 percent of Saskatchewan's gross domestic product.[6] Motor vehicles and parts represent 26.6 percent ($5.2 billion) of the $19.5 billion Saskatchewan retail trade.[7] About $2.3 billion relates to new vehicle sales.[8]

Since 2016–17, the Authority licenses about 840 motor vehicle dealers each year. In addition, unlicensed vehicle dealers (sometimes referred to as "curbers") may be unlawfully selling vehicles in Saskatchewan.

Without effective processes to regulate vehicle dealers, the Authority may not effectively meet its legislated mandate to protect Saskatchewan consumers, public interests, and businesses. Consumer protection enhances consumer confidence and trust, which in turn, boosts trade and strengthens economies.[9] A loss of Saskatchewan consumers' confidence in the Government's ability to protect their consumer rights could weaken Saskatchewan's economy.

3.0 AUDIT CONCLUSION

We concluded, for the 12-month period ended December 6, 2019, the Financial and Consumer Affairs Authority had, except as follows, effective processes for regulating motor vehicle dealers to protect consumers.

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[5] Financial and Consumer Affairs Authority of Saskatchewan, *Annual Report 2018/2019*, p. 5.
[6] www.statista.com/statistics/608347/gdp-distribution-of-saskatchewan-canada-by-industry/ (6 February 2020).
[7] Government of Saskatchewan, *2018 Economic Review*, (2018), p. 5.
[8] Ibid., p. 16.
[9] United Nations General Assembly, *Resolution 70/186*, (2015), p. 4.

The Authority needs a well-defined risk-informed motor vehicle dealer inspection plan to support this core regulatory activity. It needs to formally analyze the results of its enforcement activities so it can determine whether those activities achieve their intended impact. Furthermore, it needs to update and implement a policy and procedures manual for inspections.

Figure 3—Audit Objective, Criteria, and Approach

Audit Objective: to assess the effectiveness of the Financial and Consumer Affairs Authority's processes, for the 12-month period ended December 6, 2019, for regulating motor vehicle dealers to protect consumers.

For the purposes of our audit, a motor vehicle dealer means a person or entity that is in the business of selling or leasing vehicles or takes vehicles on consignment.[A] A motor vehicle dealer does not include:

➢ A person, other than a dealer, who only sells vehicles to dealers

➢ An auction sales company, licensed under *The Auctioneers Act*, who does not sell its own vehicles rather it only auctions vehicles owned by others at its auctions

➢ Saskatchewan Government Insurance or an insurer licensed pursuant to *The Saskatchewan Insurance Act* who sells vehicles as a result of administering an insurance claim

➢ A person who trades in vehicles to provide or facilitate financing of a vehicle or whose dealings in vehicles are incidental to the ordinary business of lending money or dealing in financial contracts or instruments

➢ A credit grantor who directly sells its inventory of repossessed or seized vehicles to a dealer

Audit Criteria:

Processes to:

1. Have a risk-informed strategy to regulate vehicle dealers
    1.1 Reflect legal requirements and responsibilities (e.g., enforcement powers) and constraints
    1.2 Outline key risks and concerns
    1.3 Describe risk-based approach to prioritizing compliance activities and resources
    1.4 Plan to educate vehicle dealers and the public

2. Determine dealers that can sell vehicles to the public
    2.1 Set requirements for vehicle dealers to operate (legislation, policies)
    2.2 Assess potential vehicle dealers against requirements
    2.3 License only vehicle dealers that meet requirements to operate

3. Enforce vehicle dealers' compliance with regulatory requirements
    3.1 Educate vehicle dealers and the public about their rights and responsibilities
    3.2 Assess vehicle dealers for compliance with requirements
    3.3 Respond to complaints about vehicle dealers
    3.4 Address vehicle dealer non-compliance promptly

4. Monitor overall results of enforcement activities
    4.1 Collect reliable compliance information
    4.2 Assess results (e.g., identify extent and common areas of non-compliance, cost efficiency)
    4.3 Recommend key actions (e.g., change to strategy, regulatory changes)

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 Authority's processes, we used the above criteria based on our related work, reviews of literature including reports of other auditors, and consultation with management. The Authority's management agreed with the above criteria.

We examined the Authority's strategies, policies, procedures, and other records relating to processes to regulate motor vehicle dealers to protect consumers. We interviewed employees responsible for regulating motor vehicle dealers. We analyzed inspection data. We tested a sample of licence applications and renewals, inspections, and investigations, and reviewed educational materials.

[A] Financial and Consumer Affairs Authority, *A Vehicle Dealer Information Guide*, www.fcaa.gov.sk.ca/regulated-businesses-persons/businesses/vehicle-dealers (6 February 2020).

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Regulatory Strategy Clearly Documented

The Authority clearly documented its strategy to regulate motor vehicle dealers.

The Authority uses two main documents to set out its regulatory approach and its plans for the upcoming year—an internal document, called An Overview of The Fair-Trading Compliance Strategy for the Consumer Protection Division, and an Annual Operational Plan.

We found the Authority last updated the Overview in the fall of 2019. Its strategy set out in the Overview involves a combination of six approaches (see **Figure 4**).

Figure 4—Six Approaches Used in Strategy to Regulate Motor Vehicle Dealers

1. Using research, legislation, policies, and practices that support fair trading practices
2. Seeking out ways to reduce or eliminate unfair or deceitful market place activity
3. Equipping consumers to enhance their abilities to protect their own interests
4. Informing suppliers of their responsibilities
5. Providing options to assist the parties to resolve marketplace disputes
6. Administering licensing regimes

Source: Adapted from Financial and Consumers Affairs Authority, An Overview of The Fair-Trading Compliance Strategy for the Consumer Protection Division.

We found the Overview includes information specific to regulating motor vehicle dealers as follows:

➢ The Consumer Protection Division is expected to use inspections as its primary way to proactively assess vehicle dealers' compliance with regulatory requirements. The Overview gives guidance on completing inspections.

➢ The Division is expected to prioritize inspections based on a risk assessment.

We found the 2019–20 Operational Plan states the majority of the Division's staff resources are directed towards four core regulatory activities—information, licensing, complaints/investigations, and responding to enquiries. Investigations include both investigations of complaints and inspections of vehicle dealers.

The 2019–20 Operational Plan also includes targets for a number of these activities. For example, staff are to acknowledge to affected parties receipt of a complaint within seven working days, process licence applications within 15 working days, answer 65 percent of inquiry line calls immediately, and undertake 40 onsite vehicle dealer inspections.

We found the Authority's Overview and Annual Operational Plan clearly described approaches and activities that are generally consistent with good practice.

Having a clear strategy and operational plan helps an organization know where it is going and what it expects to do to get there.

4.2 Staff Objectivity Regularly Confirmed

The Authority systematically confirms the objectivity of staff responsible for motor vehicle regulatory activities.

Each year, the Authority requires its staff to complete training on conflict of interest and declare any potential conflicts of interest using a standard form. Staff must communicate to their supervisor immediately if new conflicts arise during the year.

The Consumer Protection Division management actively considers any existing or potential conflicts of interest when assigning staff to process licences, or conduct inspections and investigations.

For the two Consumer Protection Division staff we tested, staff completed the conflicts of interest form. The Deputy Director told us that he did not identify any conflicts of interest affecting assignment of staff in 2019. Our testing of licences, inspections, and investigations did not identify any indication of conflicts.

Active management of real and perceived conflicts of interest helps protect the integrity of the Authority's regulatory activities.

4.3 Motor Vehicle Dealers and the Public Proactively Informed

The Authority proactively informs motor vehicle dealers and the public about their rights and responsibilities under legislation.

The Authority maintains both a written annual education plan and communication strategy designed to keep vehicle dealers and the public informed.

We found its annual education plan clearly set out the key educational needs of dealers and the public. The Authority identified these needs based on its analysis of common complaints (e.g., warranties, vehicle disclosure, pricing), and information from other provincial regulators. We noted the Authority worked with and used analysis from other provincial regulators to identify common non-compliance issues (e.g., negative equity, unlicensed dealers).[10]

We found the Authority's communication strategy identified target audiences (e.g., new car buyers) and communication methods. For example, it planned to use webinars, periodic news releases on key topics (e.g., risks of buying vehicles from unlicensed dealers, and negative equity), information guides, and videos. Also, it planned to use online tools such as Google AdWords to help the public readily find its communications.[11]

We found it carried out each of these plans. Its communications were understandable and easily accessible (e.g., on the Authority's webpage).

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[10] Negative equity is when a consumer owes more on a vehicle than it is worth. www.saskatchewan.ca/government/news-and-media/2018/december/18/negative-equity-vehicle-payments. (30 January 2020).
[11] Google AdWords is an online advertising platform developed by Google, where advertisers pay to display brief advertisements, service offerings, product listings, video content, and generate mobile application installs within the Google ad network to web users.

Furthermore, the Authority periodically performed media scans to monitor how effectively it reached its audiences, and adjusted its plans as needed during the year (e.g., added additional news releases for areas of increased risk such as unlicensed dealers). This helps it focus its communication resources in the right places.

4.4 Clear Guidance About Motor Vehicle Licensing Requirements

The Authority gives motor vehicle dealer applicants and its staff clear guidance about licensing requirements.

We found it communicates requirements (e.g., financial security of at least $25,000, appropriate standard vehicle contract, and criminal record checks) to current vehicle dealers and new applicants using in-person conferences, webinars, online guides, and standard application forms readily available online.[12]

The Authority uses an IT system, the Registration and Licensing System, to maintain key information about each licence applicant and approved vehicle dealer. The system automatically reminds dealers (via email) about the need to renew their annual licences.

We found the Authority used various ways and documents to give its licensing staff guidance. It used job descriptions, detailed licensing procedure documents, standard licensing forms and checklists, and discussions at weekly team meetings. The Authority has plans to give staff additional guidance through a manual containing policies and procedures specific to licensing. We found its draft Licensing Policy and Procedure Manual (drafted in 2019 and not in use at time of audit) largely reflects current licensing practices. Management advised us it expects to finalize and obtain approval of this manual in 2020.

In general, the Authority requires its staff, within 15 business days of receipt of licensing applications, to verify the completeness of the application, assess whether the dealer meets licensing requirements, and decide whether to approve the licence.[13]

Clear guidance to staff supports consistent and fair licensing of motor vehicle dealers by the Authority.

4.5 Motor Vehicle Dealers Appropriately Licensed

The Authority appropriately licenses motor vehicle dealers following established processes.

As shown in **Figure 5**, in 2018–19, the Authority collected $441,000 in motor vehicle dealer fees from 836 licensed motor vehicle dealers in Saskatchewan. The Authority made changes to the fee structure in 2016-17 to achieve cost-recovery related to regulating vehicle dealers.

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[12] The requirements are set out in *The Consumer Protection and Business Practices Act* and *The Consumer Protection and Business Practices Regulations*.
[13] By law, unsuccessful applicants can appeal licensing decisions in writing or in person at a formal hearing, if unsatisfied with the decision.

Figure 5—Motor Vehicle Dealer Fees Revenue and Number of Licences
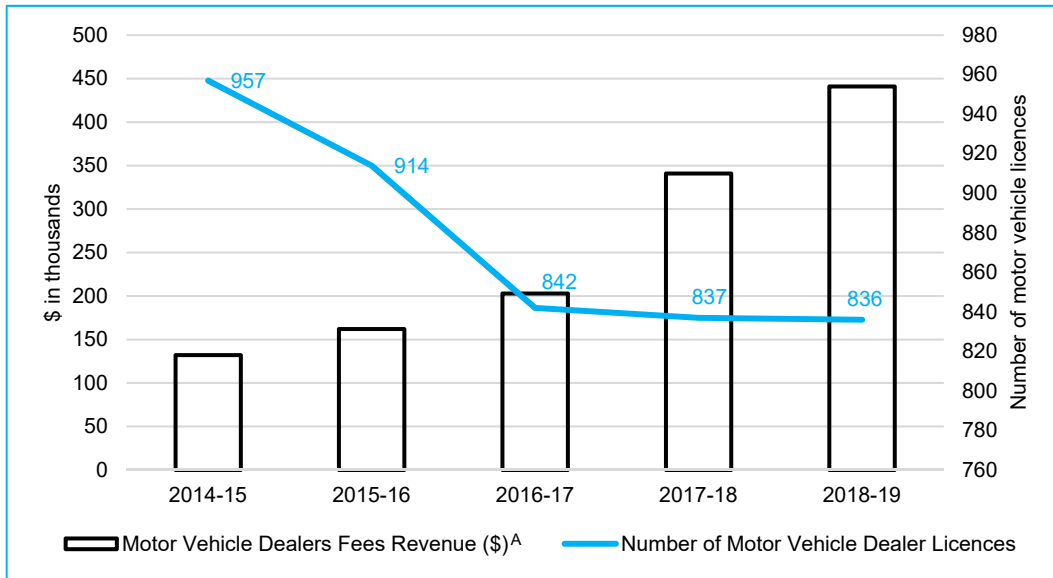
Source: Adapted from Financial and Consumer Affairs Authority records and audited financial statements.
A Motor Vehicle Dealer Fees Revenue includes licence fees.

When the Authority approves a new applicant, or rejects a previously approved dealer, the Registration and Licensing System automatically updates the listing of licensed vehicle dealers published on the Authority's website.

For each of the seven new annual licence and ten annual renewal applications we tested, the Authority followed its established licensing processes, and accurately updated the Registration and Licensing System.

Appropriately licensing motor vehicle dealers enhances consumer confidence when purchasing vehicles in Saskatchewan.

4.6 Customer Complaints About Motor Vehicle Dealers Tracked and Appropriately Investigated

The Authority tracks and appropriately investigates consumer complaints.

As shown in **Figure 6**, over each of the last five years, a significant portion of the Authority's Consumer Protection complaints relate to vehicle dealers, as compared to the other eight industries it regulates.[14] The percentage of complaints related to vehicle dealers, compared to complaints for all nine industries, has grown from about 15 percent in 2014–15 to about 46 percent in 2018–19.

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[14] The eight other industries include: auction sales companies and auctioneers; cemeteries; charitable fundraising businesses; collection agencies; credit reporting agencies; direct and door-to-door sellers; film and/or video theatres; and distributors or retailers.

Figure 6—2014–15 to 2018–19 Complaints that the Consumer Protection Division Received
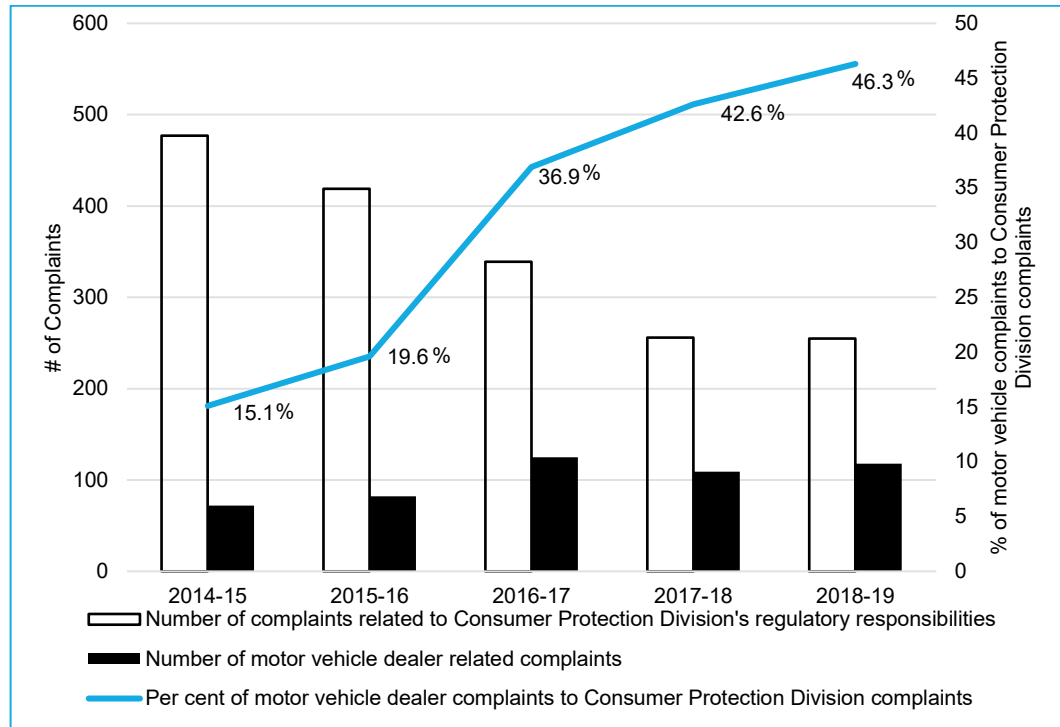
Source: Financial and Consumer Affairs Authority records.

We found the Authority appropriately gives consumers a range of methods to submit complaints about licensed and unlicensed vehicle dealers (i.e., by phone, email, mail, or in person). The Authority requires a complainant to complete a standard form in writing.

We found the standard form requests key information necessary to understand and investigate a complaint. Key information required includes the date of purchase, description of the problem, actions taken by the consumer and vehicle dealer to resolve the issue, and copies of relevant documents (e.g., contract).

The Consumer Protection Division's four investigators are located in Regina (three) and Saskatoon (one). The investigators are responsible for investigating all consumer complaints for nine industries, including those about vehicle dealers. Typically, the Division investigates about 100 complaints each year related to licensed motor vehicle dealers.

The Division assigns investigations of complaints based on an investigator's knowledge, workload, and location.

Although not all expectations were formally documented, we found investigators had a clear understanding of the Division's expectations of them. The Division expects investigators to:

➤ Acknowledge the complaint within seven days of receipt

➤ Complete investigations within a reasonable timeframe (timeframes vary depending upon complexity)

➢ Document results of the investigation and recommended actions including potential enforcement actions (e.g., written warning, licence suspension) in a written report

➢ Communicate investigation results to the consumer and vehicle dealer

The Authority does not give investigators written guidance to help them recommend the appropriate enforcement action; rather it relies on their experience.

We found three of the four investigators had extensive experience in doing investigations (in excess of 30 years). We also found management of the Consumer Protection Division primarily uses weekly meetings with its staff to monitor the status of investigations.

We found investigators completed investigations as expected, and Division management sufficiently monitored the status of investigations.

For the 12 investigation files on complaints about motor vehicle dealers we tested:

➢ For each, management reviewed complaints received and assigned the complaints to an investigator, the assigned investigator acknowledged receipt of the complaint within seven days as expected, the assigned investigator obtained information from the consumer and vehicle dealer as needed to assess if a possible breach of legislation occurred, and the investigator and management considered both the remedy for the consumer as well as broader issues to the public

➢ The time to complete each investigation seemed reasonable and consistent with the complexity of the complaint, taking, on average, almost 63 days to complete (time for individual investigations ranged between 10 and 149 days)

➢ For all six with enforcement actions, the file sufficiently documented rationale for the enforcement action, and the Authority undertook the documented action (e.g., written warning, voluntary compliance order, licence cancellation)

➢ For each, the investigator communicated the conclusion of the inspection to the vehicle dealer and the consumer, including any enforcement actions

➢ Management reviewed the investigation conclusions within a reasonable timeframe

We found the Division tracks and monitors the number of investigations outstanding for each investigator. In addition, Division management reviews completed investigation reports for appropriateness, giving staff feedback as necessary.

Appropriate tracking and investigation of complaints supports the Authority in focusing resources in areas with higher risk of non-compliance. Investigating and resolving issues experienced by consumers increases public confidence when buying vehicles in Saskatchewan.

4.7 Well-defined Risk-informed Plan for Investigating Unlicensed Motor Vehicle Dealers Needed

The Authority does not have a well-defined plan for investigating unlicensed motor vehicle dealers based on a formal risk assessment.

The Authority used several sources to search for potential unlicensed motor vehicle dealers. We found it had appropriately used information from several external sources, consumer complaints, and the review of online sale sites to identify potential unlicensed dealers. In fall 2019, the Authority began receiving more information about potential unlicensed dealers from its sources, which significantly increased the number of potential unlicensed dealers to investigate.

We found the Authority did not have a documented risk-based process to plan when to investigate unlicensed dealers.

Without a formal risk assessment to inform plans for investigating (or inspecting) potential unlicensed dealers, the Authority may not effectively protect Saskatchewan consumers. See **Recommendation 1** about selecting motor vehicle dealers for inspection based on a formal analysis of key risks for non-compliance.

4.8 Well-defined Risk-informed Annual Inspection Plan for Licensed Motor Vehicle Dealers Needed

The Authority does not have a well-defined, risk-informed plan for inspecting licensed motor vehicle dealers.

We found the Authority documented its licensed motor vehicle dealer inspection plan across various documents. For example, the Overview of The Fair-Trading Compliance Strategy for the Consumer Protection Division (referred to in **Section 4.1**) included the plan to prioritize motor vehicle dealer inspections based on a risk assessment. The 2019–20 Operational Plan states the Division was to carry out 40 inspections of motor vehicle dealers (2018–19: 40 inspections).

The Authority's draft Compliance Policy and Procedure Manual (drafted in 2019 and not in use at the time of the audit) would require investigators to use models to assess each dealer's risk to inform the frequency and content of inspections. In addition, the Manual contemplates inspections other than the currently scheduled in-person inspections (e.g., telephone inspections, and unannounced inspections). Management advised us it expects to finalize and obtain approval of the Manual in 2020.

However, we found the Authority did not document key aspects of the inspection planning process. For example, the Authority had not set out how the Division is to assess a dealer's risk of non-compliance, or which types of risks to consider when determining how many and which dealers to inspect in any given year. Also, it did not have a well-defined process to assess the risk (likelihood and impact) of a vehicle dealer not complying with relevant consumer protection laws (e.g., a risk model, or scoring tool).

In addition, the Authority did not require or document its rationale for selecting the licensed vehicle dealers it inspected. Rather, Division management only retained the emails noting the names of the 40 dealers selected for inspection in the upcoming year.

We found, in practice for the last two years, the Authority used the following process to select dealers for inspection.

➢ Each inspector suggested, for management's approval, licensed motor vehicle dealers to inspect. They typically make these suggestions in May or June each year via email. The emails list the dealers' names, but not the basis for selection (e.g., factors considered or assessment thereof).

➢ Division management used weekly team meetings to discuss the suggestions, and decide which 40 dealers to inspect in the upcoming year. It did not document those discussions. This made it unclear whether each inspector used a consistent process to suggest dealers for inspection.

➢ Management advised us the Division informally considered the following factors when selecting licensed motor vehicle dealers for inspection:
  - Whether the dealer is newly licensed
  - History of complaints (frequency and severity) about a dealer
  - Previous enforcement action against the dealer
  - Geographical location of the dealership for more efficient use of inspection resources.

While the factors the Division considered are reasonable, we found they are not fully reflective of good practice. For example, good practice suggests consideration of size of dealership, number of individuals impacted by past incidents, and location of dealership (beyond more efficient use of resources).

Good practice recognizes inspections may, at times, be used to promote compliance. As previously noted, the Authority uses inspections as one of its core regulatory activities, and to proactively assess a dealer's compliance with regulatory requirements.

Not having clearly defined risk factors to consider when selecting licensed motor vehicle dealers for inspection increases the risk of not selecting dealers using a consistent process, and not focusing inspection resources on dealers at higher risk of non-compliance. Documenting the rationale for selecting dealers helps to demonstrate the use of a fair and consistent regulatory approach.

1. **We recommend the Financial and Consumer Affairs Authority select motor vehicle dealers for inspection based on a formal analysis of key risks for non-compliance.**

4.9 Changes to Motor Vehicle Dealers Inspection Plan Need to be Risk-informed

When the Authority changes its annual inspection plan for licensed motor vehicle dealers, it does not use a consistent process based on key risks of non-compliance to assist in its decision-making.

We found the Division adjusted its inspection plans in both 2019-20 and 2018-19. It did not complete about 15 of 27 inspections initially planned for 2019–20 based on results for inspections completed at December 6, 2019 (in 2018-19, eight of 40 inspections planned were not completed). Management indicated it made the adjustments to inspect more vehicle dealers in specific areas because the Authority had received more complaints and many vehicle dealers in those areas had never been inspected.

We found the Division did not use the same process to select these additional vehicle dealers for inspections as it did to select the initial 40 inspections in its annual plan. Management advised us that it verbally approved changes to the additional vehicle dealers selected, but it did not document this approval.

Our review of 10 additional vehicle dealers selected for inspection found none of them had complaints against them during 2019–20. Rather, inspectors appeared to use their travel efficiency as a key factor to adjusting the annual inspection plan. Our review of enforcement actions the Authority took during the year did not identify any significant deficiencies for the inspections done that were not included in the original inspection plan.

Our review of 39 motor vehicle dealer inspections completed or expected to be completed in 2019–20 found:

➢ All were licensed dealers.

➢ Three related to dealers previously inspected within the past five years, and each had no history of complaints or enforcement action.

➢ Nearly half were not inspected at all during the past five years. We noted that in 2019 the Authority inspected for the first time one vehicle dealer it had licensed in 1996 (about 23 years after licensing). In addition, the Authority keeps mostly manual inspection records of individual licensed dealers so we could not readily determine the average period of time between inspections.

Not formally assessing and documenting the risk of non-compliance of each licensed motor vehicle dealer increases the risk of the Authority not selecting dealers for inspection using a consistent process. In addition, it may not be focusing its inspection resources on vehicle dealers at higher risk of non-compliance. A documented risk assessment process would help the Authority develop and show it selects dealers for inspection using a fair and consistent regulatory strategy. See **Recommendation 1** about basing the selection of dealers for inspection on a formal analysis of risks.

4.10 Finalized Guidance for Motor Vehicle Dealer Inspections Needed

The Authority does not give inspectors of motor vehicle dealers written guidance about standard timeframes in which to communicate inspection results to dealers, or about appropriate and suitable methods of enforcement.

The Authority gave inspectors reasonable guidance about conducting inspections in their job description and in the Overview of The Fair-Trading Compliance Strategy for the Consumer Protection Division. The Authority also provides standard template inspection

reports and checklists. This guidance includes a clear description of responsibilities, objectivity requirements, steps to initiate inspections, and templates showing expected requirements for vehicle contracts. The Authority keeps manual inspection files of individual licensed vehicle dealers. It posts, on its website, enforcement actions taken (e.g., issued compliance orders, suspended licences) where it has identified significant issues with dealers.

We found the guidance in use was not complete in the following areas. It does not:

➢ Include a standard timeframe to communicate inspection results to licensed vehicle dealers after the completion of an inspection. Management advised us the Authority expects inspectors to communicate results to vehicle dealers within a couple weeks of the inspection.

➢ Set out criteria or expectations for determining appropriate and suitable enforcement actions (e.g., when it is appropriate for inspectors to recommend warning letters, temporary suspension of licences, or cancellation of licences). The Authority expects inspectors to recommend enforcement actions for management's approval.

At December 2019, management makes all enforcement decisions resulting from inspections. The Authority relies on the experience and expertise of the Consumer Protection Division to make appropriate and suitable enforcement decisions.

➢ Require management to leave evidence of review of inspection files. The Authority expects management to independently review and regularly monitor inspection files.

The Authority plans to augment its guidance with the Authority's draft Compliance Policy and Procedure Manual. As noted in **Section 4.8**, the Manual was not finalized or in use at time of audit (December 2019); management expects to finalize, obtain approval of, and implement the Manual in 2020.

We found the Manual outlines, in an understandable way and in reasonable detail, the current practice for doing inspections, and planned improvements such as the inclusion of a section on progressive enforcement. It sets out general enforcement measures like discussions with licensed dealers, issuing formal written warnings and compliance orders, making licences conditional, and suspending or cancelling licences. Not providing timely guidance about appropriate and suitable enforcement actions increases the risk of different enforcement taken on similar situations, such as during periods of staff turnover.

The Manual does not, as yet, provide a standard timeframe for reporting the results of motor vehicle dealer inspections. Not providing written guidance about timeliness of reporting results increases the risk of not giving dealers results within a reasonable timeframe, and, if enforcement actions are necessary, causing delays in taking enforcement actions.

In addition, the manual does not require management to leave evidence of its review of inspection reports. Not requiring management to leave evidence of reviews of motor vehicle dealer inspection reports diminishes their ability to show they properly carried out their supervisory and monitoring role. Appropriate supervision and monitoring helps ensure the Authority takes appropriate enforcement action and provides timely coaching to employees to support quality inspections.

Not having finalized and approved guidance can impede the Authority's ability to efficiently and effectively train and support staff in the event of planned or unplanned turnover. This risk is greater given the modest staff size of ten in the Consumer Protection Division, which is responsible for regulating over 800 licensed motor vehicle dealers. In addition, three of four Consumer Protection Division inspectors and a key member of management are nearing retirement.

> **2. We recommend the Financial and Consumer Affairs Authority update and implement a policy and procedures manual for inspections of motor vehicle dealers.**

4.11 Inspection Results Not Always Reported Timely

The Authority followed its established processes to inspect motor vehicle dealers, but did not consistently report the results of inspections within a reasonable timeframe, and management did not leave evidence of its review of inspection reports.

Inspectors completed 45 inspections of licensed motor vehicle dealers for the 12-month period ending December 6, 2019 (the audit period).

For each of the five inspections we tested, the Authority completed the inspection checklist and documented the inspection results as expected.

For two of five inspections tested, the Authority communicated the results of the inspection more than 280 days after the inspection. For the other three, it communicated the results within 14 days (consistent with management's verbal expectations).

None of the five inspections tested had evidence of management's review of the inspection reports.

None of the five inspections tested identified problems or issues.

In addition, for 16 percent of 45 motor vehicle dealer inspections completed during the twelve-month period ending December 6, 2019 (the audit period), the Authority did not communicate the results of the inspection to the vehicle dealer within a reasonable timeframe. For six inspections, it communicated the results to the vehicle dealers about ten months after it completed the inspections. Management advised us this was the result of a personnel matter.

Not consistently issuing the results of inspections within a reasonable time period after an inspection can delay enforcement actions exposing consumers to risk, and may result in not treating dealers equitably. Not leaving evidence of management review of inspection files makes demonstrating appropriate monitoring difficult. See **Recommendation 2** about updating and implementing a policy and procedures manual for inspections of motor-vehicle dealers.

Management advised us of planned changes to its IT systems in 2020; it expects these changes will enable it to document its review of inspections electronically.

4.12 Better Monitoring of Annual Inspection Plan Completion Needed

The Authority does not have robust processes for monitoring the completion of its annual inspection plan of licensed motor vehicle dealers. Rather, the Authority relies primarily on informal processes to monitor the completion of inspections.

The Authority maintains a spreadsheet of inspections completed each year. The spreadsheet lists the dealer business name, licence number, city, date of inspection, and name of inspector. It does not list inspection results (e.g., types of findings), enforcement activities undertaken, or timeframe between inspections.

While it monitors how many inspections it does in total each year, we found the Authority does not document its comparison of completed inspections to its various emails of dealers approved for planned inspections to determine whether they were done, and if not, why not.

In our comparison of the 42 dealers in the 2018-19 annual inspection plan to the 40 dealers inspected during the year, we found the Authority completed 32 inspections as initially planned. For the eight-month period ending November 2019, it completed only 12 of the 27 dealers inspections as initially planned. As noted in **Section 4.9**, the Authority advised us it decided to change its plan, during each year, to inspect other dealers.

As previously noted, the Authority keeps primarily manual files of its inspections of individual dealers.

Not formally monitoring the completion of its annual inspection plan increases the risk of the Authority not effectively using inspections as a proactive enforcement activity. This could lead to a loss of confidence in the Government's ability to protect consumer rights.

> 3. **We recommend the Financial and Consumer Affairs Authority formally monitor the completion of motor vehicle dealer inspections compared to inspection plans.**

4.13 Analysis of Enforcement Activity Results Needed

The Authority did not formally analyze identified non-compliance to help evaluate if its motor vehicle dealer enforcement activities and annual inspection plan focus on the highest-risk areas of non-compliance.

We found the Authority sufficiently tracks and monitors the timeliness of its processing of motor vehicle dealer applications and responsiveness to complaints. In addition, it periodically monitors how effectively its educational and communication activities reach audiences, and adjusts its plans as needed.

We found it sufficiently reports to senior management and the Board on licensing, complaints, education, and enforcement actions. Each year, it reports the number of new motor vehicle dealer licences issued and the timeliness of processing licence applications. It also sufficiently reports on education campaigns and its public inquiry line response rates. It includes some of this data in its annual report. For example, its 2018–19 Annual Report

reports 100 percent of inquiry line calls were answered within three business days and 99 percent of application reviews were completed with 15 business days as expected.[15] The Authority also publishes enforcement actions taken on individual dealers (e.g., issued compliance orders, suspended licences).

However, the Authority did not document its analysis of the nature and types of non-compliance identified in its investigations of complaints or inspections of licensed motor vehicle dealers (its core enforcement activities), or trends therein. It did not assess whether motor vehicle dealer inspections completed provided it with sufficient coverage of dealers to promote compliance or sufficiently addressed its identified risks of non-compliance.

Without such analysis, the Authority does not know if resources it is expending on enforcement and compliance activities make a difference, and whether it is focusing its efforts in the right areas.

Also, the Authority does not report information about the results of its enforcement activities to its Board. Rather, it only reports information about the volume of its motor vehicle dealer enforcement activities (e.g., the number of inspections and investigations completed).

Lack of formal analysis of motor vehicle dealer enforcement activity results (such as non-compliance trends) increases the risk of not focusing enforcement resources on the highest risk areas of non-compliance or areas that can best promote compliance. Not taking a well-defined risk-informed approach may not best protect Saskatchewan purchasers of motor vehicles and could result in a loss of Saskatchewan consumers' confidence in the Government's ability to protect their consumer rights. This, in turn, could weaken Saskatchewan's economy.

> 4. **We recommend the Financial and Consumer Affairs Authority formally analyze the results of its enforcement activities for motor vehicle dealers to support a risk-informed enforcement approach.**

Management advised us it does not document and report its analysis on the results of its enforcement activities because it manually stores the results of its investigations and inspections. Its IT systems track licensing information (e.g., dealer name, location, licence number, and restrictions), but does not store results of its investigations and inspections to allow for easy or effective data analysis. It notes analysis of manually stored information is time consuming. Management further notes the Authority is in the process of updating its key IT systems to help support better analysis of information.

We encourage the Authority to give careful consideration of the types of analysis needed and ensure it is capturing the necessary data when it modifies its existing IT systems.

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Chapter 8
Horizon School Division No. 205—Maintaining Facilities

1.0 MAIN POINTS

Horizon School Division No. 205 is responsible for maintaining 38 schools and four other facilities located across east-central Saskatchewan. Almost 90 percent of its schools are more than 50 years old, and on average, in poor condition (similar to the 2017 estimated provincial condition of schools).

At September 2019, Horizon had effective processes to maintain its facilities other than in the following areas. Horizon needs to determine whether it is doing enough and has the right maintenance to move towards having its facilities and components in a satisfactory condition. Specifically, Horizon needs to:

➢ Prioritize all identified maintenance deficiencies associated with fire protection and suppression systems and boilers. The audit identified seven sprinkler and 19 fire alarm systems with deficiencies unrepaired more than a year after the Division identified the deficiencies.

   Prioritizing important maintenance deficiencies can help the Division avoid non-compliance with applicable codes and provide safe environments for all students, staff, and the public.

➢ Use the maintenance IT system to its full capacity, and keep information in that system up-to-date and accurate. Horizon did not use the system to keep up-to-date information about the condition of its assets, track key preventative maintenance activities it expected to do, or to fully track or monitor the completion of certain planned maintenance. We also found some information in the system was not accurate (e.g., not updated for completed maintenance).

   Improved use of the maintenance IT system would assist the Division in better prioritizing identified maintenance deficiencies, and monitoring the completion of maintenance. Tracking key information for significant components in the maintenance IT system would enhance the Division's ability to plan, track, and monitor the maintenance of its facilities and components. This would enable the Division to use the system to monitor changes in facility conditions and deferred maintenance to help determine whether it is doing maintenance at the right time.

➢ Give the Board periodic, comprehensive maintenance reports about the results of its maintenance activities and anticipated impact to inform decision-making. The Division did not fully utilize its facilities maintenance budget over the past three years (including preventative maintenance funding from the Ministry of Education), even though it had an estimated deferred maintenance of over $70 million.

   Sufficient analysis and reporting of maintenance results enables the Board to assess whether the Division effectively maintains its facilities and components, and effectively uses maintenance funding.

2.0 INTRODUCTION

This chapter reports the results of our audit of the effectiveness of the processes Horizon School Division No. 205 uses to maintain its facilities. In general, maintenance is the process of keeping existing facilities in operating condition and functional.

2.1 Legislated Responsibility for Maintaining Schools

2.1.1 Ministry Responsibility

Under *The Education Act, 1995*, and related regulations, the Ministry of Education is responsible for providing leadership and direction to the Pre-Kindergarten through Grade 12 education sector. This includes providing school divisions with leadership in all areas, which includes maintenance of facilities. The Act requires the Ministry to review and approve school divisions' estimated expenditures and significant capital projects.[1] Each year, the Ministry gives divisions funding to operate, including funding for facility maintenance.

The Ministry of Education expects divisions to maintain facilities in satisfactory operating condition.[2]

To help divisions manage their facilities, the Ministry has supplied each of the 27 Saskatchewan school divisions with an electronic asset maintenance system (maintenance IT system). This system is designed to track key information about facilities and their components. Significant components of these facilities include playgrounds; heating, cooling, and ventilation systems; fire protection and suppression systems (e.g., alarm and sprinkler systems); roofs; flooring; and windows.

As shown in **Figure 1**, the maintenance IT system has five modules, four of which relate to maintenance activities (gray-shaded boxes). Horizon implemented the maintenance IT system in 2011.

Figure 1—The Maintenance IT System

Asset Planning Module	Preventative Maintenance Module	Service Request Module	Project Planning Module	Energy & Sustainability Module
Tracks information on all facilities, assets, and components (including Ministry-arranged building condition assessment reports)	Tracks preventative maintenance	Tracks maintenance service requests related to reactive maintenance	Tracks and prioritizes projects, including those related to capital asset maintenance, preventative maintenance, and renewal funding	Tracks gas and electrical usage data

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[1] *The Education Act* requires the Ministry to approve capital projects of divisions costing more than $1 million (i.e., major). Capital projects include school building renovations. Also, the Ministry may supply divisions with capital grants to help fund renovations (s. 311). It may also provide divisions with grants to assist with preventative maintenance and repairs costing less than $1 million (minor). Furthermore, it may appoint a person to provide advice with respect to approval of plans for the maintenance of school buildings (s. 4(1.1)(k)).

[2] *Ministry of Education Preventative Maintenance and Renewal Funding Program Policy Guidelines*, Revised July 1, 2017, pubsaskdev.blob.core.windows.net/pubsask-prod/87251/87251-PMR_Funding_Program_-_Guidelines.pdf (22 January 2020).

The **Asset Planning Module** is designed to track information about facilities and components such as detailed descriptions, location, purchase date, history, and replacement costs. It can automatically determine the facility condition index and amount of deferred maintenance of each facility and for each division.

The following three modules are designed to track maintenance activities as follows:

➢ **Preventative Maintenance Module**—routine repairs and inspections intended to assist in systematic correction of emerging failures before they occur or before they develop into major defects

➢ **Service Request Module**—minor repairs (reactive maintenance) initiated through service requests (these can be prioritized)

➢ **Project Planning Module**—larger or more complex maintenance activities (e.g., projects to repair or replacements of components) such as those receiving specific Ministry funding

Source: Horizon School Division No. 205 Maintenance IT System. The maintenance IT system also includes a condition rating system for components (range of 1–10; 1 for critical response and 10 for non-essential response).

About every five years, the Ministry hires a third party to determine the condition of each school facility and its components within a school division. The third party updates the condition of components in the maintenance IT system at the related division during its assessments. The third party also enters the expected replacement year of facilities and components into the maintenance IT system.

Information included in the system enables school divisions to plan, track, and monitor facility maintenance. Furthermore, the system automatically determines the facility condition index (FCI) and amount of deferred maintenance of each facility and for each division.[3] This information can help school divisions assess the result of maintenance undertaken or deferred.

The third party last updated information for each of Horizon's facilities and significant components in 2017.

2.1.2 School Divisions

The Act gives each school division's Board of Education the authority to administer and manage the educational affairs of its division and to exercise general supervision and control over the schools in the school division.

Under the Act, a division is responsible for:

➢ Providing and maintaining school accommodation, equipment, and facilities necessary for the educational programs and instructional services approved by the school division for each of its schools.

➢ Setting out procedures with respect to the maintenance of school accommodation for the purpose of maintaining satisfactory standards of comfort, safety and sanitation for the students and other users of the accommodation.

School divisions must also obtain approval from the Ministry at key stages during major capital projects.

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[3] The facility condition index is the amount of deferred maintenance divided by the current replacement value. Deferred maintenance is the amount of maintenance postponed or phased for future action.

2.2 Facilities of Horizon School Division No. 205

Horizon School Division No. 205 is located in central Saskatchewan and covers 30,970 square kilometers (see map in **Section 6.0**). It is one of Saskatchewan's 27 school divisions and educates about 6,400 students annually.[4,5]

A 14-person, elected Board of Education governs the Division.[6] Its strategic plan includes a goal to provide safe and caring learning environments for all students and staff.

The Division owns 38 of the 43 schools it operates across east-central Saskatchewan.[7] At September 2019, as shown in **Section 5.0**, the Division's facilities include:

➢ A head office located in Humboldt, which includes a maintenance shop

➢ Thirty-eight schools located in 30 communities with an average age of 56 years (ranging from three to 97 years)—87 percent of Horizon's 38 schools are more than 50 years old[8]

➢ A bus garage located in Foam Lake

➢ Two maintenance shops located in Lanigan and Wadena[9]

Similar to the estimated 2017 provincial average facility condition index (FCI), Horizon's schools have an average FCI of about 20% (poor condition) and deferred maintenance of almost $66.5 million.[10,11] At that time, Horizon's FCIs by school ranged from about 6% (fair) to 48% (critical).[12]

The Division employs approximately 844 full-time equivalent staff (FTE)—of which, approximately 50 percent are teachers and the other half include a wide range of positions (e.g., educational assistants, bus drivers, caretakers).[13] The Facility Services Unit is responsible for the maintenance of the Division's facilities, and employs nine FTE positions located throughout the Division.

As **Figure 2** illustrates, in each of the last three years, the Division planned for an operating deficit, and had one in two of the last three years—it also expects to have an operating deficit in 2019–20. The amount of its tangible capital assets (which includes its facilities and components) has remained relatively constant at $77 million over the last two years.

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[4] *Horizon School Division No. 205 Board of Education Annual Report 2018–19*, p. 6.
[5] www.horizonsd.ca/Lists/Media%20Releases/DispForm.aspx?ID=48#/= (8 January 2020). This also includes students at schools the Division is not responsible for maintaining, as well as home-schooled students, and distance education students.
[6] *Horizon School Division No. 205 Board of Education Annual Report 2018–19*, p. 4.
[7] The Division supplies staff and support to five schools in its area it does not own—three Hutterite schools, a school owned by a village, and a school on George Gordon First Nation.
[8] *Horizon School Division No. 205 Board of Education Annual Report 2018–19*, pp. 35-36.
[9] www.horizonsd.ca/About/Directory/Pages/default.aspx (5 June 2019).
[10] The Ministry of Education classifies a good FCI as between 0–5%, fair between 5–10%, poor between 10–30%, and critical greater than 30%.
[11] The Ministry estimated a FCI for all provincial schools in 2017-18 of just over 16% (poor condition) with deferred maintenance of about $1.25 billion and replacement values of about $7.63 billion.
[12] Based on 2017 data, given the Ministry's third party last updated information for each of Horizon's facilities and significant components in 2017. At that time, Horizon's 38 schools had replacement values of about $358.2 million
[13] *Horizon School Division No. 205 Board of Education Annual Report 2018–19*, p. 34.

Figure 2—Division Financial Overview from 2017 to 2019, including 2019-20 Budget

$ in thousands	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Budget
Revenues^A	$86,107	$84,598	$85,646	$84,619
Expenses	$87,310	$87,946	$85,407	$85,634
Surplus (Deficit)	($1,203)	($3,348)	$239	
Budgeted Deficit	($2,563)	($1,336)	($1,100)	($1,015)
Tangible Capital Assets at August 31	$74,785	$77,341	$77,488	$75,771

Source: Horizon School Division No. 205 Annual Reports and the 2019-20 budget approved by the Ministry of Education.
^A Includes preventative and maintenance renewal project grants from the Ministry of Education as follows: 2016–17 $1.8 million; 2017–18 $2.1 million; 2018–19 $2.4 million; 2019–20 $2.4 million (budgeted). Preventative maintenance and renewal projects relate to maintenance a school division undertakes using Ministry funding. The Ministry expects these projects to address a division's highest needs and top maintenance priorities.

In 2018–19, the Division spent $3.2 million (2017–18: $3.2 million) specific to maintenance of its facilities (e.g., contracted maintenance, renovations, supplies).[14]

2.3   Importance of Facility Maintenance

Maintenance is one key aspect of asset management. Effective asset management takes a risk- and evidence-based approach to managing assets through their entire life cycle (from purchase to disposal). It requires a coordinated approach. It also requires linkage between the organization's overall strategic direction and decisions about maintenance and capital planning.

The condition of facilities changes over time due to use and physical deterioration. All buildings require regular, ongoing repairs and maintenance to the interior, exterior, mechanical, heating, cooling, and water systems to keep them in good operating condition. In general, the cost of maintenance rises as the infrastructure ages.

Organizations can take two approaches to maintenance. A preventative maintenance approach does inspections (at prescribed intervals) and repairs/replacements to assist in systematic correction of emerging failures before they occur or before they develop into major defects. For example, it may include replacing HVAC filters every six months, checking and recalibrating the pressure in boilers, or caulking windows annually.

A reactive maintenance approach does repairs in response to the requests identifying deficiencies or urgent issues, and typically, staff complete them as issues arise.

Effective maintenance:

➤ Helps ensure facilities can perform at optimum levels over their expected service life, and reduce the risk of service disruption

➤ Identifies and reduces risks associated with aging facilities, and reduces environmental impact by controlling resource usage

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[14] Adapted from information obtained from Horizon School Division No. 205's financial system.

➢ Increases confidence in budgeting facility maintenance costs over time (short-, mid-, and long-term), and includes understanding the business consequences of reducing or increasing capital or maintenance budgets today, and in the years ahead

➢ Provides a foundation for continuous process improvement and feedback to improve future applications of the maintenance process[15]

In addition, effective maintenance planning helps justify asset expenditures to internal and external stakeholders, and considers whether employees have the right competencies and capabilities for managing facilities.

The consequences of not carrying out effective maintenance and repairs on facilities includes potential health and safety problems for users of the facilities (administrators, staff, and students), reduced quality of space, loss of facility value, higher future repair costs, and facilities not meeting their expected service life (e.g., replacing a building earlier than intended).

3.0 AUDIT CONCLUSION

We concluded for the 12-month period ended September 30, 2019, Horizon School Division No. 205 had effective processes to maintain its facilities, except for the following matters.

We found the Division did not use the maintenance IT system to its full capacity. Rather, the Division used many varied and informal processes to plan for and track its maintenance activities. It did not actively make sure requested and expected maintenance was completed when expected.

Furthermore, it did not determine whether it was doing enough and the right maintenance to move towards having its facilities and components in a satisfactory condition. Improved usage of the maintenance IT system would assist the Division in improving its prioritization of identified maintenance deficiencies, and the monitoring of maintenance completion.

Figure 3—Audit Objective, Criteria, and Approach

> **Audit Objective:** To assess whether Horizon School Division No. 205 has effective processes, for the 12-month period ended September 30, 2019, to maintain its facilities.
>
> Facilities include all of the Division's buildings and significant components (e.g., heating, air conditioning).
>
> **Audit Criteria:**
>
> Processes to:
>
> 1. Keep reliable information on facilities
>   1.1 Identify the facilities, including components to maintain
>   1.2 Keep current, reliable information needed to manage maintenance (e.g., facility condition, remaining service potential, estimated maintenance costs, estimated replacement cost)
> 2. Develop a risk-informed maintenance plan
>   2.1 Determine expected service life, desired facility condition index, condition standards for critical equipment (i.e., service objectives) for long-term performance
>   2.2 Assess risk that facilities will not meet required service objectives
>   2.3 Establish specific maintenance strategies to achieve service objectives `
>   2.4 Set maintenance priorities (short-, medium-, and long-term)
>   2.5 Evaluate strategies against available resources

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[15] *New South Wales, Total Asset Management Guideline – Asset Maintenance Strategic Planning*, (2006), p. 2.

3. Carry out maintenance effectively
   3.1 Use recognized maintenance standards
   3.2 Provide staff with guidance (e.g., maintenance procedures)
   3.3 Implement maintenance procedures consistent with standards and assessed priorities
   3.4 Adjust maintenance priorities as new information becomes available
   3.5 Track maintenance activities
4. Monitor performance of maintenance
   4.1 Analyze progress in carrying out maintenance
   4.2 Periodically report on maintenance (e.g., progress against maintenance plan, total deferred maintenance, facility condition index, condition of components) to internal and external stakeholders (i.e., Board, Ministry of Education, 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 Horizon School Division No. 205's processes, we used the above criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Division management agreed with the above criteria.

We examined the Division's criteria, policies, and procedures relating to maintaining facilities. We interviewed staff responsible for maintenance. We examined maintenance documentation (i.e., policies and procedures, maintenance plans, tracking of maintenance activities, work orders, contracts). We tested a sample of service requests, preventative maintenance items, and projects, and evaluated significant maintenance within the maintenance IT system to assess operating effectiveness of the Division's processes.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Qualified Staff Responsible for Maintenance

The Division has clearly assigned responsibility for facility maintenance to suitably qualified staff.

In addition to a manager and an administrative assistant, the Division's Facility Services Unit employs two journeymen (plumber, electrician) and five maintenance staff.

The Division has job descriptions for each of its maintenance staff positions. We found these appropriately outline necessary qualifications, and key responsibilities. The job descriptions require staff to be aware of and keep up-to-date on related building codes and requirements. For example, the job description of the Manager of Facility Services makes the Manager responsible for monitoring the safety of playgrounds and facilities, and long-term maintenance planning.

New maintenance staff receive orientation and job-shadow another maintenance staff to learn about the facilities and the required work. The Facility Services Unit monitors staff training and qualifications.

The Division relies on its journeymen's expertise to know about changes to facility standards. It makes copies of mechanical codes, building codes, binders listing key equipment in each school, and manuals for equipment available to staff.

The Division gives maintenance staff additional direction through semi-annual Facilities Services meetings (e.g., reminders about safety).

We found maintenance staff were suitably qualified, and had received expected training (e.g., first aid, fall protection). In addition, we found the Division obtains annual permits for electrical and gas for its facilities that allow the journeymen to perform required maintenance.

In addition, the Division uses its Board Policy Handbook and various administrative procedures to assign responsibilities for facility maintenance planning and monitoring, and set out certain key expected maintenance activities.

For example, the Board Policy Handbook expects the Board to receive facility services accountability reports. It makes the Director of Education responsible for giving the Board facility project budgets, construction schedules, and timely variance reports.

For another example, an administrative procedure makes the Manager of Facility Services responsible for ensuring the ongoing operation of clean, safe, well-maintained facilities to support students, staff, and public. This procedure also requires the Chief Financial Officer or superintendent to do an annual walkthrough of each facility. Another procedure requires monthly inspections of playgrounds.

In addition, the Division appropriately restricts staff's access and ability to make changes to the maintenance IT system (and modules therein) consistent with their responsibilities.

Clearly defining responsibilities helps ensure managers and staff understand their roles and work better together.

4.2 Functionality of Maintenance IT System Not Fully Utilized

The Division does not fully use the functionality of the maintenance IT system to help it plan for, track, and monitor maintenance of its facilities and significant components (e.g., boilers, roofs). The Division generally has key information necessary to plan for maintenance in various locations and formats.

The Division did not update condition and replacement year information in the asset planning module based on the results of its typically annual or periodic inspections of significant components (e.g., roofs, heating systems, boilers), or completed maintenance activities. As a result, as of September 2019, this key information remained unchanged from the 2017 Ministry third-party assessment.

Thereby, the Division cannot use the maintenance IT system to monitor the condition of its facilities and significant components to help prioritize its planning activities. The maintenance IT system uses condition and expected replacement year information for significant components to calculate the facility condition index (FCI) and amount of deferred maintenance. Changes in FCI and deferred maintenance can help show whether the right maintenance is done at the right time.

The Division uses the service request module to receive and assign staff requests for primarily small repairs (that is, reactionary maintenance) and some preventative maintenance (e.g., to track its inspection and maintenance of window cranks and screens). It expects staff making the request to categorize the urgency of the request using a standardized rating scale. The scale ranges from a low priority (minor issues staff will

address when time and weather permit) to urgent priority (health and safety issues staff will address within a day). It expects maintenance staff to use the system to track the completion of the requested maintenance. It does not estimate costs to complete service requests.

The Division uses the project planning module for larger and more complex maintenance projects to fix identified deficiencies (e.g., roofs) or larger and urgent service requests for repairs (e.g., sidewalk repairs). It expects maintenance staff to use the system to prioritize the urgency of the projects using a standard classification system, estimate project cost and start date, and track the completion of the project.

The Division uses the preventative maintenance module to track its preventative maintenance requirements and activities for only a few significant components (primarily playground inspections, and heating systems). It does not use the module to track estimated cost of required preventative maintenance of these components.

Furthermore, the Division does not use the preventative maintenance module to track its preventative maintenance requirements and activities for several significant components where it uses third party contractors to carry out the maintenance activities (e.g., fire protection and suppression systems, boilers, and roofs).

For these components (fire protection and suppression systems, boilers, and roofs):

➢ It used differing formats (binders or files with individual contractor-prepared reports for fire protection and suppression systems, and roofs, and summarized division-prepared excel spreadsheets for boilers) to collect key information.

We found it had key information (timing of last inspection, results of inspection, identified deficiencies) necessary to determine and prioritize maintenance requirements.

➢ It used the results of third party contractor inspections to prioritize roof repairs and replacements based on age and condition of the roofs.

➢ It had not documented its preventative maintenance requirements (e.g., expected frequency of inspections, process to decide what maintenance to do when). While not documented, we found maintenance staff had a clear understanding of expected inspection frequency and the frequency was in accordance with good practice. They also understood the Division hired third parties to inspect the condition of fire protection and suppression systems, boilers, and roofs, and would engage third parties to fix deficiencies depending on available resources.

➢ It does not always formally track and prioritize identified deficiencies, and recommended maintenance for fire protection and suppression systems and boilers. Rather it relied on the small number of staff involved in maintenance decisions to informally prioritize and address deficiencies.

However, we found staff did not address all significant identified deficiencies within an appropriate timeframe. For example, as of September 2019, our review of third-party September 2018 inspection reports of fire sprinkler and alarm systems found the Division had not repaired seven sprinkler and 19 fire alarm systems with identified

deficiencies more than a year later. As a result of these deficiencies, the facilities did not comply with the Provincial Fire Code (e.g., failure of heat detectors, horn audibility issues, pull station indicator lights not functional), resulting in expired inspection certificates for 23 facilities.[16]

When we brought this to management's attention, the Division did not have plans to address these deficiencies. Since then, the Division is working with a contractor to fix them; it expects the contractor to address all of them by mid-2020.

Prioritizing identified maintenance deficiencies can help the Division avoid non-compliance with applicable codes and provide safe environments for all students and staff.

1. **We recommend Horizon School Division No. 205 prioritize all identified maintenance deficiencies associated with fire protection and suppression systems and boilers to enable determination of the nature and timing of necessary maintenance.**

Management indicates it has been increasing its use of the maintenance IT system as time permits. It informally plans to use the <u>preventative maintenance module</u> for these components in the future (e.g., hopes to do so by mid-2020).

Tracking key information for almost all significant components in the maintenance IT system would enhance the Division's ability to plan, track, and monitor the maintenance of its facilities and components. It would also enable the Division to use the system to monitor changes in FCI and deferred maintenance to help determine whether it is doing the right maintenance at the right time.

2. **We recommend Horizon School Division No. 205 develop a strategy to better use the maintenance IT system to plan, track, and monitor maintenance of its facilities and significant components.**

4.3 Frequency of Expected Inspections Consistent with Good Practice

For key components like playgrounds, boilers, roofs, heating, cooling and ventilation systems, and fire protection and suppression systems, we found the Division's expected frequency of inspections consistent with good practice. For example:

➢ It has fire protection and suppression systems inspected annually; annual inspections align with the term of the contractor-issued inspection certificates issued to show compliance with the Provincial Fire Code

➢ It expects monthly playground inspections consistent with guidance from the Canadian Playground Safety Institute

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[16] Saskatchewan adopts the National Fire Code by regulation under provisions of *The Fire Safety Act* as the standard for the fire safe operation of the buildings and facilities. The National Fire Code establishes three core objectives; safety; health; and fire protection of buildings and facilities.

> ➢ It has boilers inspected twice each year, exceeding the requirements set out in *The Boiler and Pressure Vessel Regulations, 2017*[17]

In addition, we found the Division or the third-party consultants are to use standard checklists to document the inspection and its results. We found the standard checklists were appropriate and consistent with good practice.

For the five schools we tested, consistent with the Division's facility inspection and maintenance policy, we found the Superintendent of Operational Services and Chief Financial Officer toured these schools in 2019 and met with principals to discuss medium- and long-term priorities at their respective schools. Principals gave them a list of items they would like renewed or updated (e.g., gym floor). We observed manual notations of observations from these tours.

Sufficiently frequent inspections help identify deficiencies and provide essential information to determine when best to address them before they present health and safety risks. In addition, earlier identification and repair of deficiencies is often more cost effective than deferring maintenance until major repairs and renovations are necessary. Use of checklists help ensure inspections are robust and assist in documenting inspection results.

4.4 Maintenance Plan Primarily Based on Available Budget

The Division does not fully cost out maintenance funding it needs to keep its facilities and their significant components in satisfactory operating condition. Rather, anticipated Ministry funding for maintenance, approved budgets, and cash available throughout the year are its primary determinants for determining what maintenance the Division does and when. It generally uses a risk-informed basis to decide what maintenance to do in the upcoming year.

The preventative maintenance and renewal (PMR) activities represent the most significant portion of the Division's maintenance budget—these activities range from about 45 percent to almost 60 percent of its total maintenance budget between 2016-17 and 2019-20. The Division hires third-party contractors to complete most of these projects.

The Division assumes its maintenance budget for other maintenance activities will be similar to prior years. It uses its staff to carry out this maintenance and expects them to follow applicable codes and manufacturer requirements, where applicable.

The Division uses Ministry preventative maintenance and renewal grants to fund its PMR projects.[18] It utilizes these grants for both preventative (e.g., roof replacements and repairs), and reactive maintenance (e.g., replacing windows with broken seals).

The Division uses the Ministry of Education guidelines for the PMR funding program, as summarized in **Figure 4**, to select projects and develop a rolling three-year PMR plan.[19]

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[17] *The Boiler and Pressure Vessel Regulations, 2017* require inspections every year for high pressure boilers and every two years for low pressure boilers.
[18] The Ministry bases its annual distribution of PMR funding on the gross floor area of all schools owned by a division. The Division is made aware of this funding on an annual basis in conjunction with the Government's release of the *Estimates* (typically in March for the upcoming year).
[19] *Ministry of Education Preventative Maintenance and Renewal Funding Program Policy Guidelines*, Revised July 1, 2017, pubsaskdev.blob.core.windows.net/pubsask-prod/87251/87251-PMR_Funding_Program_-_Guidelines.pdf). (22 January 2020)

Figure 4—Ministry of Education Preventative Maintenance and Renewal Program Requirements

The Ministry of Education expects the program to allow divisions to maintain facilities in satisfactory operating condition.

A PMR Maintenance Plan lists the prioritized deficiencies of owned facilities over a three-year period. The Ministry will notify school divisions of the specific years required in the plan.

Each year, boards of education must approve their PMR Maintenance Plans, by way of motion, and submit them to the Ministry with a Preventative Maintenance and Renewal Authorization Form. Revisions to an approved PMR Maintenance Plan will require the submission of a Preventative Maintenance and Renewal Amendment Form and a Preventative Maintenance and Renewal Authorization Form.

Project activity types eligible for PMR funding include, but are not limited to, the following: architectural, mechanical, and/or electrical systems, site (e.g., retaining walls, paved pathways), environmental (e.g., asbestos), and related fees and studies.

Source: Ministry of Education Preventative Maintenance and Renewal Funding Program Policy Guidelines Revised July 1, 2017, (pubsaskdev.blob.core.windows.net/pubsask-prod/87251/87251-PMR_Funding_Program_-_Guidelines.pdf (22 January 2020).

We found the Division used identified deficiencies from third party contractor inspections of significant components, internal service requests for more complex or expensive repairs, and information obtained from its annual facility tours to identify deficiencies and desired projects. The Division uses the IT maintenance system's project planning module to capture key information about these projects.

The Division prioritizes projects based on health and safety, efficiency, facility condition, and timing, and documents this priority in the project planning module. As **Figure 4** shows, the Ministry requires the Division's plan to list prioritized deficiencies of owned facilities over a three-year period.

We found, as illustrated in **Figure 5**, the Division provided the Ministry with a board-approved three-year PMR plan each year. The plan set out its top maintenance priorities particularly for the upcoming year (year 1).

Figure 5—Annual Estimated Project Costs in Division Rolling Three-Year Preventative Maintenance and Renewal Program Submissions

$ in thousands	Year 1	Year 2	Year 3
May 2017 submission for 2018 to 2021	$3,477	$2,424	$23,200
May 2018 submission for 2019 to 2022	$3,729	$2,150	$20,196
May 2019 submission for 2020 to 2023	$4,252	$9,175	$12,320

Source: Horizon School Division No. 205 Preventative Maintenance and Renewal Funding Board-Approved Submissions.

For nine of 11 maintenance projects using PMR funding tested, we found the priority of the project consistent with underlying information (e.g., third-party inspection report, service request). The remaining two projects we tested related to lower priority service requests (e.g., installation of window coverings).

We found, from time to time, the Division adjusts the projects included in its PMR plan as it obtains new information about its facility needs. For example, for seven of 11 maintenance projects using PMR funding tested, the Division undertook the project (e.g., installation of security cameras, sidewalk repair, science lab renovations) because it assessed the deficiency as presenting a high risk to the health or safety of students or staff.

We also found, as **Figure 6** illustrates, the Division did not fully utilize its facilities maintenance budget over the past three years, or fully spend PMR funding received from the Ministry. At August 2019, it had not spent $329 thousand of PMR funding.

The Ministry provided between $1.8 million and $2.4 million of funding over this three-year period. It provides the Division with PMR funding in a lump sum during April to June each year. The Division has an August year-end thereby the Division typically spends some of the funding in subsequent years.

Figure 6—Division Maintenance Spending from 2016-17 to 2018-19

$ in thousands	2016-17	2017-18	2018-19
Budgeted Facilities Maintenance Expenses	$3,536	$3,240	$3,787
Actual Facilities Maintenance Expenses	$3,250	$3,227	$3,228
Difference between Budget and Actual	$286	$13	$559
Unspent PMR Funding	$278	$565	$329

Source: Adapted from information obtained from Horizon School Division No. 205's financial system.

Management indicated that the Division adjusts its maintenance spending throughout the year based on Division direction to constrain or minimize costs or to address other operational needs in the short-term. As noted in **Figure 2**, the Division has incurred deficits in two of the last three years.

Division management is aware it may not be spending enough each year to keep its facilities and significant components in satisfactory operating condition. It does not know how much it would cost to maintain all of its facilities and their significant components to a satisfactory operating condition.

The Division recognizes the total estimated costs of projects prioritized for each year exceeds its annual spending. It is also aware preventative maintenance and earlier repair of identified deficiencies is often more cost effective than deferring maintenance until major repairs and renovations are necessary. As **Figure 5** shows, its expected costs associated with Year 2 PMR projects increases significantly by the time they become Year 1 projects.

Deferring maintenance can reduce capacity to provide services, increase future repair costs, and potentially reduce overall service life of facilities (e.g., having to replace a building or components earlier than intended). See **Recommendations 4** and **5** about the need for better monitoring of maintenance activities, and of the overall condition of the Division's facilities. Also see **Recommendation 2** about the need for a strategy to better use the maintenance IT system to plan, track, and monitor maintenance of its facilities and significant components.

4.5 Staff Not Always Doing Maintenance when Expected or Tracking Completion of Maintenance

Staff are not always completing maintenance consistent with expected timeframes or documenting the completion of maintenance.

The Division expects staff to complete assigned maintenance (service requests/preventative) within assessed priority or stated timeframe, and document the completion of maintenance in the appropriate module of the maintenance IT system. For example, as the underline preventative maintenance module underline indicates, staff are to inspect playgrounds monthly using a standard checklist.

Maintenance staff can access the service request module on their smartphones and laptops. Maintenance staff self-assign work based on priorities set out in the service requests. If there is an urgent priority, the Manager of Facility Services will contact maintenance staff so they can address the maintenance work immediately. Service requests are generally for reactive maintenance. The Division aims to have each maintenance staff working on only 35 to 40 service requests at a time to help keep workloads manageable.

For 40 service requests in the underline service request module underline tested, we found:

➢ For each, maintenance was completed consistent with a priority determined by the assigned maintenance staff (not necessarily the priority documented in the request)

➢ For three requests assessed as high priority, staff addressed the high priority aspect of the maintenance request within a reasonable time but had not completed the remaining less urgent work or updated the module to indicate such work was outstanding (e.g., temporarily repaired an exterior door so it can close, but waiting for parts to complete the repairs)

➢ For two requests, staff did not document the completion of the requested maintenance promptly (e.g., closed request between 11 and 86 days after maintenance completed)

In addition, our analysis of outstanding service requests found staff had not properly documented the completion or status of the request for over 20 percent of service requests listed as outstanding in the underline service request module underline at August 31, 2019. Our analysis found 56 of 248 outstanding service requests open at this date were made prior to 2018. Over half of these service requests were of either medium or high priority. We found staff had, for most of these requests, either completed the requested maintenance, or for the larger and more complex service requests, the Division had converted them into PMR projects (i.e., the service requests were no longer required).

Not updating information in the maintenance IT system to reflect the actual priority of service requests may result in maintenance staff inappropriately prioritizing maintenance (i.e., spending time on lower priority maintenance work). Not closing completed maintenance items also reduces the ability to readily monitor maintenance activities.

For 32 preventative maintenance items in the underline preventative maintenance module underline tested, we found:

➢ For all items, the Division documented the planned frequency of the maintenance and the associated maintenance expected in the system.

➢ For 23 items, we found staff did not complete the expected maintenance (i.e., inspect furnaces and/or playgrounds). The system did not include documentation of reasons

for maintenance not being completed, and management was not aware of why staff did not complete the expected maintenance.

➢ For the nine items where staff completed the expected maintenance, staff used the required forms to document the expected frequency of the inspection, and track the maintenance. However, for two of these nine items, staff completed the maintenance (e.g., inspected heating units) later than expected (i.e., one month later). The system did not include documented reasons for staff not completing the maintenance promptly, and management was not aware of why.

In addition, for seven of these nine items, staff did not document the completion of the expected maintenance in the maintenance IT system (i.e., close the maintenance item).

Not documenting completed maintenance promptly results in overstating the number of uncompleted service requests assigned to staff. Not documenting changes to the priority of requests causes inaccuracies of the priority of assigned requests. These may result in an inequitable assignment of service requests to staff.

Documenting the completion of maintenance items or reasons as to why maintenance was not done gives management key information to enable monitoring of maintenance staff performance.

3. **We recommend staff of Horizon School Division No. 205 maintain up-to-date and accurate information in the maintenance IT system about completion of assigned maintenance activities.**

4.6 Monitoring of Completion of Maintenance Needed

The Division does not actively monitor the timeliness of completion of requested and expected maintenance, or the accuracy of information tracked in the maintenance IT system.

The Division assigns clear responsibility for staff to monitor the performance of maintenance activities. The Division's maintenance procedures require the Manager of Facility Services to monitor the ongoing operation of clean, safe, and well-maintained facilities. The Division also makes the Superintendent of Operational Services responsible for facilities, including monitoring performance and improving effectiveness and efficiency.

Maintenance management meets with maintenance staff regularly. Meetings are largely informal interactions given the small size of the Facility Services Unit. We also found the Unit formally met in June 2019, where maintenance staff discussed safety requirements and work schedules.

Management did not actively monitor whether staff updated the service request module properly for maintenance completed. It was not aware the information it was using to manage was not accurate. For example, it did not know the inaccuracies caused the number of outstanding service requests at August 31, 2019 to be overstated by 20 percent. See **Recommendation 3** about maintaining up-to-date and accurate information in the

maintenance IT system. It did not analyze how long higher priority service requests (e.g., urgent) were outstanding to assess the timeliness of completion of requested maintenance.

For 11 maintenance projects we tested from the project planning module, we found management did not formally monitor the completion of the projects (i.e., assessment of timeliness, analysis of budget and actual costs). For each project, our assessment of the budget to actual costs found differences in costs to be minimal or management provided us with reasonable explanations. For three of the 11 projects with established planned construction dates, the Division's completion of the projects was within a reasonable timeframe. For the remaining projects, we found the timing of completion to be reasonable based on explanations provided by management.

In addition, management does not actively monitor whether staff complete preventative maintenance set out in the preventative maintenance module as and when expected. See **Section 4.5** for details about incomplete preventative maintenance items.

Without effective monitoring of the timeliness of completion of maintenance activities, there is increased risk of maintenance not being complete as expected—which can result in further deficiencies with the Division's facilities or significant components.

> 4. **We recommend Horizon School Division No. 205 actively monitor the timeliness of completion of requested and expected maintenance.**

4.7   More Robust Reporting of Maintenance Needed

While management gives the Board monthly reports on its maintenance activities, it does not provide sufficient information about whether its activities are maintaining its facilities and their significant components so that they can operate in a satisfactory manner.

The Division's Board Policy Handbook requires management to provide the Board with periodic reports on maintenance activities, along with information about facility project budgets, schedules, and variance reports.

The Board receives regular information about facilities capital. We found this included the approval of applications for capital project funding, and the three-year PMR plans.

The Board also receives monthly reports (Facility Services Report).

For three Facilities Services Reports tested, we found each report contained the general status of ongoing maintenance projects (e.g., roof repair is in progress), and in addition, one report contained the number of total and outstanding service requests by school and overall at month-end based on information in the service request module of the maintenance IT system.

Each of the three reports tested did not include information on planned versus actual maintenance costs, as well as project status or schedules (i.e., actual timelines associated with maintenance). Also, they did not include information about year-over-year trends in the facility condition index (FCI) or deferred maintenance on an overall basis, or by school basis. It did not highlight facilities with higher maintenance concerns. We noted the Board received analysis related to possible school consolidation. We found this analysis included

consideration of health and safety, utilization of the facilities, and deferred maintenance of the potentially affected schools.

The FCI and estimate of deferred maintenance show whether maintenance activities are achieving the desired result (that is, whether the Division is doing the right maintenance at the right time). The maintenance IT system automatically determines this index based on deferred maintenance in the system.

Figure 7 illustrates the Division's system-generated FCI from 2017-18 to 2020-21—this suggests its FCI is expected to grow by about 8 percent over this period. The system-generated expected deferred maintenance is estimated to reach about $95 million by 2020-21; an increase of almost 45 percent between 2017-2018 and 2020-2021. As noted in **Section 4.2**, the Division is not updating condition information in the system. Information was last updated in 2017.

Figure 7—Horizon School Division System-generated Overall FCI from 2017–18 to 2020–21
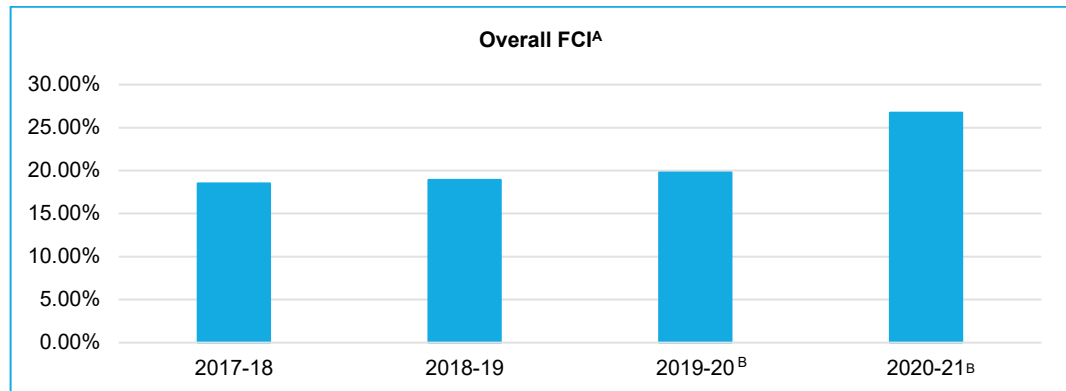
Source: Adapted from FCI calculations provided by the Ministry of Education.
A The Ministry of Education classifies a good FCI as between 0-5, fair between 5 and 10, poor between 10 and 30, and critical greater than 30%.
B The Ministry of Education only began maintaining information about the FCI of schools across the Province in 2017-18. The maintenance IT system's calculation of the FCI includes future projections of replacement dates and associated costs.

Without sufficient analysis and reporting of maintenance results, the Board cannot assess whether the Division effectively maintains its facilities and components or whether maintenance funding is sufficient and efficiently used.

5. **We recommend Horizon School Division No. 205 provide its Board with periodic, comprehensive maintenance reports about the results of its maintenance activities (e.g., facilities' condition, deferred maintenance) and anticipated impact to inform decision-making.**

5.0 FACILITIES IN HORIZON SCHOOL DIVISION NO. 205 BY YEAR BUILT

At September 2019, the Division owned and was responsible for maintaining the following facilities.

Facility	Year Built	Enrolment	FCI as of 2017-18C
Raymore School	1923	240	15.3%
Rose Valley School	1954	87	21.3%

Facility	Year Built	Enrolment	FCI as of 2017-18[C]
Bulyea Elementary School	1955	63	20.5%
Kelvington High School	1956	122	13.9%
Lanigan Central High School	1956	123	23.5%
Ituna School	1956	204	18.9%
Quill Lake School	1958	106	15.7%
Muenster School	1958	157	23.6%
Watson School	1959	138	23.0%
Wynyard Composite High School	1959	184	14.3%
Watrous Elementary School	1959	244	20.5%
Wadena Composite School	1959	149	14.3%
Punnichy Elementary Community School	1959	151	7.3%
Drake School	1959	56	11.5%
Wakaw School	1959	282	23.6%
Wynyard Elementary School	1959	250	10.2%
Viscount Central School	1960	135	15.1%
Foam Lake Composite High School	1960	123	10.1%
William Derby School	1960	229	27.4%
Leroy School	1960	100	19.2%
Imperial School	1960	95	43.8%
Schell School	1960	73	29.2%
Annaheim School	1961	83	36.6%
Winston High School	1961	188	20.8%
Three Lakes School	1961	60	26.0%
Lake Lenore School	1961	84	10.4%
Archerwill School	1963	66	20.4%
Punnichy Community High School	1964	168	39.4%
Foam Lake Elementary School	1965	133	19.5%
Nokomis School	1965	52	48.0%
Lanigan Elementary School	1965	239	20.8%
Robert Melrose Elementary School	1966	98	23.2%
Wadena Elementary School	1966	238	19.4%
Cudworth School	1972	146	17.4%
Bruno School	1980	132	10.2%
Humboldt Collegiate Institute	2011	382	6.0%
Humboldt Public School	2013[A]	300	7.2%
St. Brieux School	2017[B]	263	15.1%

Facility	Year Built	Enrolment	FCI as of 2017-18[C]
School Division Head Office	2018	N/A	N/A
Foam Lake Bus Garage	1962	N/A	N/A
Lanigan Maintenance Shop	1955	N/A	N/A
Wadena Maintenance Shop	1987	N/A	N/A

Source: Maintenance IT system and information provided by Horizon School Division No. 205.
[A] Humboldt Public School built in 1955 had major renovations in 2013.
[B] St. Brieux School built in 1961 had major renovations in 2017.
[C] FCI data as of 2017-18 is the closest available data to when the third party updated the Division's information in the maintenance IT system.

6.0 MAP OF SCHOOLS IN HORIZON SCHOOL DIVISION NO. 205
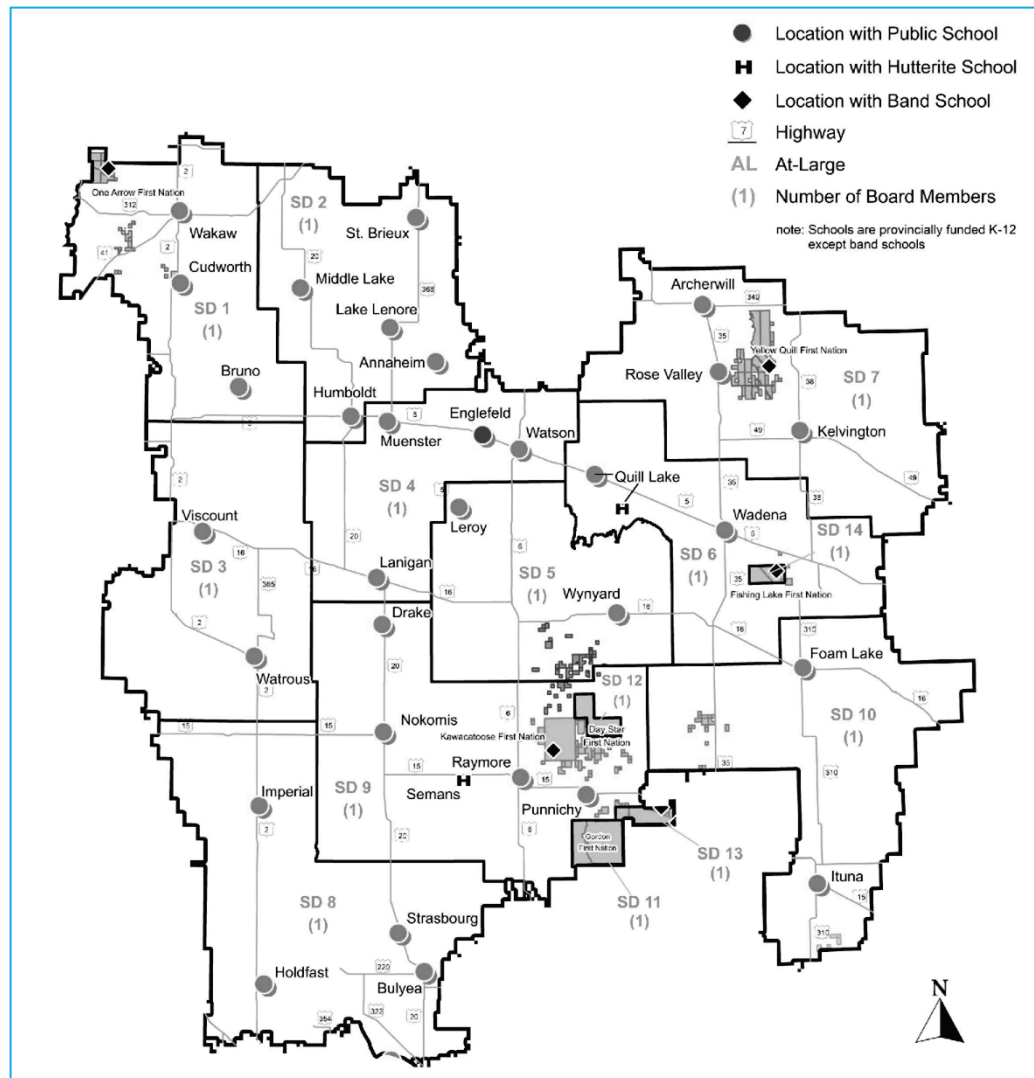
Source: www.horizonsd.ca/Schools/Maps/Documents/SD_Horizon%20205_2018.08.pdf. (10 March 2020)

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Chapter 9
Office of the Public Guardian and Trustee of Saskatchewan—Providing Property Guardianship Services to Adult Clients

1.0 MAIN POINTS

This chapter sets out the results of our audit of the processes the Office of the Public Guardian and Trustee of Saskatchewan had for providing property guardianship services to its adult clients.

In providing property guardianship services the Office has, by law (subject to a court order appointing the Office), the authority to do most things that a capable person may do relating to their financial affairs.[1] This includes receiving income (e.g., Saskatchewan Assured Income for Disability, Saskatchewan Assistance Plan, Old Age Security), paying expenses (e.g., rent, medical expenses, personal allowances), and holding, securing and managing assets (e.g., personal property, real estate, investments).

We found, at July 2019, that the Office had effective processes to provide property guardianship services to its adult clients, other than it needs to consistently keep rationale for key decisions when identifying property of adult clients, particularly those decisions requiring judgment of trust officers. Documenting rationale for key decisions supports judgments made in specific instances. Keeping documentation of key decisions in client files would ease transitions of clients between trust officers (e.g., in event the assigned trust officer is on leave).

The Office must ensure the financial affairs and property of vulnerable members of society for whom it acts as property guardian are appropriately managed and not at risk.[2] Adult clients under property guardianship do not have the capacity to manage their own finances and property. This magnifies the importance of the Office having effective processes to provide property guardianship services to adult clients.

2.0 INTRODUCTION

Among other matters, the Office of the Public Guardian and Trustee of Saskatchewan is responsible for managing the financial affairs of adults who are incapable of managing those affairs.[3] It calls this property guardianship services. Adult clients include individuals

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[1] *The Adult Guardianship and Co-decision-making Act* (s. 43) and *The Public Guardian and Trustee Act* (s. 30). The Office cannot make a will for the client.
[2] Adapted from Ministry of Justice and Attorney General Office of the Public Guardian and Trustee, *Annual Report for 2018–19*, p. 2.
[3] Other areas of responsibility include protecting the property rights of children under the age of 18, monitoring other property guardians, investigating allegations of financial abuse, administering the estates of deceased and missing persons, and holding and administering unclaimed property. For further details, see www.saskatchewan.ca/government/government-structure/boards-commissions-and-agencies/office-of-the-public-guardian-and-trustee (14 February 2020).

over the age of 16 where a Court or a chief psychiatrist determines the individual cannot manage their own estate (Certificate of Incapacity).[4,5,6]

In 2018–19, the Office served 6,469 clients in total (2017–18: 6,205 clients) of which 18 percent (2017–18: 17 percent) were adult clients.[7] As shown in **Figure 1**, the total number of adult clients under property guardianship can fluctuate from year-to-year.

Figure 1—Number of Total Clients and Adult Clients Under Property Guardianship as of March 31 from 2014 to 2019

As of March 31	Total # of Clients	# of Adult Clients Under Property Guardianship	% Year-Over-Year Change in Adult Property Guardianship Clients
2014	6,467	1,093	0.7%
2015	6,215	1,117	2.1%
2016	6,048	1,125	0.1%
2017	6,221	1,139	1.2%
2018	6,205	1,084	(4.8)%
2019	6,469	1,155	6.5%

Source: Ministry of Justice and Attorney General Office of the Public Guardian and Trustee, Annual Reports for 2014–2019.

The Office makes trust officers within its Adults Unit responsible for providing property guardianship services. These officers work under the guidance of an Adults Unit Supervisor and the Deputy Public Guardian and Trustee.

Property guardianship services for adult clients includes making decisions about an adult client's estate (e.g., financial planning, investing money, paying expenses and debts, disposing of property) that the adult would make if he or she had the capacity to do so. It does not include adult-client care decisions (e.g., where to live, medical decisions) or decisions about making a last will and testaments (e.g., role of executors or beneficiaries).[8]

The Office is an agency of last resort—in that its clients are unable to personally manage their financial affairs and no other suitable individual exists. Therefore, if the Office does not have effective processes to prudently manage the financial affairs of these clients, it can expose them to significant financial risk. In turn, improperly managing their financial affairs may affect the overall well-being of these adult clients.

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[4] Adapted from *The Adult Guardianship and Co-decision-making Act*, s. 2. The definition in the Act also applies to adults not under property guardianship services of the Public Guardian and Trustee of Saskatchewan (i.e., personal guardians, other property guardians [e.g., relatives of the adult], co-decision-makers).
[5] The Court of Queen's Bench in Saskatchewan appoints property guardians under *The Adult Guardianship and Co-decision-making Act* (s. 2, s. 40(1)(b)). The Act also gives the Public Guardian and Trustee of Saskatchewan authority to apply to be a property guardian (s. 30).
[6] A chief psychiatrist, as defined in *The Mental Health Services Act*, or another physician, may assess the individual. Where appropriate, the chief psychiatrist issues a certificate of incapacity certifying that the adult is incapable of managing his or her financial affairs (*The Public Guardian and Trustee Act*, s. 28.2, 28.3).
[7] Adapted from information provided by the Office of the Public Guardian and Trustee of Saskatchewan.
[8] Adapted from *The Adult Guardianship and Co-decision-making Act* (s. 43).

3.0 AUDIT CONCLUSION

We concluded that for the 12-month period ended July 31, 2019, the Office of the Public Guardian and Trustee of Saskatchewan, other than the following area, had effective processes to provide property guardianship services to its adult clients. It needs to consistently keep rationale for key decisions on identification of the property of adult clients, particularly those decisions requiring judgment of trust officers.

Figure 2—Audit Objective, Criteria, and Approach

Audit Objective:

The objective of this audit is to assess the effectiveness of the Office of the Public Guardian and Trustee of Saskatchewan's processes, for the 12-month period ending July 31, 2019, to provide property guardianship services to its adult clients.

Audit Criteria:

Processes to:

1. **Accept clients in a timely manner**
   1.1 Maintain approved and clear policies for accepting adult clients (e.g., align with applicable legislation, set timeframes for key steps)
   1.2 Follow policies for accepting adult clients
   1.3 Record all client property within a reasonable timeframe dependent upon assessed level of complexity of financial affairs (e.g., valuation of property)
   1.4 Maintain a financial plan that reflects client's circumstances and needs within a reasonable timeframe
   1.5 Inform appropriate stakeholders (e.g., adult clients, personal guardians) of relevant financial information, when in the best interests of the client (e.g., respecting privacy laws)

2. **Manage financial affairs of clients (e.g., property, income, and expenditures)**
   2.1. Maintain approved and clear policies for managing adult client's financial affairs (e.g., align with applicable legislation, set prescribed timeframes for key steps)
   2.2. Execute financial plan
   2.3. Cease services, when authorized to do so (e.g., upon client becoming capable, new property guardians, release to deceased estate representatives)

3. **Monitor quality of services provided**
   3.1. Address complaints (e.g., from clients, personal guardians, public) within a reasonable timeframe
   3.2. Assess quality of service provided to individual clients (e.g., supervisory review of client files)
   3.3. Identify indicators of good delivery of guardianship services to adult clients and transition to related stakeholders (e.g., new property guardians, estate representatives)
   3.4. Use data collected to evaluate delivery of guardianship services on overall basis

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 Office's processes, we used the above criteria based on reviews of literature including reports of other auditors, and consultations with management. The Office agreed with the above criteria.

We examined the Office's policies and procedures related to providing guardianship services to adult clients. We interviewed staff responsible for providing property guardianship services to adult clients, including senior management. We examined relevant documentation (e.g., client files, policies, and committee minutes). We tested samples of adult client files (clients accepted within the last 12 months, existing clients) and evaluated users' access to the relevant Guardian IT system.

The audit did not include the Office's processes to oversee (as required by *The Adult Guardianship and Co-decision-making Act*) court-appointed property guardians where the Office is not appointed as property guardian.

4.0 KEY FINDINGS AND RECOMMENDATION

4.1 Clear and Approved Policies on Accepting Adults and Managing their Financial Affairs

The Office maintains clear and approved policies for accepting new clients and managing client finances. In addition, it has sufficient supporting guidance to help staff implement those policies.

The Office makes its Policy Committee responsible for regularly reviewing all policies, approving required policy changes, and keeping staff informed of changes. The Committee consists of key members of management.

Our testing of six of 87 policies related to client acceptance, and six of 63 policies related to managing client financial affairs found each of the Office's policies tested:

➢ Aligned with relevant legislation

➢ Reflected the need for the Office to always act in the best interest of a client

➢ Required staff to keep documentation in client files to support decision-making

➢ Identified when and how to consult with qualified professionals to identify and value client property

➢ Required regular review of case plans, and client files—A case plan summarizes a client's circumstances and property guardianship service needs.[9] It documents key information about an adult client, such as contact information, community supports, property, investments, complexity of a client's financial needs, and expected incomes and expenses.

For the 12 policies we tested, the Committee had reviewed the policies within the last three years.

We found the Office trains trust officers on key policies, and uses job shadowing to train new officers. At July 2019, it employed trust officers in 10.5 full-time equivalent positions (FTE).

In addition to policies, the Office maintains several checklists and templates useful in documenting the completion of key steps when accepting clients and managing client financial affairs (see **Figure 3**). For example, it uses checklists for setting up new client files in its Guardian IT system, determining a client's income and expenses, and documenting and valuing client property.

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[9] Since January 2018, the office expects trust officers to complete a client case plan for each client using a standard form. The Office did not expect trust officers to complete a client case plan for clients accepted before January 2018.

Figure 3—Key Aspects of Property Guardianship Process

Client Acceptance	Client Financial Management	Cease Client Services
• Make inquiries to determine client revenues, expenses, property, and amounts owing • Conduct on-site investigation of client property as needed • Value identified client property • Set up client information in Guardian • Document property guardianship service needs (client case plan)	• Manage client financial affairs (e.g., collect client revenues, pay client expenses, oversee client investments) • Inform stakeholders (e.g., client, family) of relevant client financial information	• Identify appropriate persons to assume responsibility for financial affairs of client • Release client property consistent with external direction • Identify and notify appropriate parties of release of client property and financial affairs • Complete and communicate a final statement of account to relevant parties (e.g., client or persons taking over financial affairs of client)

Source: Adapted from information provided by The Office of the Public Guardian and Trustee of Saskatchewan.

The Office makes its policies and supporting procedures (including checklists and templates) readily accessible to all staff through its Policy Manual. Our interviews of selected officers found them familiar with applicable policies and practices.

Having clear, approved, and up-to-date policies helps staff understand expectations about providing property guardianship services, and fosters the delivery of consistent and appropriate services.

4.2 Potential for Conflicts of Interest Considered When Assigning Clients to Trust Officers

The Office's processes to assign new clients to a trust officer give sufficient consideration of potential for conflicts of interest between the trust officer and a client.

Because the Office's staff are part of the Saskatchewan public service, its trust officers are bound by the Public Service Commission's human resource policies including those related to conflict of interest.[10] Moreover, when assigning new adult clients to trust officers, the Office expects officers to inform senior management about real or perceived conflicts of interest with the assigned client. If so, management assigns the client to an officer with no identified conflict of interest.

We found officers we interviewed had a sufficient understanding of potential conflicts of interest and were fully aware of the Office's expectation that they consider any conflicts with assigned clients. They noted they would declare conflicts of interest arising for any assigned clients.

We tested 18 new files for adult clients (clients accepted within the 12-month period ending July 2019), and found that the Office appropriately assigned them to staff without any apparent conflicts of interest.

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[10] See policy at www.taskroom.sp.saskatchewan.ca/Pages/Public%20Service%20Commission/Service%20Pages/Section-801-Conflict-of-interest.aspx (14 February 2020).

Having processes to avoid assigning clients to officers who may have real or perceived conflicts of interest helps ensure trust officers make decisions in the best financial interest of their assigned clients.

4.3 Higher Than Normal Caseloads Causing Delays in Accepting New Clients

The Office, on average, took longer than it expected to accept new clients because of higher than normal caseloads. It actively monitored caseloads, and considered implications on resource requirements.

Office policy for intake of new adult clients expects trust officers to determine whether the Office should act as property guardian within 90 days of the Office's receipt of an individual's Certificate of Incapacity. It recognizes circumstances may delay the acceptance of an adult client (e.g., when a client's family member is deciding whether to act as property guardian). Once officers determine no one else will act as property guardian, the Office issues to the client and related personal representative (if any) an 'Acknowledgement to Act'. This advises them of the Office's intentions to take responsibility for the financial affairs of the individual.[11]

We found the Office actively monitored the time it took to issue an Acknowledgement to Act. Unlike other Canadian provincial Public Guardian and Trustees, it reports publicly on this. As shown in **Figure 4**, for the past five years, about three-quarters of the time, the Office accepted clients within 90 days from its receipt of an individual's Certificate of Incapacity.

Figure 4—Percentage of Files where the Office signs an Acknowledgement to Act within 90 days from its receipt date of the Certificate of Incapacity
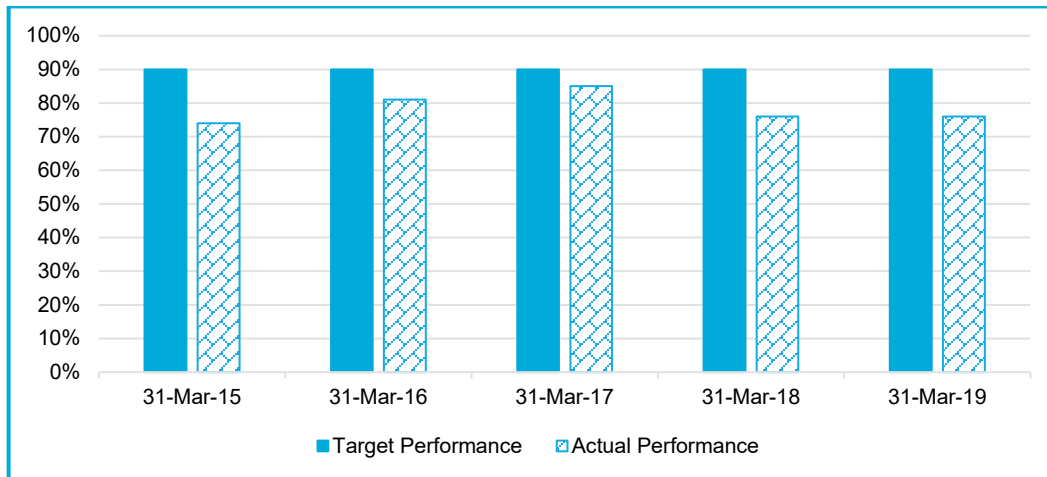
Source: Ministry of Justice and Attorney General, Office of the Public Guardian and Trustee, Annual Report for 2018-19.

Our testing results were consistent with the Office's reported results. For 15 of 18 new adult client files we tested (83%), the Office accepted clients within 90 days; for three of 18 new adult clients files we tested, it did not. It accepted these three clients between 21 and 85 days past its 90-day deadline. For each of these clients, another party (e.g., family member,

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[11] Issued pursuant to *The Public Guardian and Trustee Act*, s. 30.

care home) that was helping the client manage their finances had decided they no longer wished to do so, and wanted to transfer that responsibility to the Office.

Management indicated it accepted these clients later than expected because of increased caseloads causing delays in processing.

Figure 5—Total Adult Clients Under Property Guardianship and Staff Allocation

	August 2018	July 2019	Change	% Change
Total Adult Clients	1,096	1,190	94	8.6%
Total FTE Trust Officers	10.8	10.7	(0.1)	(0.9%)
Average caseload per FTE	101.5	111.2	9.7	9.6%

Source: Adapted from information provided by The Office of the Public Guardian and Trustee of Saskatchewan.

As shown in **Figure 1**, in 2018–19, the number of adult clients for property guardianship services increased 6.5 percent from the prior year (2017–18: decreased 4.8 percent).

In August 2018, the Office began monthly monitoring of caseloads by trust officer. It uses this monitoring to allocate new clients to trust officers equitably, and better manage caseloads of individual trust officers including understanding reasons for variations in caseloads.

For the 12-month period ending July 2019 (the audit period), the Office provided property guardianship services to an additional 94 clients, serving 1,190 adult clients at July 2019 (see **Figure 5**). The bulk of this increase relates to new clients who were previously under the care of the Ministry of Social Services, and resided in Valley View Centre (a group home previously operated by the Ministry of Social Services). The Ministry permanently closed this Centre in September 2019. It announced this transition to closure in 2012.

We found the Office recognizes managing the size and complexity of adult-client caseloads of individual trust officers is crucial to provide adult clients with timely and appropriate services. The Office aims to assign 95 to 100 clients per FTE trust officer.

We noted, at July 2019, the caseloads ranged from 77 to 117 clients per FTE trust officer. As shown in **Figure 5**, at July 2019, trust officers had an average caseload of 111.2 adult clients per FTE as compared to 101.5 at August 2018. During the 12-month period ending July 2019, the number of trust officers for property guardianship services was virtually unchanged (i.e., 10.7 FTE positions in July 2019 and 10.8 FTE positions in August 2018). It changed two term positions into two permanent full-time positions.

We found management had a good understanding of reasons for differences in caseloads (e.g., complexity of files, client mortality rates), and reasons for changes in number and type of clients (e.g., types of income supports client receives).

Furthermore, we noted the Office appropriately used its caseload analysis to help determine its future resource requirements (e.g., number of FTE trust officers necessary) to maintain services to the Office's clients. By maintaining adequate resources and manageable caseloads, the Office can provide quality and timely property guardianship services to its clients.

Ongoing and active monitoring of caseloads helps the Office accept adult clients within a reasonable timeframe.

4.4 Rationale for Key Decisions about Client Property Inconsistently Documented

Although the Office recorded client property within a reasonable timeframe, it did not always document in client files rationale to support certain decisions or judgments made about client property.

Office policy expects staff (trust officers and investigators) to make key decisions about client property, including identifying, valuing, recording, and safeguarding property. After a client is accepted, trust officers are to send inquiry letters to identify client assets. If a client owns a home, Office policy requires investigators to conduct an inspection of the client's home and other property within two to four weeks. Staff are to document significant judgments about the value of specific client property, and obtain third-party appraisals for certain types of property (e.g., jewelry, real estate). The Office is to purchase insurance on the clients' behalf to safeguard client property.

We found for 18 **new** adult client files tested, the Office:

➤ Identified client assets (e.g., conducted a property search to determine whether the client owned any property) within a reasonable period. Other types of searches include bank accounts, investments, safety deposit boxes, unclaimed funds, and outstanding debt.

For five of the new adult client files that required an on-site investigation, the Office inspected and identified client assets within two to five weeks. Investigators completed four of these investigations within two weeks. For the one investigation completed within five weeks, the client did not have assets to record (e.g., only small personal items, clothing). Therefore, this did not result in increased risk for the client's property.

➤ Valued adult client property using reasonable methods. For 11 of the 18 new clients tested with specific assets (e.g., investments, real estate), officers recorded the property in the Guardian IT system, and used an appropriate valuation method (e.g., fair market value, resale value) to value the property. For the 18 new adult client files tested, there were no decisions made to sell client property.

➤ Documented significant judgments about value of specific client property (e.g., personal items such as furniture, appliances), if any.

➤ Purchased insurance on clients' behalf to appropriately safeguard specific client property (including client personal belongings such as clothing, personal effects).

For an additional 30 adult client files we tested, trust officers documented decisions to sell client assets as necessary.

However, for two of 18 **new** adult client files we tested, trust officers did not document their conclusions when the results of the property search identified individuals with the same name as the client.[12] The client files did not contain support to show whether the client owned property. For each of these clients, based on client circumstances and other information on the client's file, we concluded the client did not own the property identified in the property search.

Documenting rationale for key decisions supports judgments made in specific instances. Keeping documentation of key decisions in client files would ease transitions of clients between trust officers (e.g., in event the assigned trust officer is on leave [e.g., vacation, sick]).

1. **We recommend the Office of the Public Guardian and Trustee of Saskatchewan follow its established processes to keep rationale for key decisions about identification of property of adult clients receiving property guardianship services.**

4.5 Defined Processes to Determine Financial Needs of Adult Clients Followed

The Office consistently followed its clearly defined processes for determining a client's financial circumstances and property guardianship service needs.

Office policy expects trust officers to complete a client case plan, which summarizes a client's financial circumstances and property guardianship needs. Trust officers are to use the results of various inquiries (e.g., review of bank accounts, search for income assistance and other benefits) to determine a client's expected incomes and expenses. The Office has two target timeframes for trust officers to complete client case plans—an internal target of within six months, and an external target of within nine months of client acceptance.

In addition, Office policy expects the Adults Unit Supervisor to review completed client case plans on a monthly basis. The purpose of this review is to confirm the plan is properly completed and the client file includes all key information (e.g., family information, unrecorded assets or debt, outstanding legal issues).

We found:

➢ For each of the 18 new adult client files tested, the file contained appropriate background information such as family members, assets, and medical information related to incapacity.

➢ For each of the 12 new adult client files tested with completed client case plans, the Office completed those plans within the expected nine months.

➢ For each of the 12 new adult clients with completed client case plans tested, the Supervisor reviewed the file within expected timeframes. Each review did not identify any significant deficiencies.

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[12] The Office conducts property searches through the Land Titles Registry at Information Services Corporation.

Our analysis of the timeliness of completion of case plans found, in 2018–19, the Office completed 71.7 percent of client case plans within six months, and 90.6 percent of client case plans within nine months. On average, it took trust officers 186.3 days (6.2 months) to complete client case plans.

By having complete information on a client's finances on a timely basis, the Office can support that it makes appropriate financial decisions on behalf of clients. Completion of the client case plan demonstrates prudent management of client finances and appropriate oversight provided by management.

4.6 Adult-Client Revenues, Expenses, and Property Recorded as Expected

The Office adequately manages the finances of adult clients. It records revenues, expenses and details about property of adult clients as expected.

The Office had good processes to record client revenues, expenses and property. We found it:

➢ Consistently recorded revenues promptly upon receipt and deposited funds in the appropriate account for 30 revenue items tested for adult clients

➢ Recorded amounts due promptly, appropriately segregated duties when making payments, documented rationale for payments, and made payment decisions in the best interest of clients for 30 expenditures tested for adult clients

➢ Appropriately charged clients administration and management fees in line with legislation for 30 adult clients tested

➢ Recorded significant changes (e.g., sale of property, large one-time expenses) in clients' finances in the Guardian IT System for 28 adult clients tested

Having up-to-date financial information helps support trust officers in making reasonable financial decisions in the best interest of clients. Recording revenues upon receipt ensures client finances reflect an accurate balance so the trust officers can use the funds to make payments. Paying promptly helps ensure clients do not incur late fees or other charges.

4.7 Client Finances Monitored Through Guardian IT System

The Office actively manages adult client finances through the use of the Guardian IT system.

Trust officers monitor client finances on a day-to-day basis through Guardian. Guardian provides trust officers with information such as a client's current cash balance, income and expenses, as well as assets (e.g., investments, personal property) and liabilities (e.g., overdue amounts). Trust officers use this information to plan for a client's short-term needs. Trust officers plan for a client's long-term needs by documenting client savings goals, and through managing client finances.

Having an IT system that allows trust officers to monitor client finances in real-time helps to support trust officers to make decisions that are in the best interest of the client.

4.8   Adult Client Investments Reasonably Managed

The Office reasonably manages investments of adult clients including investing their funds consistent with legislative requirements.

The Office uses two Committees to oversee investments for adult clients.

➢   The Segregated Assets Committee manages specific client assets such as mutual funds, guaranteed investment certificates, and registered disability savings plans. It refers to these as segregated assets. This Committee consists of key members of management. It periodically reviews client assets for appropriateness against a client's financial situation (e.g., liquidity needs, asset mix). It makes decisions on their upkeep, and on when best to sell them.

➢   The Investment Advisory Committee manages client co-mingled assets (such as bonds, equities and short-term investments). The Committee is comprised of representatives from the Office, the Ministry of Justice and Attorney General, the investment advisor, and the investment manager. The Committee uses an investment strategy (known as a Statement of Investment Policies and Objectives) to direct the investment of co-mingled assets. It engages an investment manager and investment advisor to monitor compliance with the investment strategy and legislation, and report to the Office regularly on compliance.

As shown in **Figure 6**, total client trust assets (including those of adult clients) and other investments the Office manages have steadily increased since 2014.

Figure 6—Total Client Trust Assets and Other Assets as of March 31 from 2014 to 2019

As of March 31	Segregated Assets (in millions)A	Co-mingled Assets (in millions)B	Total Client Assets (in millions)
2014	$ 53.1	$ 156.4	$ 209.5
2015	44.5	178.8	223.3
2016	54.6	165.7	220.3
2017	57.5	175.3	232.8
2018	67.4	179.1	246.5
2019	69.1	186.1	255.2

Source: Ministry of Justice and Attorney General, Office of the Public Guardian and Trustee, Annual Reports for Years 2014-2019.
A Segregated Assets are assets held in trust for clients (e.g., Registered Disability Savings Plan, Guaranteed Investment Certificates, real estate, personal property)
B Co-mingled Assets include investments (referred to as Common Fund Investments), cash, and interest and dividends receivable. The Office invests funds of clients, on their behalf, in a centralized fund to ensure consistency of returns among clients (referred to as the 'common fund' in legislation and financial statements).

We found that the Office's investments were consistent with legislative requirements. The Office received quarterly reports on compliance and met bi-annually with the Investment Advisory Committee to review and discuss investment performance of

co-mingled assets relative to the investment strategy. The Segregated Assets Committee met periodically to review appropriateness of specific client assets.

Having regular oversight over investments helps to support the prudent management of client financial affairs and reduces the risk to client long-term investment value.

4.9   Informs Stakeholders of Relevant Financial Information

The Office consistently informs appropriate stakeholders (e.g., adult clients, personal guardians) of relevant financial information when in the best interest of the client.

Office policy requires trust officers to communicate financial information only when it is in the best interest of a client. Policies require trust officers to maintain correspondence with clients in a client's file, as well as document support for significant decisions (e.g., approval of one-time significant expenditures, refusal of spending request, decision to sell client property). If a client's expenses exceed income, policies require trust officers to discuss changes (e.g., reduce cable/phone bills if utility is not necessary, reduce monthly allowance) with the client or caregiver.

We found Office policy considered and respected the privacy rights of its clients.

For each of the 18 new adult client files we tested, the file showed the Office:

➢ Provided the adult client with information about how to contact the assigned trust officer

➢ Decided whether the client was capable of understanding decisions about their finances

➢ Decided whether corresponding with the client's family about the client's key financial decisions was appropriate (e.g., did not communicate where risk of family financial abuse existed, or where client did not have family)

➢ Corresponded with primary care providers about financial decisions (e.g., purchases related to providing for clients' needs)

➢ Communicated information to the client or the client's personal representative when a client's annual expenses exceeded their income and the client did not have sufficient assets to cover shortfall, about actions to remedy shortfalls (e.g., applied for rent reduction, alternate payment plan), and about adjustments to client finances as necessary

Providing appropriate stakeholders with relevant financial information, when in the best interest of a client, keeps them informed. In addition, documenting key decisions about when best to communicate a client's personal financial information helps ensure the Office respects client privacy and does not give information to inappropriate parties.

4.10 Property Guardianship Services Appropriately Ceased When Authorized

The Office appropriately ceased property guardianship services when authorized to do so.

Where the Office ceases property guardianship services, the Office has established adequate related policies and processes. These include identifying appropriate persons to assume responsibility for the financial affairs of adult clients, releasing client property consistent with external direction, identifying and notifying appropriate parties of the release, and completing and communicating a final statement of account to relevant parties (e.g., client, new property guardian).

The Office ceases to provide property guardianship services upon receipt of notification of an adult client being certified as capable, the appointment of a new property guardian, or the death of an adult client.[13],[14] After an adult client's death, the Office has the authority to manage the property of a deceased client pending the granting of letters probate or letters of administration, or until the estate can be delivered to a proper representative.[15]

For each of the 12 adult client files we tested where the Office ceased services, the Office followed its policies and processes.

Having clearly defined processes to cease providing property guardianship services helps provide for a smoother transition of a client's assets between parties.

4.11 Supervisory Reviews Used to Monitor Quality of Services to Clients

The Office uses supervisory reviews of adult client files to help assess the quality of adult property guardianship services provided.

The Office's policy on supervisory reviews directs the Adults Unit Supervisor to review five percent of each trust officer's caseload, and the Deputy Public Guardian and Trustee to review 10 percent of the Adults Unit Supervisor's caseload. The purpose of these reviews is to determine whether a client file contains appropriate and expected information, and whether related client information in the Guardian IT System is accurate and complete.

We found the Office followed its policy and conducted the expected amount of reviews in 2018–19. We also found trust officers addressed identified issues promptly.

Conducting systematic reviews of client files help supervisors and management actively monitor staff and identify areas needing improvement. Prompt follow up of identified issues increases the likelihood of providing timely and appropriate property guardianship services.

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[13] *The Public Guardian and Trustee Act*, s. 38.
[14] A chief psychiatrist, as defined in *The Mental Health Services Act*, may issue a Certificate of Capacity to certify that the adult is capable of managing his or her financial affairs (adapted from *The Public Guardian and Trustee Act*, s. 28.4). The Court of Queen's Bench in Saskatchewan appoints property guardians under *The Adult Guardianship and Co-decision-making Act* (s.2, s.40(1)(b)).
[15] *The Public Guardian and Trustee Act*, s. 31(1)(b).

4.12 Client Complaints Addressed

The Office responds to client complaints within a reasonable timeframe.

The Office tracks complaints received from the Saskatchewan Ombudsman and the Ministry of Justice and Attorney General to ensure it provides a response in a timely manner.[16]

The Office received 17 complaints for the 12-month period ended July 2019 (our audit period). We found the Office responded to all complaints received. For the three complaints we tested, it responded to them within one to eight business days of receipt.

In addition, clients can contact the Office directly by phone, email, or in-person to express concerns. During the audit, we observed staff receiving phone calls from clients and addressing clients' queries or concerns.

By addressing concerns within a reasonable time, the Office can adjust services provided and rectify situations as necessary. Responding to complaints improves the likelihood clients feel valued, and helps show the Office acts in the best interest of the client.

4.13 Guardianship Services Evaluated Periodically

The Office regularly monitors the quality of property guardianship services provided to identify necessary adjustments, if any.

The Office collects monthly statistics to monitor trust officer caseloads. Monthly statistics include the number of new client files opened and closed, the total number of client files, the number of Certificates of Incapacity received but it has not issued an Acknowledgement to Act, and the number of deceased adult clients it oversees until it can deliver the estate to the proper representative.

In addition, it uses the following performance indicators to evaluate adult property guardianship services provided by its Adults Unit. It sets targets for each.

➤ Percentage of clients (or personal representatives) who received average, above average, or excellent service from the Adults Unit (Target: 91 percent)

➤ Percentage of files where it signs an Acknowledgement to Act within 90 days from the receipt date of the Certificate of Incapacity (Target: 90 percent)

➤ Percentage of files where the request for an investigation or inventory is made within 30 days from the date that an Acknowledgement to Act is signed (Target: 85 percent)

We noted the targets for each have remained unchanged for the last five years.

In 2018–19, the Office introduced an additional performance indicator for adult property guardianship services—percentage of new adult clients where the case plan is completed

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[16] The Saskatchewan Ombudsman takes and may investigate complaints about specific organizations. For details about the role of Saskatchewan Ombudsman, see www.ombudsman.sk.ca (14 February 2020).

within nine months of the date the Acknowledgement to Act is signed (Target: 90 percent).[17]

Furthermore, the Office uses performance indicators to monitor its processing of financial transactions (e.g., paying invoices, setting up client assets) including those related to services provided to adult clients. Examples include average number of days to process an invoice, difference between the four-year average rate of return on client assets invested by the Office and the benchmark identified in the Investment Policy, and number of days to set up client assets following an initial investigation.

In 2018-19, the Office adjusted its performance indicator for average number of days to process an invoice. In 2018-19, the Office changed its performance target to five days from two days. We found this adjustment reasonable as we did not find additional processing time negatively impacted client finances (see also **Section 4.7**).

We found the Office tracks and monitors actual performance against target for each indicator on a monthly basis.

We noted the Office uses its annual reports to keep the public informed of its performance. Its annual reports clearly compare its actual annual to target performance for the current and last four years. For example, its *Annual Report for 2018–19* reports on each of the performance indicators listed above.

Systematically monitoring and evaluating property guardianship services helps ensure the Office provides clients with quality and timely services.

5.0 SELECTED REFERENCES

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[17] Ministry of Justice and Attorney General Office of the Public Guardian and Trustee, *Annual Report for 2018–19*, p. 13.

Chapter 10
Saskatchewan Research Council—Purchasing Goods and Services

1.0 MAIN POINTS

The Saskatchewan Research Council purchases various goods and services to deliver research and development services. The Council purchased approximately $72 million in goods and services in 2018-19.

This chapter sets out the results of our audit on the Council's process to purchase goods and services.

Overall, at November 2019, the Council has reasonable processes in place to purchase goods and services from suppliers. It needs to make improvements in the following areas:

➢ Give staff written guidance on setting the time tenders should remain open, and communicating tender results with suppliers.

Such guidance helps increase the likelihood of suppliers responding to tenders and the Council achieving best value. Also, establishing standard minimum tender periods and establishing guidance on communicating tender results would help the Council show it treats suppliers fairly and complies with external trade agreements.

➢ Consistently follow its established policies for purchasing cards (p-cards, company issued credit cards) including always respecting p-card individual transaction limits, and better monitoring changes to those limits.

Not following purchase card policies and monitoring individual card limits increases the risk of employees making inappropriate purchases.

➢ Formally assess and track supplier performance.

Having a formal supplier evaluation process reduces the risk of using unqualified or inappropriate suppliers.

Effective procurement processes are key to ensuring purchases are transparent, fair, and support the Council's achievement of best value. Not having effective procurement processes increases the risk of not using public resources wisely and placing the Council's reputation at risk.

2.0 INTRODUCTION

The Saskatchewan Research Council, a provincial crown corporation, provides applied research, development and demonstration, and technology commercialization to clients

within Saskatchewan and around the world.[1] It focuses its efforts on the mining, minerals and energy sectors, and related environmental considerations.[2] A Cabinet-appointed Board of Directors oversees the Council.[3] The Board has responsibility for strategic planning, risk oversight, and monitoring of financial and business performance.[4]

The Council's head office is located in Saskatoon, Saskatchewan. At March 2020, the Council had staff in over 350 full-time positions located in Saskatoon, Regina, Prince Albert, and Calgary. Its staff include experts with a broad range of science and engineering specialties.

The Council routinely procures goods and services related to the delivery of research, development, design, consultation, and innovation of natural and management sciences services.[5] As set out in **Figure 1**, in 2018-19, the Council had revenues of $72 million and expenses of $75.5 million. At March 31, 2019, it held assets of $81.8 million, including tangible capital assets of $46.5 million.

Figure 1—Revenue and Spending for Major Programs

	Actual 18-19	Actual 17-18
	(in millions)	
Contract Revenue	$ 51.0	$ 53.9
Transfer from General Revenue Fund	20.4	21.1
Other Income	0.6	0.4
Total Revenue	$ 72.0	$ 75.4
Salaries and Benefits	29.3	29.3
Services	21.8	23.1
Accommodations Charges	11.3	9.0
Supplies	5.9	6.0
Depreciation	5.7	5.4
Travel, Training, and Education	1.5	1.4
Total Expense	$ 75.5	$ 74.2
Net Income (Loss)	$ (3.5)	$ 1.2
Tangible Capital Asset Additions	$ 25.5	$ 4.8

Source: Adapted from the Saskatchewan Research Council *Annual Report 2018-19*, pp. 14, 29.

The Council has made its Purchasing Branch responsible for centrally overseeing procurement decisions of certain purchases (e.g., over $5,000).

The Council has 20 business units. Business units are responsible for identifying purchasing needs and then working with the Purchasing Branch to purchase goods or services. The Council has made supervisors within Business units responsible for overseeing purchases made through purchasing cards (e.g., those typically under $5,000).

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[1] www.src.sk.ca/who-we-are/about-us (24 March 2020).
[2] www.src.sk.ca/sites/default/files/files/resource/SRC%20Overview_Oct19.pdf (24 March 2020).
[3] Cabinet appoints the Board under the authority of *The Research Council Act*.
[4] Saskatchewan Research Council *Annual Report 2018-19*, p. 9.
[5] Under *The Research Council Act* (s. 11), the Council can make purchases and enter into agreements for the performance of research projects.

The Council's purchasing and procurement goal is to serve clients by obtaining best value in supply chain management, from acquisition to disposal.

Effective procurement processes are key to ensuring purchases are transparent, fair, and support the Council's achievement of best value. Not having effective procurement processes increases the risk of not using public resources wisely and placing the Council's reputation at risk.

3.0 AUDIT CONCLUSION

We concluded, for the 12-month period ended November 30, 2019, the Saskatchewan Research Council had, other than in the following areas, effective processes to purchase goods and services. The Saskatchewan Research Council needs to:

➢ **Better incorporate into its purchasing requirements the obligations of applicable external trade agreements about making tender awards public**

➢ **Provide guidance in setting the amount of time to ensure suppliers have sufficient time to respond to tenders, and consistently document its communications with suppliers not selected during tenders**

➢ **Monitor compliance with its policy for single transaction limits when using purchasing cards, and return individual transaction card limits to normal limits when special circumstances no longer exist**

➢ **Formalize its process to assess and track supplier performance**

Figure 2—Audit Objective, Criteria, and Approach

Audit Objective: To assess the effectiveness of the Saskatchewan Research Council's processes, for the 12-month period ending November 30, 2019, to purchase goods and services.

Audit Criteria:

Processes to:

1. Set policies for procurement of goods and services
   1.1 Maintain approved and clear policies for purchasing goods and services and for monitoring and reporting on compliance
   1.2 Align policies with externally-imposed requirements (e.g., New West Partnership Trade Agreement, Canadian Free Trade Agreement, legislation) [A,B]
   1.3 Keep staff and suppliers informed of purchasing policies
2. Define the need and specifications for required goods and services
   2.1 Define, in sufficient detail, the need for suppliers' and agency's understanding
   2.2 Define specifications to encourage open and effective competition
   2.3 Specify other requirements (e.g., warranty, delivery, packaging, performance guarantees)
   2.4 Use specifications that align with relevant authorities (e.g., legislation, policies, agreements)
3. Treat potential suppliers equitably and fairly
   3.1 Identify feasible sources of supply
   3.2 Document basis of sourcing decision (e.g., sole source, invited bid)
   3.3 Obtain appropriate authorization to initiate purchase (e.g., approval to tender)
   3.4 Obtain quotations fairly
4. Select suppliers for required goods and services
   4.1 Evaluate potential suppliers for best value
   4.2 Document decision for supplier selection
   4.3 Obtain appropriate approval to buy goods and services
   4.4 Inform bidders of competitive purchasing decisions
   4.5 Obtain written contractual agreements

> 5. Manage Suppliers
>   5.1 Validate suppliers
>   5.2 Pay suppliers in accordance with written contracts
>   5.3 Track performance of key suppliers
>   5.4 Report performance problems to suppliers
>   5.5 Address supplier performance problems promptly
>
> **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 Council'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 Council's management agreed with the above criteria.
>
> We examined the Council's criteria, policies, and procedures relating to purchasing goods and services for the 12-month period ended November 30, 2019. We interviewed staff responsible for the purchase of goods and services, including senior management. We assessed the Council's purchasing processes by examining purchasing documentation (e.g., policies, tender documents, purchase orders, contracts, and invoices). We tested samples of purchases (tenders, quotes, single and sole source, purchase cards, invoices).

A The New West Partnership Trade Agreement is an accord between the Governments of British Columbia, Alberta, Manitoba, and Saskatchewan that creates Canada's largest, barrier-free interprovincial market. www.newwestpartnershiptrade.ca/the_agreement.asp (20 April 2020).
B The Canadian Free Trade Agreement is an intergovernmental trade agreement that came into force on July 1, 2017. Its purpose is to reduce and eliminate, to the extent possible, barriers to the free movement of person, goods, services, and investments within Canada to establish an open, efficient, and stable domestic market. www.cfta-alec.ca (3 April 2020)

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Policies and Signing Authority Kept Up-to-Date

The Council has clearly assigned responsibility for maintaining procurement-related policies, and has well-established processes to keep its key policies up to date.

The Board retains responsibility for approving the signing authority policy. The signing authority policy sets out the limits of authority assigned to specific positions of responsibility, and approved signing authority values. For example, it authorizes the President and CEO to sign all documents and agreements on the Board's behalf with a value of less than $2 million in any one fiscal year.

The Board has formally delegated responsibility for maintaining other policies and procedures necessary for the Council's operations, and keeping them current, to its executive management team (i.e., President and CEO, and vice-presidents). It requires a periodic review of all key policy and procedures every three years, including those related to buying goods and services. The Council tracks each policy and procedure including when each was last updated.

To maintain awareness of good purchasing practices, a member of the Purchasing Branch sits on the Provincial Corporate Procurement Committee.[6] This Committee provides the Council with information about Saskatchewan Government procurement practices, and new or emerging external requirements.

Our review of procurement-related policies and procedures found appropriate personnel had reviewed and approved each document, and kept them up-to-date. Procurement-related policies and procedures include the Procurement Policy, a Purchasing Card Policy

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[6] The Provincial Corporate Procurement Committee consists of members from major Saskatchewan corporations representing Crown corporations, government ministries, and the private sector. Members share procurement opportunities with Saskatchewan suppliers and aim to maximize Saskatchewan and Indigenous content when acquiring goods and services in accordance with trade agreements.

(and supporting procedures), and the Competitive Bid Process Guidance. We found management appropriately reviewed and approved the Council's procurement-related policies and procedures within the last three years.

Also, the Council has a Code of Conduct and Ethics policy. We found it appropriately addresses conflicts of interest (e.g., the Council expects its employees to identify and declare possible conflicts of interest.)

For 23 purchases we tested, the Council followed its approved signing authority policy, where the appropriate individual approved the request to purchase (e.g., purchase requisition, purchase order, specifications for tender).[7]

Having clear responsibility for keeping policies up-to-date helps the Council maintain policies that appropriately reflect its expectations of staff.

4.2 Comprehensive Procurement Policies Generally Exist

Other than two areas related to public tendering processes, the Council maintains a comprehensive set of written procurement-related policies and procedures.

The Council gives staff sufficient and clear direction about purchasing in various documents and has embedded additional direction within its purchasing IT system. Documents include policies for signing authority, general purchasing, use of purchasing cards and related guidance including specific guidance on use of the competitive bid process.

The Council makes these policies and procedures available to staff on its intranet, and uses e-mails and corporate newsletters to advise staff of changes to them.

Our review of these procurement-related policies, procedures and information embedded within its purchasing IT system found their content consistent with good practice for the procurement of goods and services. For example, the Council:

➢ Outlines key principles when making purchasing decisions (e.g., achieve best value, encourage use of purchase cards for low value purchases, require staff to ensure consistency and fairness when purchasing goods and services)

➢ Sets out available procurement methods (e.g., purchasing cards, direct awards, competitive requests for quotes and public tenders)

➢ Sets reasonable dollar value thresholds to guide which procurement method to use; staff are to:
   - Use purchasing cards for purchases under $5,000
   - Obtain a minimum of three quotes from suppliers when buying goods and services over $5,000
   - Publicly tender when buying goods and services over $25,000; and post tender on the SaskTenders website (e.g., posting when expected purchase values are within limits set out in trade agreements)[8]

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[7] See **Section 4.3** for testing of purchases made using purchase cards.
[8] SaskBuilds Corporation administers SaskTenders website (www.sasktenders.ca) (16 March 2020). SaskTenders is the primary gateway for public sector tender notices for Saskatchewan. The external trade agreements establish thresholds requiring

- Use direct awards (i.e., single and sole sourced purchases) where staff can, in writing, demonstrate only one supplier can meet the requirement of the procurement (sole source) or where multiple sources of supply are available, but legitimate rationale exists to award to only one supplier (single source)[9]

➤ Sets out guidance for evaluating potential suppliers when staff use competitive procurement methods (e.g., quotes, public tender)

The Council makes its Purchasing Branch responsible for overseeing individual purchases of goods and services over $5,000. A Purchasing Branch staff member:

➤ Must review and approve requests for individual purchases exceeding $5,000 prior to entering into the purchase

➤ Assess the reasonableness of using a direct award method of purchases before the Council selects the supplier and enters into the purchase

We found the Council's guidance on selecting the appropriate purchasing method aligns with external trade agreements. For example, the New West Partnership Trade agreement requires agencies (like the Council) to use the SaskTenders website to publicly tender purchases of goods and services over $75,000.

Also, within the public tendering documents (e.g., request for proposal), the Council specifies unsuccessful bidders can meet and debrief with the Council. This process provides both the Council and suppliers an opportunity to provide comments and feedback on the purchasing process.

However, we found the Council does not provide staff with sufficient direction in two areas.

First, the Council does not indicate how it expects staff to communicate the results of its evaluation of tenders to successful and unsuccessful suppliers (e.g., through letters of intent, phone conversations, posting award notice to SaskTenders). The Canadian Free Trade Agreement, to which the Council is subject, requires making public contract award notices (e.g., posting notices on the SaskTenders website). In addition, the Council does not expect staff to keep track of or document the results of debriefs with unsuccessful suppliers (e.g., document whether they occurred, and if so, document key discussion points).

Not establishing expectations for communication with successful and unsuccessful suppliers responding to public tender requests increases the risk of the Council not demonstrating to suppliers the fairness and transparency of its purchasing decisions. In addition, it risks violating requirements of external trade agreements.

1. **We recommend the Saskatchewan Research Council establish expectations about when and how to communicate results of tenders for purchases with suppliers.**

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organizations to post tenders on the SaskTenders website. These are required for procurements exceeding $75,000 for goods or services, and $200,000 for construction.

[9] The Council's purchasing IT system includes examples for when it is appropriate to use direct award purchases.

Second, the Council has not established a standard minimum amount of time to leave tenders open to allow suppliers sufficient time to respond to tenders. Good practice suggests 25 to 35 days is sufficient time to allow suppliers to respond to tenders.[10] Good practice recognizes the time allowed would vary depending on the complexity and size of the purchase—more complex or large purchases should give suppliers more time to respond.

Not having guidance on how much time to give suppliers to respond to tenders or requests for quotes increases the risk of not giving suppliers sufficient time to respond. This in turn increases the likelihood of suppliers choosing not to respond or providing incomplete responses, resulting in fewer viable options. In addition, establishing guidance (e.g., factors to consider, standard minimum amounts of time) can help the Council treat suppliers fairly and equitably and achieve best value.

> **2. We recommend the Saskatchewan Research Council establish guidance on setting the amount of time to allow suppliers to respond to tenders.**

Having comprehensive policies helps reduce the risk of employees making purchases that are either inappropriate or not in accordance with the Council's expectations. It also helps to ensure that the Council is operating in compliance with governing trade agreements, and is fair and transparent with potential suppliers.

4.3   Need to Follow Established Policies for Purchasing Cards

The Council is not always following its established processes for employees' use of purchasing cards (i.e., p-cards, company-issued credit cards). Also, the Council is not always reducing single transaction purchase limits after granting temporary increases for a single purchase due to special circumstances.

At November 2019, the Council had assigned 173 purchasing cards to staff.

The Council expects staff to use purchasing cards to buy small dollar value items (i.e., generally for purchases less than $5,000).

The Purchasing Card Policy and Purchasing Card Procedure gives staff clear and complete guidance on their use. See **Figure 3** for details on the policy and procedures. The Council was in the process of updating these documents as at March 2020.

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[10] Adapted from information provided by the Saskatchewan Ministry of Trade and Export Development. To assist government agencies, the Ministry prepared a document that summarized agencies' procurement obligations under domestic and international trade agreements (2018).

Figure 3—Key Content of Council Purchasing Card Policy and Procedure

The Council's purchasing card policy and procedures appropriately set out:
➢ Responsibilities of cardholders (e.g., accountability for purchases, proper security of cards, requirements to submit monthly expense reports). It requires cardholders to acknowledge acceptance and understanding of these responsibilities in writing.
➢ Types of purchases that are acceptable (e.g., business purchases, travel) and unacceptable (e.g., personal purchases, fixed assets).
➢ Approval process for distributing cards to staff and for setting and changing credit card limits (e.g., Finance Branch is responsible for determining maximum allowable dollar value limits for single transactions and monthly transaction totals). The Council sets individual transaction limits at $5,000, unless management approves an individual purchase limit change for a specific purpose.
➢ Monthly process for reconciling transaction statements to supporting receipts, and related approvals,
➢ Expectation that purchases must not be split in order to bypass single transaction limits.

Source: Adapted from Saskatchewan Research Council Purchasing Card Policy and Procedure.

We found monthly transaction limits of individual employees ranged between $5,000 and $100,000, depending on the individual, with most employees having the standard limit of $5,000.

For one of 17 purchasing card transactions we tested, an employee did not follow the Council's policies by splitting a purchase exceeding $5,000 into two amounts. The employee's single transaction dollar limit was $5,000. The employee did not have approval to exceed their single transaction limit. There was no evidence the supervisor responsible for reviewing and approving the employee's monthly statement noticed the split purchase transaction.

Adhering to purchasing card policies and procedures reduces the risk employees make inappropriate purchases on purchasing cards. Appropriately monitoring purchasing cards allows management to confirm purchases are appropriate and align with the Council policy.

3. **We recommend the Saskatchewan Research Council monitor compliance with its policy for individual transaction limits when using purchasing cards.**

For two of 17 purchasing card transactions we tested, the Council did not reduce the individual transaction limit after granting an increase to the limit to accommodate an earlier single purchase due to a specific circumstance. We found:

➢ In one instance, an employee made an additional purchase with a dollar value in excess of their normal individual transaction limit of $5,000. The employee had an increased individual transaction limit of $10,000 for approximately 2 months after making a previous purchase where the employee had received proper approval for the higher limit for that previous single transaction.

➢ In one instance, an employee had an increased individual transaction limit of $30,000 for approximately 10 months after making a purchase where the employee had received proper approval for the higher limit for that single transaction. The employee's normal individual transaction limit was $5,000. In our review of purchases, we found the employee did not make any further purchases in excess of $5,000.

Not actively monitoring and returning temporary increases to an employee's purchasing card transactions limits to prior established transactions limits increases the risk of employees making inappropriate purchases or purchases not in accordance with the Council's expectations.

> 4. **We recommend the Saskatchewan Research Council monitor the continued appropriateness of individual transaction limits on purchasing cards when approving temporary changes to dollar value limits for special circumstances.**

4.4   Compliance with Procurement Policies Actively Monitored

The Council actively monitors compliance with its procurement-related policies and procedures, and takes appropriate steps to address non-compliance.

The Council makes the Purchasing Branch responsible for monitoring compliance of purchases with its procurement-related policies and procedures. We found, since August 2019, the Branch uses its procurement IT system to assist with this monitoring.

Since August 2019, the Purchasing Branch identified eight purchases where a business unit received goods or services, or engaged a supplier prior to receiving the appropriate approval of the purchase (i.e., non-compliance with policy).

In addition, for one purchase, the Branch found an employee did not obtain approvals for a direct award before the contractor started the work, and also determined the purchase should have been tendered instead.[11]

For each of these purchases, a member of the Purchasing Branch discussed the non-compliance with the relevant staff, and reinforced the expectation of compliance with procurement policies.

We found the results of the Branch's monitoring were consistent with the results of our testing of purchases (see details in the **Sections 4.1, 4.5**, and **4.6**).

Having well established processes to monitor whether purchases comply with Council policies and taking action when purchases did not align with established policy reinforces the importance of compliance, and helps foster a culture of compliance.

4.5   Appropriate Procurement Method Used

The Council makes decisions about the appropriate procurement method consistent with its policies, and consistently documents the basis of the procurement method selected as outlined in its purchasing policies.

As noted in **Section 4.2**, the Council has established policies to guide staff in the selection of procurement methods.

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[11] For the other seven purchases, it determined that staff selected the appropriate procurement method

For 22 out of the 23 purchases we tested, the Council sufficiently documented its rationale for selecting the procurement method used.[12] For these 22 purchases, reasons for selecting the method were consistent with the Council's procurement-related policies and procedures.

For one of the 23 purchases we tested, the rationale for use of the selected direct award method was not sufficiently clear. As noted in **Section 4.4** above, the Purchasing Branch appropriately identified this exception earlier as part of its monitoring activities, and they discussed the non-compliance issue with relevant business unit staff.

Of the 23 purchases we tested, 10 were made through tenders, 10 through direct awards, and three (which were each less than $5,000) were made through a purchase order.

We did not identify any instances where there was a conflict of interest between the Council and the supplier.

Where its policy requires the use of competitive procurement methods, the Council appropriately initiated quotes and tenders based on identified needs, and evaluated responses consistent with its policy.

For 10 tenders we tested, the Council used guidelines in its procurement policy to determine which procurement methods to use (e.g., request for at least three quotes for purchases over $5,000, public tender for purchases of goods and services over $25,000)

Selecting an appropriate method to procure goods and services helps the Council treat suppliers equitably and fairly, and obtain the best value when spending its resources.

4.6 Suppliers in Competitive Procurements Identified and Selected Consistent with Policy

The Council consistently followed its competitive procurement policies for buying goods and services.

Instead of sharing its internal policy and procedure documents with suppliers, the Council provides them with basic procurement information online via its website, with a link to the SaskTenders' website.

For 10 tenders we tested, the Council:

➢ Documented the identified need for the good and/or service within the related request for quotes or proposals to potential suppliers, or within the tender documents

➢ Authorized the initiation of the purchase consistent with its delegation of authority policy

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[12] These 23 purchases do not include the 17 purchase card transactions we tested in **Section 4.3**.

➢ Clearly defined specifications (e.g., details of the goods or services required, methods for responding, evaluation process) to enable suppliers to understand the Council's expectations and prepare a bid; specifications also included other requirements and relevant authorities (e.g., suppliers' compliance with *The Employment Standards Act*, Workers Compensation Board), where necessary

➢ When necessary, posted the tenders on the SaskTenders website as required by external trade agreements

➢ Collected responses to tenders via e-mail or directly by someone who is independent from the tender evaluation process

➢ Maintained a listing of all previous bidders on projects and provided information on new projects to those bidders who had previously bid on a similar project

➢ Used responses to the request for quotes/proposals or tenders to identify potential suppliers

➢ Included, in its tender documents, mandatory requirements of suppliers, and criteria used to evaluate the supplier when awarding the tender

➢ Used appropriate staff to evaluate supplier responses; the team included representative(s) from the Purchasing Branch along with representatives from the impacted business unit(s)

➢ Established appropriate criteria (e.g., evaluation handbook, individual criteria) to evaluate bids

➢ Appropriately approved the selection of suppliers based on the lowest bid for quotes or the selection criteria for tenders within a reasonable timeframe, and successful suppliers were those with the lowest bid for quotes or with the highest score based on the Council's evaluation criteria for tenders.

Following its competitive procurement policies for buying goods and services helps the Council treat suppliers equitably and fairly, and buy goods and services at the best value.

4.7 Tender Communications with Suppliers not Consistent

Although the Council appropriately selected the suppliers for tenders, it did not consistently communicate with suppliers during the tender process.

For each of the 10 tenders we tested, we found the Council:

➢ Maintained tendering documentation (e.g., bids, evaluations) indefinitely on a secure drive.

➢ Utilized an evaluation team when evaluating the tenders and the process was consistent and transparent for each item tested.

➢ Consistently selected the bidder with the highest score.

➤ Properly approved nine competitive bids in accordance with policy. However, we found one instance where the Council informed the winning bidder of the results before they obtained the appropriate approvals.

However, for each of those 10 tenders we tested, we found the Council did not:

➤ Have a consistent process to inform bidders on the results of its evaluation. We found the Council informed suppliers using letters of intent or regret, email, and phone calls.

➤ Comply with the external trade agreements regarding posting a contract award notice on the SaskTenders website.[13]

For three of an additional 10 tenders we tested, the Council did not have supporting documentation of communication of the tender results with the supplier (i.e., results communicated through phone call). For each of these instances, we were unable to assess whether the Council approved the supplier selection before communicating with the successful supplier or whether the communication was timely.

Not documenting communication of the tender results increases the risk, in the event of a dispute with respondents to tenders, the Council does not have records to show it appropriately notified suppliers. In addition, maintaining records of such communications helps show that the Council has treated suppliers fairly and equitably. See **Recommendation 1** about establishing expectations about when and how to communicate tender results with suppliers.

4.8 Tendering Time not Aligned with Good Practice

The Council typically uses a shorter tender time than good practice suggests, and does not justify the basis of this shorter timeframe.

As noted in **Section 4.2**, the Council has not established a standard minimum amount of time to leave tenders open to allow suppliers to have sufficient time to submit responses.

Based on our testing of 10 tenders, the Council typically left submissions open for 14 to 21 days, which is less time than good practice suggests. Good practice suggests 25 to 35 days is sufficient time to allow suppliers to respond to tenders.[14] The amount of time allowed may vary depending on the complexity of the goods or services purchased.

For 10 tenders, we compared the amount of time the Council allowed for suppliers to respond to a tender against good practice. We found:

➤ For three tenders we tested, the Council allowed a tendering time in excess of 25 days; for one of these three tenders, it allowed 35 days.

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[13] Agencies using SaskTenders for procurements over $25,000 must post contract award notices on the website as required under the Canadian Free Trade Agreement.
[14] Adapted from information provided by the Saskatchewan Ministry of Trade and Export Development. To assist government agencies, the Ministry prepared a document that summarized agencies' procurement obligations under domestic and international trade agreements (2018).

> ➢ For the other seven we tested, the Council used six different tender periods that ranged from seven to 22 days. While the Council received multiple bids (i.e., more than one supplier responded) to each of these tenders, it did not justify the basis for using a shorter timeframe.

Not providing suppliers with sufficient time to respond to tenders increases the likelihood of fewer suppliers responding, which can increase the risk of not achieving best value. In addition, establishing standard minimum tender periods helps the Council treat suppliers fairly. See **Recommendation 2** about establishing guidance on setting amount of time to allow suppliers to respond to tenders.

4.9 Sufficiently Robust Contract Templates Used

The Council has established and consistently uses robust contract templates when drafting and finalizing contracts with suppliers.

The Council has developed standard contract templates for the different types of goods or services it purchases (e.g., consulting services, engineering services, supply and install of products). In 2017, the Council's external legal consultant reviewed all of its contract templates including its terms and conditions on purchase orders to ensure they align with good practice.

The Council uses either contracts or purchase orders as legally-binding documentation of the purchase.

When staff decide to use contracts, the Council expects staff to use these templates when drafting contracts. It also expects its in-house legal representative to review all contracts before management approves and finalizes them.

For each of the 28 purchases we tested, the Council used the appropriate contract or purchase order template as expected.[15] Each purchase where staff used a contract, the Council properly reviewed and approved the contract prior to its finalization.

Maintaining robust standard wording of contracts (contract templates) helps organizations save time on purchasing activities, and can reduce legal costs. They can also help both staff and suppliers consider and understand key aspects common to purchasing certain types of goods and services.

4.10 Existence and Validity of Suppliers Considered

The Council considers the existence and validity of suppliers prior to making payments for goods or services, or setting them up in its procurement IT system.

The Council uses its purchase requisition process to segregate duties and to add new suppliers into its system.

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[15] The 28 purchase items we tested includes tendered purchases resulting in a contract or purchase order and non-competitive purchases (i.e., sole source, small dollar value), but does not include those made using a purchase card.

When a business unit decides to use a new supplier, it must complete a purchase requisition.[16] Only staff in the Purchasing Branch can approve a purchase requisition.

Two Branches within the Council are involved in setting up a new supplier (i.e., the Purchasing Branch, and the Finance Branch).

The Purchasing Branch told us it verifies the validity of new suppliers through confirmations (e.g., obtains insurance, researches supplier online) before including them in the supplier master listing in its purchasing IT system. The Branch does not keep evidence of its work.

The Finance Branch also maintains a listing of suppliers in the financial reporting IT system. It sets up suppliers based on approved invoices for payment and approved purchase orders.

The Council appropriately applies user access controls to limit the ability to change the supplier master listing in both IT systems. The financial reporting IT system assigns a unique vendor number to each supplier. The supplier master listing includes the name of the supplier, vendor number, address, and banking details.

Our testing of user access found the Council appropriately restricted the ability to edit/add suppliers to a small number of staff.

For each of the 13 payments we tested, the Council paid the appropriate supplier (i.e., supplier named on invoice). Our additional audit work (e.g., research of company online and agreed to address in system) for each of these suppliers found the supplier was a legitimate business.

Having appropriate controls over the ability to set up new suppliers and change information about suppliers helps reduce the risk of making payments to fictitious suppliers.

4.11 Improved Supplier Management Needed

The Council does not formally assess supplier performance, and does not document the results of those assessments.

Rather the Council takes an informal approach where staff verbally discuss issues as they arise with suppliers and address performance issues as they occur.

In our testing of 33 purchases, we did not identify any significant supplier performance issues. Nor were any identified in discussions with management.

The Council does not formally assess whether suppliers performed to a satisfactory level (e.g., were timelines met, was the quality of the work acceptable) after the conclusion of the contract or after its receipt of goods and services.

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[16] A purchase requisition is a form that outlines the details of a goods or services an organization wants to purchase and why (e.g., business need for purchase, expected timing of receipt, expected value of purchase).

Good practice suggests use of formal processes to assess the performance of those suppliers an organization plans to use in the future. It also suggests documenting the results of the assessments so they can be shared with all areas involved in purchasing decisions. This allows for appropriate consideration of supplier performance when making future purchasing decisions.

Assessing suppliers at the conclusion of a contract is important as assessments can impact whether or not suppliers are selected for future projects. Without a consistent process to assess and track the performance of suppliers, the Council increases its risk of using unqualified or inappropriate suppliers (e.g., use of suppliers that did not perform as expected in the past).

> 5. **We recommend that the Saskatchewan Research Council establish a formal process to assess and track supplier performance.**

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Chapter 11
SaskEnergy—Keeping Existing Transmission Pipelines Operating Safely

1.0 MAIN POINTS

SaskEnergy owns and operates about 15,000 kilometres of natural gas transmission pipelines in the province to deliver natural gas to more than 390,000 customers located throughout Saskatchewan.

Overall, at January 2020, SaskEnergy has effective processes in place to keep existing natural gas transmission pipelines operating safely other than needing improvements in the following areas.

➢ Documenting the rationale for how often it carries out each of its pipeline inspection activities. SaskEnergy uses pipeline inspections to monitor the condition of pipelines, and assess the risk of pipeline failure (e.g., natural gas leakage). It also uses inspections to assess its compliance with regulatory requirements. Our testing found it did not document the rationale for the frequency of three of its ten types of inspection activities. Documented rationale shows how SaskEnergy is addressing the key risks. This guidance also helps personnel understand basis for planned frequency of inspections.

➢ Setting clear expectations as to when contractors are to submit final inspection reports and when staff are to review, approve, and enter them into its risk-modelling IT system. Our testing of ten inspections found SaskEnergy received the final reports up to 86 days after an inspection. Delays in receipt of reports cause delays in approval and entry of results into the application. Using final inspection results about the most recent pipeline condition in its risk-modelling IT system supports more reliable assessments of pipeline condition and risk of failures.

➢ Including results of key pipeline inspection and repair activities in its data storage IT system within specified timelines. Our testing found certain inspection reports not entered into the IT system until four or five months after inspection completion. Having complete and up-to-date records helps support effective decision-making about upcoming inspection plans and repairs.

Without properly designed and effective processes to operate pipelines safely, SaskEnergy faces the risk of fires or explosions caused by ignition of the natural gas that has leaked from transmission pipelines. This can cause serious injuries, death or significant property damage.

2.0   INTRODUCTION

2.1   Natural Gas Pipelines Provincially Regulated

The Pipelines Act, 1998 and related regulations place various requirements on pipeline operators. For example, they must obtain a licence from the Ministry of Energy and Resources for each pipeline they plan to operate, and report to the Ministry certain types of incidents (e.g., unplanned releases of natural gas).[1] In addition, they must adhere to minimum requirements for design, construction, testing, operation, maintenance, and repair of transmission pipelines, and documentation thereof.[2]

2.2   SaskEnergy's Pipeline Responsibilities

SaskEnergy is a pipeline operator subject to provincial regulation. It owns about 15,000 kilometers of transmission pipelines.

As **Figure 1** shows, transmission pipelines are key to transporting natural gas from production and processing facilities to a customer. SaskEnergy transports natural gas to more than 390,000 residential, farm, commercial, and industrial customers located throughout the province.[3]

As shown in **Section 5.0**, almost all of SaskEnergy's transmission pipelines are located near 10 or less residences. See **Section 6.0** for a map of the pipelines.

SaskEnergy, a provincial crown corporation, is responsible for the safe operation of its natural gas transmission pipelines.[4] Its stated priority is to maintain a safe and reliable pipeline system.[5]

SaskEnergy makes its System Integrity and Standards Department responsible for managing the integrity of its transmission pipelines. The Department has five SaskEnergy employees focused on pipeline integrity. In addition, it has six contracted engineers to assist with planning and overseeing pipeline integrity activities, along with third-party contractors to complete pipeline inspection activities, conduct repairs and check the quality of repairs. For 2019-20, the Department had a budget of $26.7 million primarily for inspection activities.[6]

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[1] *The Pipelines Regulations, 2000.*
[2] *The Pipeline Regulations, 2000* .set the Canadian Standards Association (CSA) Z662 as the minimum requirements for design, construction, testing, operation, maintenance and repair of transmission pipelines.
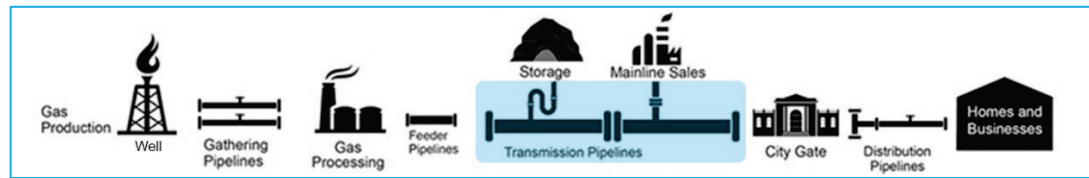[3] www.saskenergy.com/about_saskenergy/default.asp (25 March 2020).
[4] *The SaskEnergy Act,* s. 15.
[5] SaskEnergy Incorporated, *2018-19 Annual Report*, p. 4. www.saskenergy.com/about_saskenergy/annual_report/ (25 March 2020).
[6] SaskEnergy records, The Department 2019-20 budget includes approximately $3 million for other activities such as modifying pipelines to allow for future in-line inspections.

Figure 1—Natural Gas Production Process

Transmission pipelines receive natural gas from processing facilities and carry it to distribution pipelines. These pipelines are larger, generally measuring 1 ½–20 inches in diameter, and are used to transport natural gas long distances at high pressures (often 200–1500 psi). (www.saskenergy.com/about_saskenergy/default.asp [25 March 2020]).
Distribution pipelines are a network of mains and service lines used to move natural gas at relatively low pressures to individual homes and businesses. (paallianceforenergy.com/difference-gathering-transmission-pipelines/ [25 March 2020]).
Source: Adapted from Canada Energy Regulator information.

In 2018, SaskEnergy reported to its regulator (the Ministry of Energy and Resources) seven incidents related to transmission pipelines. These incidents resulted in the release of about 318 thousand cubic meters of natural gas. The most significant in 2018 occurred near Meadow Lake, and resulted in a pipeline involuntarily releasing about 303,000 cubic meters of natural gas into the environment.[7] No reportable incidents occurred in 2019 relating to the release of natural gas or contact with transmission pipelines.

Without properly designed and effective processes to operate pipelines safely, SaskEnergy faces the risk of fires or explosions caused by ignition of the natural gas that has leaked from transmission pipelines. This can cause serious injuries, death or significant property damage. Also, the release of natural gas, primarily methane (a very potent greenhouse gas), contributes to climate change.

3.0 AUDIT CONCLUSION

We concluded that, for the 12-month period ended January 31, 2020, SaskEnergy Incorporated had effective processes, except in the following areas, to keep existing natural gas transmission pipelines operating safely.

SaskEnergy needs to:

➢ **Document the rationale for how often it carries out each of its pipeline inspection activities**

➢ **Set clear expectations as to when contractors are to submit final inspection reports, and when staff are to review, approve, and enter them into its risk-modelling IT system**

➢ **Include key inspection results and repairs in its data storage IT system before it prepares its annual inspection plan**

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[7] Saskatchewan Upstream Oil and Gas IRIS Incident Report. Saskatchewan. Oil and Gas News, Bulletins, Statistics and Reports. www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/oil-and-gas/oil-and-gas-news-and-bulletins (25 March 2020).

Figure 2—Audit Objective, Criteria, and Approach

Audit Objective:
The objective of this audit was to assess whether SaskEnergy Inc. had effective processes to keep existing natural gas transmission pipelines operating safely for the 12-month period February 1, 2019 to January 31, 2020. The audit did not cover the design, construction, or commissioning of new pipelines or abandonment of existing pipelines.

Audit Criteria:

Processes to operate existing natural gas transmission pipelines safely:

1. Use reliable information to establish inspection plan
    1.1   Maintain accurate information about pipelines (e.g., location of pipeline, pipeline condition, inspection and repair history)
    1.2   Develop an inspection plan (e.g., risk-based)
    1.3   Adjust inspection plan as new information becomes available (e.g., incidents, resource capacity, review of previous plan results)

2. Regularly inspect pipelines
    2.1   Set clear guidance to carry out inspections consistent with standards (e.g., CSA Z662-19)
    2.2   Use qualified personnel
    2.3   Conduct inspections in accordance with the plan (e.g., in-line inspections, ground patrols, aerial patrols)

3. Repair pipelines with identified defects
    3.1   Develop risk-based pipeline repair plan
    3.2   Conduct timely repairs on pipelines with identified defects
    3.3   Confirm repairs sufficiently addressed identified defects

Audit Approach:

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate SaskEnergy's processes, we used the above criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management and an external advisor. **Section 7.0** includes key sources for these criteria. SaskEnergy's management agreed with the above criteria.

Our examination included discussions with SaskEnergy staff. We examined plans, plan adjustments, policies, and procedures relating to inspections of natural gas transmission pipelines. We hired an external consultant to assist us in assessing SaskEnergy's policies and procedures against good practice. We tested a sample of pipeline inspections, surveys, and patrols and a sample of pipeline repairs. We reviewed staff and contractor qualifications.

4.0   KEY FINDINGS AND RECOMMENDATIONS

4.1   Clearly Documented Pipeline Integrity Management Program

SaskEnergy's documented Pipeline Integrity Management Program provides a clear strategy for keeping transmission pipelines safe.

The Program's purpose is to maintain the safety and reliability of natural gas pipelines and other materials (e.g., block valves) that form part of the transmission pipelines, manage risks; and keep employees, the public, and the environment safe.[8]

The Program sets out SaskEnergy's key risk management and safety processes, and related policies. It clearly identifies risks related to different types of pipeline defects (e.g., corrosion, cracking, and dents) as well as risks related to external interference or the environment around the pipeline (e.g. ground movement). The Program recognizes that not properly managing these risks may result in pipeline failures including leak or rupture,

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[8] SaskEnergy, *Pipeline Integrity Management Program*.

which could lead to expensive downtime, property damage, public safety issues or environmental hazards. See **Figure 3** for a brief description of risks.

Figure 3—Brief Description of Risks related to Types of Pipeline Defects

> **Corrosion**: is when a material deteriorates because of a reaction with its environment. External corrosion is the primary corrosion hazard to the pipeline system. Exposure to the elements causes external corrosion. Internal corrosion occurs due to environmental conditions inside of the pipeline. Corrosion can result in gradual metal loss on the pipeline reducing the wall thickness of the pipe.[A]
>
> **Cracking**: stress corrosion cracking is the primary cracking hazard to the pipeline system. Contributing factors to crack growth include residual stresses, temperature, load stress, bending, and local stresses (e.g., shifting soil) when corrosion appears on a pipeline.[B]
>
> **External Interference**: occurs when SaskEnergy, contractors, or the public hits a pipeline. For example, hitting a pipeline may occur when planting a tree, digging fence postholes, or other underground construction activities.[C]
>
> **Geotechnical**: includes water crossing (hydrotechnical) and ground movement (geotechnical hazards to the pipeline system).

Source: Adapted from SaskEnergy Pipeline Integrity Program.
[A] Pipeline and Hazardous Materials Safety Administration. *Fact Sheet: Internal Corrosion*. Washington D.C.: U.S. Department of Transportation, primis.phmsa.dot.gov/comm/FactSheets/FSInternalCorrosion.htm?nocache=2447 (26 March 2020).
[B] Ginzel, R.K. & Kanters, W.A. (July 2002). *Pipeline Corrosion and Cracking and the Associated Calibration Considerations for Same Side*.
[C] *Sizing Applications*. www.ndt.net/article/v07n07/ginzel_r/ginzel_r.htm (26 March 2020).
www.saskenergy.com/safety/beforeyoudig.asp (26 March 2020).

Furthermore, the Program describes a series of inspection activities designed to detect pipeline defects such as corrosion and cracking. As **Figure 4** shows, activities include ten different types of inspections, and/or surveys.

Figure 4—Major Transmission Pipeline Inspection Activities and Planned Inspection Frequency

Activity	Description	Planned Inspection Frequency
In-line Inspections	- Is a non-destructive examination of the pipeline performed by equipment that can travel internally along a pipeline of 6 inches in diameter or greater. SaskEnergy uses several different in-line inspection tools; each tool has a different purpose (e.g., to find corrosion, stress corrosion, cracking, dents, seam defects, or to map the pipeline). - May identify features that are indications of an anomaly (e.g., change in wall thickness). - Supplies data that is used to determine where and when further investigation is needed through a direct examination (i.e., dig).	- Uses its annual risk analysis and its typical re-inspection intervals to determine the timing and frequency of inspections. - Conducts a baseline in-line inspection on all new pipelines after construction. - Typical maximum re-inspection interval is 10 years and the typical minimum re-inspection interval is 4 years. SaskEnergy can inspect approximately 50% of its transmission pipeline using in-line inspections because available in-line inspection tools can only go through larger diameter pipelines. It did not design its pipelines built prior to the 2000s for in-line inspections.
Direct Examinations (i.e., Digs)	- Involves excavating pipelines (i.e., digs) and then conducting various non-destructive testing on the pipe. - Mainly performed because of analysis of in-line inspection data. - Assesses features identified through the in-line inspection to determine whether a defect exists that needs to be repaired.	- Schedules digs based on the analysis of in-line inspection data thereby no set timing and frequency for direct examinations (i.e., digs). - Plans to do digs either later in the year when in-line inspections are completed, or more commonly, the following year.

Activity	Description	Planned Inspection Frequency
Block Valve Inspections	- Looks for corrosion, cracking, leaks, and damage of block values (areas that cannot be inspected by, or may not provide accurate results, through an in-line inspection). Block valves are used to stop the flow of natural gas through a pipe (about 400 in the transmission pipeline system).	- Inspects approximately 20 of 400 block valves each year (i.e., all block valves inspected over a 20-year period). - Prioritizes inspections based on the combined risk of the pipeline that the block valve is designed to control.
Cased Crossing Management	- Assesses the integrity of the cased crossing and potentially mitigate or remove the casing. Casings (cased crossing) are pipes of larger sizes placed around the transmission pipeline under roads and railways to protect it from external loads. This makes the pipeline more vulnerable to corrosion (around 400 cased crossings in the transmission pipeline system). Cased crossings are not SaskEnergy's current practice as it now uses thicker pipe at crossings instead of casings.	- Prioritizes cased crossings annually where information on the cased crossing (e.g., in-line inspection data, cathodic protection data) indicates metal loss.
Close Interval Surveys	- Provides data used to detect corrosion on the pipeline. - Tests posts, located approximately every 2 to 3 km along the transmission pipelines are monitored annually to determine the cathodic protection level of the pipeline. Cathodic protection is a technique used to reduce the corrosion of a metal surface. If the cathodic protection level of the pipeline goes below the natural cathodic protection level of the soil around the pipeline, corrosion begins to occur. When SaskEnergy identifies that the cathodic protection level is below this threshold, it performs a close interval survey.	- Prioritizes annually based on the results of its annual risk analysis, data from in-line inspections, and, monitoring of test posts located along the pipeline.
Direct Current Voltage Gradient Surveys	- Detects if the coating (i.e., non-conductive material on the pipeline that prevents interaction of the steel with soil, water, or contaminants) has degraded and the extent of the degradation.	- Completed by request.
Depth of Cover Surveys	- Assesses the depth of the ground soil covering the pipeline to ensure it is sufficient.	- Completes depth of cover surveys of all non-class 1 pipelines and CER-regulated pipelines on a three-year basis (see **Section 5.0**).[A]
Encroachment Patrols	- Identifies when construction or digging occurs too close to a pipeline, increasing the risk that a pipeline hit may occur. SaskEnergy does two types of encroachment patrols: aerial patrols and ground patrols.	- Aerial patrols completed twice monthly on all pipelines six inch diameter or greater throughout the period from April to October each year (for construction activity). - Aerial patrols completed for all other pipelines twice from April to October each year. - Ground patrols for construction activity and for major class 3 locations completed twice per day (see **Section 5.0**).

Activity	Description	Planned Inspection Frequency
Leak Surveys	- Identifies dead spots in vegetation along the pipelines and senses gas (technology varies on survey type) indicating that a pipeline is leaking natural gas.	- Conducts an aerial leak survey on the entire transmission pipeline system annually. - Conducts ground leak surveys on class 2 and 3 locations annually (see **Section 5.0**). - Conducts ground leak survey on the entire transmission system on a four-year cycle.
Geotechnical Inspections	- Monitors geotechnical hazards (e.g., slopes) near pipelines to determine the stability of the slope. Unstable slopes can cause damage to the pipeline - Also monitors hydrotechnical hazards (i.e., waterways, such as streams and rivers, that the pipeline crosses) to determine that the waterway is not causing issues with the pipeline.	- Categorizes geotechnical and hydrotechnical hazards based on risk to determine the re-inspection interval for each hazard. - Inspects all category 1 and 2 sites (i.e., highest risk) each year. - Divides the transmission system into four districts. - Inspects all sites in one of the four districts annually, selecting a different district each year.

Source: Adapted from various SaskEnergy documents and records.
A The Canada Energy Regulator (CER) regulates SaskEnergy's transmission pipelines that cross Saskatchewan's borders.

Having a clear strategy to keep transmission pipelines operating safely provides a solid foundation for the development of a risk-based inspection plan.

4.2 Qualified Personnel Responsible for Transmission Pipeline Integrity

SaskEnergy staff and contracted engineers responsible for Transmission Pipeline Integrity Management Program, and welders carrying out certain pipeline repairs are suitably qualified.

Including a manager, the pipeline integrity staff consists of eleven engineering positions – five SaskEnergy employees and six contracted engineers from various companies. In addition, SaskEnergy employs 14 welders.[9]

SaskEnergy maintains up-to-date job descriptions for its engineering staff in the System Integrity and Standards Department. SaskEnergy outlines qualifications and performance requirements in contracts with companies for contracted engineers.

Our review of job descriptions in this Department found they appropriately outline key responsibilities and necessary qualifications. We found the job description for engineers require them to possess an engineering degree and commit to continuous learning. We also found it requires them to be able to provide technical support by applying engineering principles in the investigation, analysis and resolution of integrity-related problems.

For four SaskEnergy employees and two contracted engineers in the System Integrity and Standards Department we tested, each had professional engineer designations as expected. We note SaskEnergy has a process to formally evaluate the performance of

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[9] SaskEnergy also contracts additional welders to help repair transmission pipelines.

each of its employees. In addition, each year consistent with contract provisions, it formally assesses the performance of contracted engineers.

Consistent with the CSA Z662-19 standards, SaskEnergy requires welders to have a valid pressure welder's licence. Having a valid licence shows welders are up to date with standards. TSASK licenses these welders.[10]

Each month, SaskEnergy monitors the expiry of staff welders' qualifications. It actively reminds welders of their TSASK licence expiry date, and requests a copy of the new licence upon successful completion. We found that, at January 31, 2020, each of SaskEnergy's welders held a valid welder licence.

Having qualified personnel, reduces the risk of errors and mistakes, and increases the likelihood of personnel being able to identify areas in which to make improvements. This, in turn, helps ensure the successful delivery of the Pipeline Integrity Management Program.

4.3   Updates to Standards related to Pipelines Communicated

SaskEnergy informs staff and contracted engineers about changes to the Canadian Standards Association (CSA) Z662-19 Standards.[11] *The Pipelines Regulations, 2000* requires SaskEnergy to follow these standards. The Government last updated *The Pipelines Administration and Licensing Regulations* in January 2020.

The Association updates CSA Z662-19 Standards every four years. The last two updates occurred in 2015 and 2019.

SaskEnergy provides comments to the Association on proposed changes to the CSA Z662 Standards. It asks specific staff to identify and comment on changes to CSA Z662, and communicates the final, revised standard to the appropriate staff and contracted engineers. In addition, SaskEnergy indicated it provides new staff or contracted engineers with on the job training on CSA Z662.

SaskEnergy also maintains a training plan for the System Integrity and Standards Department personnel. The training plan sets out required courses, and how often each position must take them (e.g., annually). SaskEnergy actively monitors whether personnel took courses required. Monthly, it reports to management on personnel's status of completion of required training (e.g., who is due for training and who has not completed courses within the required timeframe).

We found this training plan focused on current safety and environmental protection matters. We also found the Department personnel completed training consistent with the requirements of the training plan.

Keeping personnel trained and current with relevant regulatory standards decreases the risk of them not understanding applicable regulatory requirements and detecting minor issues prior to a major failure occurring.

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[10] The Technical Safety Authority of Saskatchewan oversees pressure vessels in Saskatchewan.
[11] Canadian Standards Association (CSA) Z662 is a standard governing oil and gas pipeline systems.

4.4 Policies Consistent with Regulatory Requirements But Missing Documented Rationale for Some Inspection Frequency

SaskEnergy pipeline integrity management policies are consistent with applicable provincial regulatory requirements—CSA Z662 Standards. These policies (or supporting written procedures) set out the rationale for the frequency of most, but not all, pipeline inspection activities, including block value, depth of cover and leak surveys.

SaskEnergy has around 40 different policies designed to support the implementation of its Pipeline Integrity Management Program.

SaskEnergy clearly assigned the responsibility to keep these policies current. We found responsible personnel actively monitor changes to regulations and standards, and seek approval for revisions to policies, as needed. Our interviews of five System Integrity and Standards Department personnel found them knowledgeable about the content of the policies, and their location.

Our assessment of policies for each of the ten inspection activities listed in **Figure 4** found each appropriately approved and complied with the 2019 version of CSA Z662 Standards.

We also found these policies set out clear requirements for various types of pipeline inspections and surveys designed to detect damaged pipelines. Where applicable, the frequencies of pipeline inspection set out in the policies (or supporting procedures) aligned with the CSA Z662-19 Standards where the standards set out frequency requirements.[12] For example, as described in **Figure 4**, the policies require in-line inspections on a sample of larger diameter high-pressure pipelines every year and annual routine encroachment patrols.

However, neither SaskEnergy policies nor supporting procedures document the rationale for the frequency of the following three types of inspection activities: block valve inspections, depth of cover surveys, and leak surveys (see **Figure 4**).

Having a documented rationale for the planned frequency of all types of inspection activities aids SaskEnergy in ensuring its plans adequately address the risks in its Pipeline Integrity Management Program. For organizations such as SaskEnergy who routinely use contracted engineers, having documented rationale for the frequency of all types of inspection activities helps personnel understand the basis for planned frequency.

> 1. **We recommend SaskEnergy Incorporated document the rationale for how often it carries out each of its transmission pipeline inspection activities.**

4.5 IT Systems Track Key Pipeline Information

SaskEnergy uses various IT applications to help determine the structure and integrity of its transmission pipelines, and to store key details about its pipelines and their structure and integrity. Key IT applications include:

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[12] CSA Z662-19 generally expect pipeline operators to use professional judgment to set the timing and frequency of inspection activities.

➢ **A corrosion growth application**—calculates corrosion of each larger diameter transmission pipeline using information from the results of in-line inspections. In addition, it suggests re-inspection scenarios (e.g., recommended dates for re-inspection) and locations to carry out direct examinations (i.e., dig sites). It is a widely accepted and used IT application in the natural gas pipeline industry.

➢ **An in-line inspection data application**—electronically captures, stores, and manages data accumulated from in-line inspection tools for each in-line inspection run. The in-line inspection contractors use this data to prepare in-line inspection reports.

➢ **A pipeline risk-modelling application**—evaluates the pipeline's reliability directly, or uses the included consequence models to calculate risk of pipeline failure for each transmission pipeline (or portion thereof), and the probability and consequences of failure of each transmission pipeline. It is a well accepted IT application in the natural gas pipeline industry. Its calculations consider the following:
-   Attributes (e.g., pipe diameter, maximum operating pressure, wall thickness)
-   Condition (e.g., known condition based on the results of in-line inspections, and direct examinations [i.e., digs], and estimated corrosion growth based on the corrosion growth application)
-   Class (e.g., proximity of residents to pipelines – see **Section 5.0** for further detail)
-   Environment (e.g., nearby water, slope movement)

Because this application does not electronically track updates to its data (i.e., when, or what), SaskEnergy maintains a worksheet (in Excel) to document that it inputs results of in-line inspections into the application. SaskEnergy does not track its inputting of results of direct examinations (i.e., digs) or repairs made to the pipeline.

SaskEnergy personnel use their professional judgment to assess the reasonableness of the application's calculated risk results. SaskEnergy uses its risk-modelling IT application in its annual analysis of risks of defects and failures of individual pipelines done in December each year.

➢ **A data storage application**—stores key historical detail about each licenced pipeline (e.g., location, pipeline size, in-service date, drawings, results of inspection activities and maintenance and repair history).

SaskEnergy personnel electronically add the relevant documents on a licenced pipeline in this application, and use them when making future inspection plans and repair decisions.

We found SaskEnergy accurately inputs data about pipeline condition from in-line inspection reports and its corrosion growth IT application into the risk-modelling IT application. For one larger diameter pipeline 2019 inspection we tested, the information SaskEnergy input into the risk-modelling IT application agreed with the in-line inspection report.

We also found the documentation that SaskEnergy keeps about its inspection and repair of transmission pipelines meets the regulator's documentation requirements. For 10 licenced pipelines, we compared the following information in SaskEnergy's data storage application to the regulator's (the Ministry of Energy and Resources) licence records:

pipeline location, pipeline size, in-service date, and inspection and maintenance history. For each of these10 pipelines we tested, the information agreed.

In addition, we found SaskEnergy assessed the completeness of its documentation as its regulator expects. Starting in 2016, its pipeline regulator requires SaskEnergy to self-assess if its historical pipeline documentation met regulatory requirements. While SaskEnergy identified several areas where it could improve its documentation, none of these areas related to missing information about pipeline inspection activities and repairs.

However, SaskEnergy does not always keep up-to-date information in key IT systems it used to determine the condition (structure and integrity) of its pipelines—see **Recommendations 2** and **3**.

4.6 Risks of Pipeline Failure Analyzed

SaskEnergy systematically analyzes electronically-calculated risks of defects and failures of individual pipelines.

Each year, typically in December, SaskEnergy analyzes risks of pipeline failure using electronically-calculated risks of pipeline failure of individual pipelines.

SaskEnergy uses data from its risk-modelling IT application to identify individual pipelines with the highest risk. It compares electronically calculated risks to its acceptable risk thresholds. These include a maximum individual risk ratio (less than or equal to 0.8), failure rate (less than a maximum value of 0.1), failures/km-year, combined impact (i.e., considers: safety, financial, environmental), and consequence (i.e., considers: pipeline pressure, population density). It documents its analysis in an annual risk report, and provides the report to senior management.

Our review of the 2018 Risk Management Report found SaskEnergy appropriately used risk projections from its risk-modelling IT application, highlighted individual pipelines (or portions thereof) with the highest risks of failure or risk to cause harm, and included a strategy to mitigate the risk.[13] We found the Report did not list any transmission pipelines with a risk above SaskEnergy's acceptable risk threshold. This suggests SaskEnergy is sufficiently maintaining transmission pipelines.

Having clearly defined risk factors and risk assessment processes to consider when selecting pipelines for inspection focuses inspection resources on pipelines at greater risk of defect and leakage. See **Recommendation 2** about keeping up-to-date information in SaskEnergy's risk modelling IT system.

4.7 Risk-based Inspection Plan Maintained

SaskEnergy maintains an annual risk-based plan for each of its major inspection activities (see **Figure 4**) and a ten-year in-line inspection plan. SaskEnergy establishes an annual budget for its inspection activities.

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[13] SaskEnergy's 2019 Year End report was not finished as of February 2020.

As its Pipeline Integrity Management Program and policies expect, SaskEnergy systematically gathers key information to aid in determining the condition (structure and integrity) of its transmission pipelines through various inspection activities. It designs pipeline inspections to identify existing and potential hazards. In addition, inspections gather key information to determine appropriate corrective action (e.g., repair it or continue to monitor the pipeline for further deterioration).

SaskEnergy uses the results of its annual analysis of risks to decide which individual transmission pipelines to inspect and when.

SaskEnergy documents its decisions about which individual pipeline to inspect, when, and how in various planning documents (e.g., a annual plans, a ten-year in-line inspection plan, pipeline integrity work plan).

Our review of the 2019 planning documents found the following:

➢ They cover each of the types of inspections and surveys (e.g., in-line inspections, block valve inspections, depth of cover surveys) expected in the Pipeline Integrity Program. They show in-line inspections are SaskEnergy's main inspection activity.

➢ They set out individual pipeline SaskEnergy plans to inspect/survey along with a budget. For 2019-20, the combined budget for all its Department activities including inspection activities was $26.7 million. We found this budget was included in the Systems and Integrity Department's budget approved by senior management.

➢ They are risk-based. They include the higher-risk pipelines identified in the annual risk assessment, and prioritize the inspection of higher risk areas. For example, SaskEnergy prioritized block valve inspections based on the risk of the pipeline that the block valve is designed to control.

Senior management approves annual plans and the revised ten-year in-line inspection plan each year. We found appropriate approvals of the 2019 inspection plans for each of its major inspection activities as part of the pipeline integrity work plan.

SaskEnergy has processes to adjust inspection plans as new information becomes available.

Having an annual detailed risk-based plan for each of its major inspection activities helps ensure SaskEnergy obtains a sufficient overall assessment of integrity of its natural gas transmission pipeline system, and gathers sufficient information to make decisions about necessary repairs and pipeline replacement.

4.8 Clear Timelines for Reviewing Contractors' Inspection Reports and Entry of Results into Key IT System Needed

SaskEnergy does not have clear expectations as to when contractors are to submit final in-line inspection reports, and its Systems Integrity personnel are to review, approve, and enter the reports into its risk-modelling application. The timing of SaskEnergy's review and approval of in-line inspection reports varies.

As previously noted, in-line inspections are SaskEnergy's primary inspection activity to gather information about the structure and integrity of its transmission pipelines.

SaskEnergy policies require all contractors to notify it immediately of significant defects found during inspections. Policies also require contractors doing inspections to complete and submit inspection reports. For in-line inspections, contractors are to submit preliminary and final inspections reports.[14]

Policies expect SaskEnergy personnel to review and approve inspection reports. They input the inspection results into the risk-modelling application to enable electronically determining the current state of the transmission pipeline system and the risk of pipeline failure.

While policy expects contractors to submit preliminary in-line inspection reports within 15 business days after completing the in-line inspection, it does not set out when contractors must submit final reports. SaskEnergy policies clearly set out when SaskEnergy expects contractors carrying out other types of inspection activities to submit the results of their work. For example, contractors doing block valve inspections must provide an inspection report within one week after the inspection.

However, SaskEnergy does not track when it receives, reviews, or approves the results of all inspections (inspection reports). For example, it does not stamp the receipt date on inspection reports received. Other than in-line inspection reports, it does not document or date their approval of inspection reports.

Policies also do not set out timeframes by which personnel should complete and document their review, approval, and entry of inspection reports into its risk-modelling application.

For ten in-line inspections we tested, we found:

➢ For seven in-line inspections, SaskEnergy received a final report between 27 and 86 days after the contractor performed the inspection.

➢ For seven pipelines related to in-line inspections we tested, SaskEnergy had completed a more in-depth review and approval of additional digs or repairs. This review occurred between three and 62 days after receipt of the final in-line inspection report.

➢ For three in-line inspections, SaskEnergy had not received, at January 31, 2020, the final reports (between 43 and 64 days after the inspection).

Furthermore, SaskEnergy does not have a well-defined timeframes as to when personnel should enter inspection reports into its risk-modelling application.

For the ten in-line inspections we tested, personnel entered the results of in-line inspections into SaskEnergy's risk-modelling IT application before they had completed their review and approval of the final in-line inspection analysis reports.

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[14] Preliminary in-line inspection reports indicate whether the in-line tool was successful in collecting data about the condition of the inspected pipeline. Final in-line inspection reports include the results of the inspection (detailed data about the condition of the pipeline).

Entering in-line inspection data before review and approval of a final inspection report increases the risk of using inaccurate data in the risk-modelling IT system, which may lead to a less reliable pipeline risk assessment. Using final inspection results about the most recent pipeline condition in its risk-modelling IT system supports more reliable assessments of pipeline integrity and risk of failures, which in turn supports the development of appropriate inspection plans.

> 2. **We recommend SaskEnergy Incorporated implement timeframes for including the results of inspections of transmission pipelines into its risk-modelling IT system.**

4.9 Key Inspection Activities Required in IT System to Support Annual Inspection Plan

SaskEnergy does not ensure it includes reports from its inspection activities (e.g., in-line inspection, block valve inspections, repair reports) in its data storage IT application within specific timelines, for inclusion in its annual inspection plan.

Each year (typically in the spring), SaskEnergy checks whether it has included all in-line inspection reports and dig inspection reports from the prior construction season in its data storage IT application. In February 2019, it confirmed it included all reports of inspections and digs done during the construction season (April to October 2018).

We found SaskEnergy does not have a similar process to check whether it had included reports from its other types of inspection activities (e.g., block valve inspections) in its data storage IT application.

For the two close interval surveys and five block valve inspections we tested, SaskEnergy had not included the related reports of inspections in its data storage IT system as of January 2020. Completion of these reports ranged from five to seven months earlier. Therefore, these reports may not be available to staff preparing its next annual inspection plan.

We found at January 31, 2020 the data storage IT application included six of the ten 2019 in-line inspection reports because it had not yet finalized the remaining four in-line inspections carried out between September and December.

For the five 2019 repair reports we tested, SaskEnergy had not included documentation of repairs in its data storage IT application as of January 2020. Completion of these reports ranged from between four to five months earlier. Therefore, the reports may not be available to staff preparing the annual inspection plan.

Having up-to-date records reflecting current, reliable assessments of pipeline condition better supports decisions about future inspection plans and repairs.

> 3. **We recommend SaskEnergy Incorporated include the results of key inspection activities and repairs done during the year in its pipeline data storage IT system within specified timelines.**

4.10 Qualified Contractors Used for Pipeline Inspections and Repairs

SaskEnergy engages contractors with suitable qualifications to inspect and repair its transmission pipelines.

SaskEnergy spends about $35 million each year on Department activities, including contracted inspections and repairs of transmission pipelines.

SaskEnergy primarily uses contractors to carry out its pipeline inspections, surveys, and repairs. At January 2020, it had contracts with about 15 different contractors to inspect or repair transmission pipelines.

We found SaskEnergy uses requests for proposals (a competitive procurement method) to hire these contractors. The requests for proposals set out the required qualifications. SaskEnergy includes the request for proposals as part of its contracts with selected contractors. Contracts are typically for a one-year term, with an option to extend for up to four years. In practice, SaskEnergy routinely extends these contracts beyond one year.

For three contracts we tested, the qualifications set out in the contract seemed suitable for contracted inspection activity (e.g., engineering background for pipeline inspectors, required valid certificate for radiography).

SaskEnergy relies on contractors to supply personnel with the contracted qualifications. Also for transmission pipeline repairs, SaskEnergy contracts industrial radiographers to confirm completed repairs to pipelines sufficiently address identified defects. Industrial radiographers are qualified to use X-rays to verify the internal structure and integrity of a pipeline.

For all five repairs we tested, the contracted radiographer inspected completed repairs, and signed off indicating repairs sufficiently addressed identified defects.

Engaging suitably qualified contractors to inspect and/or repair transmission pipelines increases the likelihood of properly repaired and inspected pipelines.

4.11 Completion of Inspections Actively Monitored

SaskEnergy actively monitors the completion of the annual inspection plan and adjusts the plan considering the assessed risk of potential pipeline defects.

Most of SaskEnergy's inspection activities take place between April and October each year (construction season).

The Systems Integrity and Standards Department actively monitor and track the completion of the annual inspection plan, and costs incurred. In addition, it considers assessed risks of pipeline failure when adjusting the timing of planned inspection activities. Senior management of the Department must approve adjustments to the annual plan.

As at March 2020, SaskEnergy spent $34.9 million on Department activities, including inspection activities during the 2019 construction season; it budgeted to spend $26.7 million.[15]

As shown in **Figure 5**, for the 2019 construction season, SaskEnergy completed just over two-thirds of the kilometres of its planned in-line inspections, and all or almost all of its plans for the nine other types of inspection activities.

Most of the delays in 2019 were the result of SaskEnergy staff being not available to supervise inspection activities during October 2019 due to job action by unionized employees.

Figure 5—2019 Comparison of Planned and Completed Inspection Activities

Inspection Activity	2019 Planned	2019 Actual Completed
In-line Inspections	- 32 (17 baseline inspections and 15 re-inspections) 1,588 km of transmission lines.	- Completed 19 in-line inspections for a total of 1,206 km of transmission pipeline (comprised of 1,042 km in the plan (67% of planned), and 164 additional km not in initial plan but considered necessary). - Deferred 13 (11 baseline and 2 re-inspections) with a total of 546 km of transmission lines due to SaskEnergy job action and cost savings measures. - Rescheduled all deferred inspections for 2020-22.
Direct Examinations	- 89	- Completed 84 digs (94% of planned). - Deferred five digs to 2020 due to employee job action and weather.
Block Valve Inspections	- 21	- Completed 21 block valve inspections (100% of planned).
Cased Crossing Management	- 22	- Completed 22 cased crossing inspections (100% of planned).
Close Interval Surveys	- 13	- Completed 15 surveys (100% of planned) and two additional surveys not included on the plan.
Direct Current Voltage Gradient Surveys	- Completed by request.	- None completed or requested.
Depth of Cover Surveys	- 165 km of non-class 1 pipelines and CER-regulated pipelines based on its three-year plan (see **Section 5.0**).^A	- Completed surveys (100%).
Encroachment Patrols	- Twice monthly aerial patrols on all six-inch or greater diameter pipelines. - Two aerial patrols for all other pipelines. - Twice per day ground patrols for construction activity in major class 3 locations.	- Completed aerial and ground patrols (100% as planned).

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[15] Overage caused by completion of unplanned work due to the December 2018 Beacon Hill pipeline failure and the Coleville pipeline relocation.

Inspection Activity	2019 Planned	2019 Actual Completed
Leak Surveys	- Annual aerial leak survey on the entire transmission pipeline system. - Annual ground leak surveys on all class 2 and 3 locations and high consequence areas (207 km of transmission pipelines). - Survey 3,657 km of transmission pipelines as part of four-year cycle.	- Completed annual aerial and ground surveys (100% as planned).
Geotechnical Inspections	- All 45 category 1 and 2 sites (i.e., highest risk). - All sites in South transmission system district.	- Did not inspect nine category 1 and 2 sites as planned because it had mitigated the risks to these sites through other measures in 2019 and 2020. We found this to be reasonable. - Competed inspections on all 75 sites in the South district (100% as planned).

Source: Adapted from SaskEnergy records.
A The Canada Energy Regulator (CER) regulates SaskEnergy's transmission pipelines that cross Saskatchewan's borders.

For nine in-line inspections and digs (direct examinations), we assessed the reasonableness of SaskEnergy's rationale for selecting them for deferral. For each of the nine deferrals, we tested, the rationale appeared reasonable and consistent with SaskEnergy's risk-based approach and senior management appropriately approved them. In addition, we found SaskEnergy rescheduled deferred in-line inspections and digs within an acceptable timeframe (e.g., prior to predicted pipeline failure).

Using a risk-based approach to complete and adjust its annual inspection plan reduces the risk of SaskEnergy not effectively identifying defects in pipelines through inspections. Actively monitoring helps ensure sufficient inspections of pipelines at higher risk of defects. Undetected defects can lead to unplanned downtime and pipeline leaks, which in turn may cause failures (e.g., service disruptions and explosions).

4.12 Repairs Planned and Conducted Within Reasonable Timeframes

SaskEnergy plans for and completes repairs on pipelines within a reasonable timeframe, and uses a repair process that is consistent with CSA Z662 standards.

SaskEnergy uses the results of inspection assessments of pipelines to determine which portion of pipelines it must directly examine and potentially repair. SaskEnergy excavates specific portions of pipelines to allow for direct examination and assessment. It refers to these as digs.

For specific pipelines and portions thereof, SaskEnergy considers the assessed risk of pipeline failure, suggested re-inspection dates, recommended dig sites, and if available, predicted pipeline failure date. It uses this information to schedule the timing and location of digs with contractors. It usually schedules digs either in the same year the in-line inspection of that pipeline was done, or, more commonly, in the following year. It coordinates the timing of digs with planned pipeline outages to minimize disruptions in pipeline operations. It recognizes inclement weather can alter the planned timing of a dig.

For three of six in-line inspections we tested, the assessment results recommended digs. We found SaskEnergy had scheduled each of these digs for 2020 consistent with suggested timing or before the predicted failure date.

SaskEnergy has well-defined and detailed procedures about the purpose and steps to follow in carrying out digs. They require assessing the pipeline for suitability for continued service and considering the following potential defects: nature and extent of corrosion, evidence of gouges, groove, arc burns, dents, weld imperfections, cracks, ripples or buckles, etc. If SaskEnergy identifies defects during a dig requiring repair, it expects the repair to be done at the same time. This approach reduces costs by not digging up a pipeline more than once.

SaskEnergy primarily uses contractors to complete pipeline repairs. It gives them a handbook. We found the handbook clearly outlined the processes for making repairs of defects including requiring they meet CSA Z662-19 Standards.

SaskEnergy uses industry radiographers to verify the acceptability of welds completed (i.e., no leaks exist), and an independent contractor to inspect, and approve the repair.

In addition, SaskEnergy must seek prior regulatory approval from the Ministry of Energy and Resources for all repairs exceeding 100 metres in length. SaskEnergy is expected to keep specific documentation about the repair (e.g., pipeline name, location, details about the nature and time of the repair).

SaskEnergy tracks scheduled and completed digs using a spreadsheet. It records key details such as dig site (pipeline name, longitude, latitude, etc.), target joint in pipeline, nature of expected defect (e.g., dent, corrosion), inspector name, scheduled month, and details about the repair.

In 2019, SaskEnergy completed 45 repairs to its transmission pipelines for a cost of approximately $1.72 million.

For each of five repairs we tested, reports indicated contractors completed repairs within a reasonable timeframe after defect was identified during a dig (i.e., between 23 and 64 days). Also, for each of these five repairs, reports contained required documentation, and evidence of verification and approval of repairs completed. None of these five repairs exceeded 100 metres in length; therefore, they did not require regulator approval.

Robust processes to plan, conduct, and complete timely repairs increases pipeline integrity and safety, and reduces risk of pipeline failures.

5.0 TRANSMISSION PIPELINE BY CLASS

SaskEnergy classifies its transmission pipelines based on the CSA Z662 standard requirements using population density in a specified geographical area.

SaskEnergy's Transmission Pipeline by Class

Class	Description	Number of Kilometers	% of Total Kilometers
1	10 or less residences	14,880	99.20
2	11-45 residences, a building or outside area with 20 or more people during normal use (e.g., playground or recreation area), and /or an industry such as a chemical plant	92	.6
3	46 or more residences	30	.2
4	Mostly apartments and condominiums with four or more stories	0	.0
		15,002	**100**

Source: Adapted from www.cer-rec.gc.ca/bts/ctrg/gnnb/flngmnl/archive/2017gd-e-cnslttn/bckgrndr-eng.html (25 March 2020) and SaskEnergy records.

SaskEnergy monitors the class location for each section of its transmission pipeline for development and environmental changes. It also plans some of its inspection activities based on the class of the pipeline. If a pipeline's class changes (e.g., development near a class 1 pipeline causes it to become a class 2 pipeline), SaskEnergy may need to adjust how often it performs its inspection activities.

6.0 TRANSMISSION PIPELINE MAP
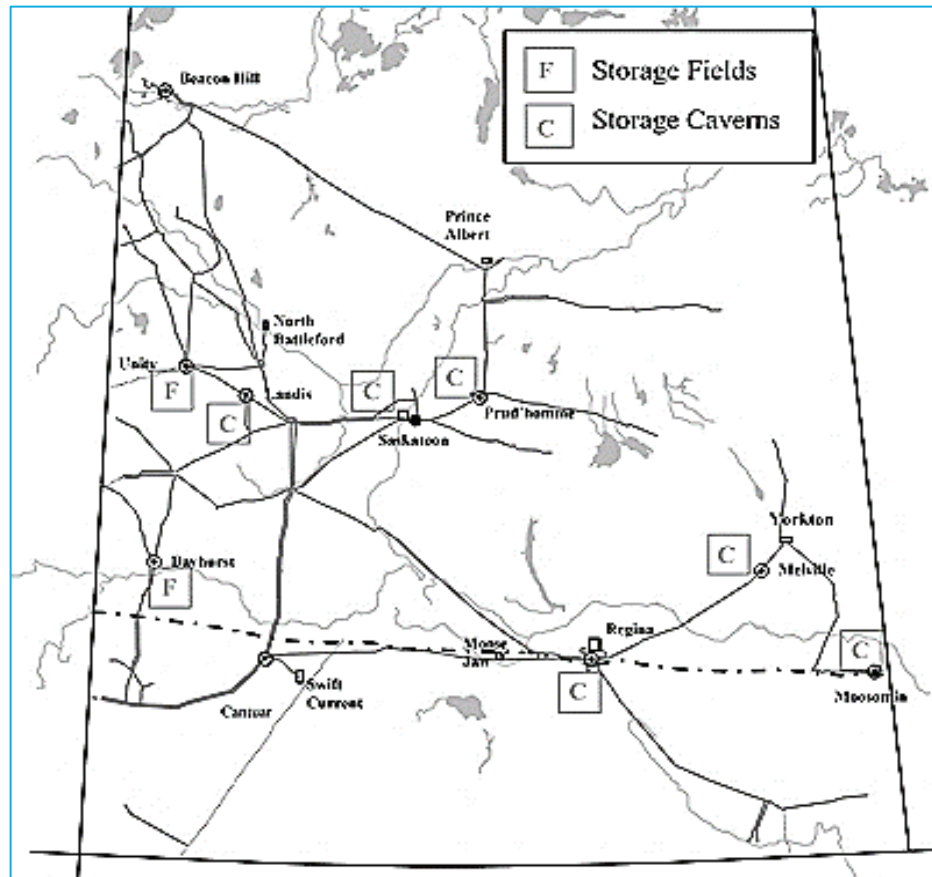
Source: Adapted from SaskEnergy records.

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Chapter 12
Social Services—Monitoring Foster Families

1.0 MAIN POINTS

The Ministry of Social Services uses foster families to provide care for children requiring protection and out-of-home care. The Ministry is responsible for ensuring children placed in foster homes with foster families are well cared for and safe. At March 31, 2019, there were 486 foster homes located across the province.

The Ministry had, other than in the following areas, effective processes to monitor whether foster families provide a safe and secure environment for children in care.

The Ministry needs to follow its policies and established practice to:

➢ Consistently complete background checks prior to approving new foster families. For one file we tested, the Ministry did not perform a background check in its case management system for two adult children living in the foster home until 14 months after approving the foster family.

   Not completing the necessary background checks for all adult residents in a foster home may result in a potential threat to a child's safety when placed in the home.

➢ Consistently conduct annual home safety checks, and obtain annual criminal record declarations for approved foster families.

   Annual home safety checks and criminal record declarations confirm a foster home remains safe.

➢ Consistently complete annual review reports of foster families.

   Delays in completing annual review reports may result in foster families not receiving timely and necessary training and support, and reduces the ability of the Ministry to take timely action.

In addition, the Ministry needs to require periodic criminal record checks on all adults residing in approved foster homes. For the 30 foster family files we tested, the foster homes were approved between three and 29 years ago, which was the last time criminal record checks were completed. Periodic criminal record checks reduces the risk the Ministry has incomplete or inaccurate information about criminal charges against foster parents, which reduces risks to children in foster homes.

2.0 INTRODUCTION—FOSTER CARE IN SASKATCHEWAN

In Saskatchewan, at March 31, 2019, there were 856 children residing in 486 foster homes located across the province.[1] Each foster home had, on average, 2.3 children. There were 116 of 486 homes that did not have children in care at that time.[2]

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[1] www.saskatchewan.ca/residents/family-and-social-support/putting-children-first (25 March 2020).
[2] Some foster homes may not have children in care because of the age, number, and special needs of the children requiring care.

In 2018-19, the Ministry of Social Services provided $25.9 million in support to foster care families (e.g., monthly payments for basic expenses, special needs care, therapeutic care).

The Ministry of Social Services provides care for children requiring protection and out-of-home care. *The Child and Family Services Act* requires the Minister of Social Services to investigate reports if there are reasonable grounds to believe a child is in need of protection due to physical, sexual, or emotional abuse or neglect.

The Ministry may place children in out-of-home care with extended family networks, residential group homes, or foster homes.

The Ministry recognizes, consistent with research, many children placed in foster care have experienced childhood trauma and have complex behavioral, medical, emotional, developmental, and psychosocial needs.[3] Its objective of foster care is to provide the child with a secure family environment to facilitate child development. It uses foster care to provide short-term support for the child and family or long-term placement for the child.

The responsibility of the foster family is to provide foster children with safe, healthy and nurturing relationships, and a family environment, which is considered the most beneficial and desirable.[4]

The Ministry must ensure children placed in foster homes are well cared for and safe. It must ensure foster families receive ongoing support and provide quality of services.

Effectively monitoring children's safety, and providing needed support to foster families is crucial in contributing to foster children's health and well-being.

3.0 AUDIT CONCLUSION

We concluded that, for the 12-month period ended December 31, 2019, the Ministry of Social Services had effective processes, except in the following areas, to monitor whether foster families provide a safe and secure environment for children in care.

The Ministry needs to:

➢ **Consistently complete background checks prior to approving new foster families**

➢ **Consistently conduct annual home safety checks, and obtain annual criminal record declarations for approved foster families**

➢ **Require periodic criminal record checks on all adults residing in approved foster homes**

➢ **Complete annual review reports of foster families**

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[3] Moira A. Szilagyi, David S. Rosen, David Rubin, Sarah Zlotnik and the Council On Foster Care, Adoption, and Kinship Care, the Committee on Adolescence and the Council on Early Childhood, *Health Care Issues for Children and Adolescents in Foster Care and Kinship Care*, Pediatrics October 2015, 136 (4) e1142-e1166; doi.org/10.1542/peds.2015-2656.
[4] Saskatchewan Foster Families Association, Second Edition Handbook, 2012, p. 2.

Figure 1—Audit Objective, Criteria, and Approach

Audit Objective: to assess the effectiveness of the Ministry of Social Services' processes, for the twelve-month period ending December 31, 2019, to monitor whether foster families provide a safe and secure environment for children in care.

The audit does not include the Ministry's monitoring of children who are in the care of residential group homes, First Nation Child and Family Services Agencies, or persons of sufficient interest.[A]

Audit Criteria:

Processes to:

1. Approve foster families
    1.1 Maintain policies and procedures for approving foster families
    1.2 Approve foster families who satisfy Ministry requirements
    1.3 Communicate expectations to approved foster families
    1.4 Give ongoing support (e.g., financial, training) to foster families

2. Oversee foster families
    2.1 Maintain policies and procedures for monitoring foster families and children in their care
    2.2 Keep regular contact with foster families and children in their care (e.g., assign qualified staff, document visits)
    2.3 Periodically review ongoing suitability of foster families (e.g., continue to meet requirements)

3. Address non-compliance
    3.1 Maintain quality assurance processes (e.g., monitor staff compliance with policies and procedures)
    3.2 Evaluate key information (e.g., results of ongoing contact, complaints, critical incidents, foster homes with more than four foster children) about quality of care of foster families
    3.3 Take necessary action promptly (e.g., remove children in serious cases)

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 of Social Services' 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 of Social Services agreed with the above criteria.

We examined Ministry's policies, procedures, the IT system, reports, and other records relating to monitoring foster families. We interviewed key staff responsible for monitoring foster families. We also tested various samples of files of foster families (e.g., approved in 2018 and 2019, operating in 2019, closed in 2019).

[A] A person of sufficient interest is a person who is not a parent of the child but who, in the opinion of the court, has a close connection to the child (i.e., extended family member). A child placed with a person of sufficient interest is not in the care of the Minister of Social Services.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Well-Defined Policies and Procedures in Place

The Ministry uses the Children's Services Manual to guide how staff approve suitable applicants as foster parents, and monitor foster families and children in their care.

The Manual describes standards and procedures about foster care clearly and in sufficient detail. It includes guidance for Ministry staff about assessing applicants, approving foster families (i.e., completing background checks, a family assessment, home safety assessment, training, and signing an agreement), monitoring foster families (e.g., annual reviews, visits), managing conflicts, and resolving appeals.

The Ministry keeps the Manual up to date. We found all sections of the Manual about foster care to be current (i.e., updated within the past three years).

The Ministry makes the Manual accessible to Ministry staff, its partners (e.g., the Saskatchewan Foster Families Association, the Saskatchewan Advocate for Children and Youth), and the public.[5] The Ministry communicates Manual updates to its staff and partners via emails. The Manual is available to the public via its website.[6]

Ministry representatives also sit on a national committee to share experiences and practices on foster care to remain aware of current national trends and practices.

Having clear written and up-to-date standards and procedures helps ensure staff responsible for foster care services have a clear understanding of expected processes over providing quality foster care. In addition, it facilitates effective supervision of staff, and monitoring of foster homes.

4.2   Qualified Staff Work With Foster Families

The Ministry has qualified staff for approving and monitoring foster families. It assigns manageable foster family caseloads to these staff.

At March 31, 2019, the Ministry had 65 resource workers (some who may work part-time) involved in approving and monitoring foster families.[7]

The Ministry requires all of its resource workers to hold a Bachelor of Social Work. Resource workers also must complete six modules of core training. This training includes standards and requirements for approving and monitoring foster families.

For five resource workers we tested, each had a Bachelor of Social Work and had completed or were in the process of completing core training.[8] Our review of the Public Service Commission's training report at January 2020 found resource workers also received Ministry-wide training related to topics such as code of conduct and confidentiality.

For 30 foster family files we tested, nine foster families had the same resource worker during 2019. On average, 2.6 different resource workers were assigned to these 30 foster families in 2019, which seems reasonable. Involvement in these files ranged from one to five workers monitoring a foster family in a year. Management noted resource worker turnover is the main reason for changes in resource workers assigned to a foster family. It relates this turnover primarily related to better job opportunities, staff moving, and maternity leaves rather than unmanageable caseloads.

Our analysis of the caseloads of the 65 resource workers at March 2019 found, on average, resource workers monitor about 20 foster families. Based on our analysis, this appears to be a manageable caseload.

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[5] The Saskatchewan Foster Family Association is a non-profit, community-based organization that supports foster parents as caregivers. The Saskatchewan Advocate for Children and Youth advocates for the rights, interests, and well-being of children and youth in Saskatchewan.

[6] www.saskatchewan.ca/government/government-structure/ministries/social-services#forms-and-publications (26 March 2020).

[7] The March 31, 2019 number was the most current information available from the case management IT system. We expect the March information to be comparable to December 2019.

[8] The Ministry did not have records to show two resource workers completed core training as they were hired in 2003 and 2005. The Ministry is not required to keep records past seven years. We consider the risk that these workers did not have core training to be low.

Having qualified staff with manageable caseloads helps ensure foster families receive ongoing support and provide quality services to children in their care.

4.3 Foster Family Approval Standards Not Always Followed

The Ministry does not always follow its standards to approve foster families.

The Ministry has dedicated staff (resource workers) for approving foster families. They are responsible for assessing foster-family applicants' ability, skill, and willingness to work in partnerships with the Ministry and children's families to ensure the safety and best interests of children placed in their care. The Ministry expects staff to use the Children's Services Manual which includes the Ministry's requirements for approving foster families (see **Figure 2**).

Figure 2—Ministry's Requirements for Approving Foster Families

> ➢ Requesting a **criminal record check/vulnerable sector check** for each applicant and any other adult 18 years of age or older, including adult children, living in the home
>
> ➢ Conducting a **Ministry record check** in its case-management IT system to identify any previous involvement with the Ministry
>
> ➢ Evaluating **five references** about applicants to assess their suitability to foster
>
> ➢ Receiving **medical reports** certifying there are no health or physical conditions inhibiting the family's ability to care for foster children
>
> ➢ Conducting a **mutual family assessment** or home study to assess ability of applicant(s) to care for children and age, number and special needs of children that are appropriate for the foster family
>
> ➢ Conducting a **home safety check** to assess safety and suitability of space in the home and surroundings by using the safety checklist
>
> ➢ Requiring applicants to receive **pre-service training**; 27 hours on Parent Resources for Information, Development and Education (PRIDE) and three hours on Saskatchewan Aboriginal Culture
>
> ➢ Use the Ministry's case-management IT system to track key information about approved foster families and children placed in their care

Source: Adapted from the Ministry of Social Services Children's Services Manual.

We found the Ministry's foster care requirements for approving foster families align with good practice.

We tested 10 foster families, approved by the Ministry in 2018 and 2019, for compliance with requirements relating to approving foster families. We found:

➢ Eight of 10 files met all of the requirements as outlined in **Figure 2**.

➢ Notes on one file and in the Ministry's case-management IT system indicated that staff completed the mutual family assessment even though the file was missing the physical copy of it.

➢ One file did not have the required Ministry record checks and criminal record checks conducted.

    The Ministry requires its staff to perform a Ministry record check, that is check its case-management IT system to see whether all adults living in the house had any previous involvement (e.g., history of child abuse, neglect) with the Ministry. If there was any

concern with the history, the Ministry may deny the application. All adults in the home must also have a criminal record check done.

In this one file, while Ministry resource workers completed the Ministry record check for the two main applicants at the time of the approval, they did not do the check for two adult children living in the foster home until 14 months after approving the foster family.[9]

Furthermore, in this file, another adult joined the foster home three months after the foster family was approved. Ministry resource workers did not perform the Ministry record check on the new adult in the foster home until 10 months after joining the home. We also found that the new adult in the foster home did not have a criminal record check completed until nine months after joining the home (see **Section 4.6.2** for other instances found of when the Ministry did not conduct timely criminal record verifications).

For this file, the Ministry did not find any concerning involvement nor any criminal history for any of these three adults, once staff eventually completed these checks.

Not completing all the necessary background checks for all applicants and adult residents in a foster home prior to approving a home may result in a potential threat to a child's safety when placed in the home. Not having criminal record checks done on adults joining the foster home after it has been approved may also result in a potential threat to a child's safety.

1. **We recommend the Ministry of Social Services complete all required background checks prior to approving foster families.**

For 10 files of new foster families we examined, the Ministry took, on average, almost seven months to complete the entire approval process (from application date to approval). For these files, the approval process ranged from four to 11 months. We found these timeframes reasonable because of the complexity of the cases and additional time necessary to sufficiently assess the ability of applicants to provide a protective and nurturing environment, and meet children's needs.

Once a foster family is approved, the Ministry signs a service agreement with the family (i.e., foster care agreement). We found the Ministry uses a standard agreement template. This template clearly outlines the roles and responsibilities of both the Ministry and the foster family.

For example, the agreement makes the Ministry responsible for maintaining regular contact with the foster family to support the child's placement, provide support and consultation services, and provide training to the foster family. Once approved and after children are placed in care, foster parents receive a monthly payment to cover the costs associated with raising the child(ren) in care (e.g., food, shelter, clothing, personal items, transportation, and recreation). The Ministry may also provide, depending on the developmental needs of a child, additional funds to cover additional expenses (e.g., medical, educational, cultural activities).[10]

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[9] The Ministry approved the foster family in October 2018. Staff performed the Ministry record check on the two adult children in December 2019.
[10] Saskatchewan Foster Families Association, Second Edition Handbook, 2012, p. 8.

The agreement makes the foster family responsible for providing care, acceptance, and nurturing to a child. The family is also responsible to facilitate visits with birth parents and with the Ministry, complete training, and ensure that the child lives in a safe environment.

We found for each of the ten approved foster families we tested, the signed service agreement between the Ministry and the family clearly outlined the roles and responsibilities of each party.

Agreements provide a basis for a common understanding, and monitoring of performance.

4.4 Foster Families Regularly Visited

Ministry resource workers visit approved foster families as frequently as required.

The Children's Services Manual requires resource workers to visit an approved foster family in their home a minimum of once every six months. The purpose of these visits is to ensure that foster families are able to maintain the expected standards of care and meet the terms of approval and the foster home agreement.[11]

For each of the 30 foster family files we tested where the family was fostering for more than two years, staff visited each foster family at least once every six months.

Visiting foster families on a regular basis allows for effective monitoring of the foster children's safety, health, and well-being.

4.5 Foster Families Receive Training While Fostering

The Ministry provides ongoing training for foster families to help them care for children, and provide a safe and secure environment. In addition, it actively monitors whether families take training.

The Ministry covers all expenses for foster families to take the training (e.g., travel cost, babysitting). In 2018-19, it spent about $800,000 on this training.

The Ministry has a long-term formal partnership with the Saskatchewan Foster Families Association, to help the Ministry recruit, train, and support foster families. Each quarter, the Association tracks and provides the Ministry with the number of foster parents that have completed the mandatory training. The Ministry uses this information to update its case-management IT system.

Once approved, the Ministry requires foster families to complete training outlined in **Figure 3** within the first year of fostering. If a foster family does not complete mandatory training within a year, the Ministry may make a decision to extend the time for a family to complete training or close the home.

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[11] Ministry of Social Services, *Children's Services Manual*, Section 4.4.8: Foster Home Assessment and Review, p. 240.

Figure 3—Mandatory Training for Approved Foster Families[A]

> - PRIDE Core In-service Module One-The Foundation for Meeting the Developmental Needs of Children at Risk (12 hours), offered online[B]
> - PRIDE Core In-service Module Two-Using Discipline to Protect, Nurture, and Meet Developmental Needs (9 hours), offered online
> - Standard First Aid and Cardiopulmonary Resuscitation (CPR Level B) recognized by Saskatchewan Occupational Health and Safety (17 hours), renewed every three years, offered in-class
> - Fetal Alcohol Spectrum Disorder (FASD) (3 hours), offered online and in-class
> - Trauma Competent Caregiver Training (16 hours), offered online and in-class

Source: Adapted from Ministry of Social Services, Children's Services Manual, Section 4.4.6: Foster Parent Training.
[A] The Ministry facilitates PRIDE training. The Saskatchewan Foster Family Association coordinates the other mandatory training.
[B] PRIDE is a licenced model of practice for the development and support of foster families, which is widely used internationally and in Canada (e.g., Nova Scotia, Ontario, Newfoundland). Saskatchewan adopted this training model in 2007.

In our testing of 27 foster family files with placements of children, we found:

- 23 foster families completed the mandatory training

- Four foster families were working towards completion

In addition to the mandatory training, the Ministry offers foster families additional PRIDE modules based on an assessment of the needs of foster families. See the list of additional PRIDE Modules in **Figure 4**.

Figure 4—Additional PRIDE Core Training Available for Foster Families

> - Addressing Developmental Issues Related to Sexuality
> - Responding to the Signs and Symptoms of Sexual Abuse
> - Supporting Relationships Between Children and their Families
> - Working as a Professional Team Member
> - Promoting Children's Personal and Cultural Identity
> - Promoting Permanency Outcomes
> - Managing the Fostering Experience
> - Understanding the Effects of Chemical Dependency on Children and their Families
> - Understanding and Promoting Infant and Child Development
> - Understanding and Promoting Pre-teen Development

Source: Adapted from Ministry of Social Services, *Children's Services Manual*, Section 4.4.6: Foster Parent Training.

The Ministry uses its annual review of individual foster homes to identify the need for additional training. The additional training is designed to provide foster families with ongoing support and professional development.

Foster parents with specialized training are better positioned to provide appropriate care for children with complex emotional and behavioural needs.[12] Furthermore, evidence shows children's outcomes are better when they receive specialized and therapeutic foster care.

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[12] C. Schwartz, C. Waddell, Children's Mental Health Research Quarterly, Vol. 6, NO. 3 2012, 2012, www.childhealthpolicy.ca/wp-content/uploads/2012/12/RQ-3-12-Summer.pdf (18 March 2020).

4.6 Monitoring of Foster Families Needs Improvement

The Ministry does not always complete all aspects of annual reviews of foster homes as required.

The Children's Services Manual requires the Ministry to review each foster family at least annually. An annual review includes performing a home safety check, obtaining criminal record self-declarations regarding any criminal charges or convictions, completing the annual review report, and signing an annual service agreement.

The Ministry completed all aspects of an annual review for only five of 30 foster family files we tested where the family was fostering for more than two years.

4.6.1 Home Safety Checks Not Always Done Annually

The Ministry does not always conduct home safety checks in foster homes annually as required.

Annual home safety checks confirm a foster home remains safe. The Ministry requires staff to complete them: at least annually after approval of the foster home, when the foster family moves to a new home, or when a significant change in the home impacts the health or safety of individuals in the home (e.g., renovations to the home, significant damage to the home caused by flood).

When doing the check, resource workers are to use a standard home safety checklist to assess sleeping and bedroom accommodations (e.g., no more than two children should be in a room), fire safety (e.g., properly installed functioning smoke alarm), firearm and weapon safety (e.g., storage of firearms in accordance with federal legislation), and general home safety (e.g., handrails installed where needed).

For seven of the 30 foster family files we tested, staff did not complete the annual home safety checklist for 2019. Six of them were last completed in 2018 and one in 2016.

Not performing home safety inspections annually as required increases the risk that children in the care of foster families may not reside in a safe environment.

> 2. **We recommend the Ministry of Social Services consistently follow its standard to conduct annual home safety checks at foster homes.**

4.6.2 Criminal Record Check Standards Not Always Followed

The Ministry does not always receive annual self-declarations of any criminal charges or criminal record checks for new adults in a foster home as required. In addition, it does not require periodic criminal record checks for foster families.

As noted in **Section 4.6**, the required annual review includes obtaining criminal record self-declarations regarding any criminal charges or convictions. The Ministry relies on foster families and other adults residing in the homes to self-declare any criminal charges by signing a Criminal Record Declaration annually.

For eight of the 30 foster family files we tested, there were no criminal record declarations completed for foster parents and any other adults in the foster home for 2019. For five of these eight files, criminal record declarations were last completed in 2018. For the other three files, the criminal record declarations were last completed in 2015, 2016, and 2017.

In addition, for one file we tested, one foster family completed criminal self-declarations three months after the annual review report was completed. And, as we noted in **Section 4.3**, the criminal record check for one adult who joined the foster home after approval was completed nine months late.

Not requiring timely completion of annual criminal record declarations of all adults residing in the foster home may increase the risk of children not living in a safe environment and potentially being mistreated.

3. **We recommend the Ministry of Social Services obtain annual criminal record declarations for all adults residing in approved foster homes.**

We also found the Ministry did not require foster parents and other adults residing in the home to provide it with updated criminal record checks on a periodic basis after its initial approval of the foster home. For the 30 foster family files we tested, the foster homes had operated between three and 29 years since first approved which was the last time criminal record checks were completed. Other jurisdictions require foster families to have periodic criminal record checks. For example, in British Columbia, foster families are required to have criminal record checks done every three years.

Only requiring criminal record information through self-reported declarations may increase the risk of the Ministry having incomplete or inaccurate information (e.g., a foster parent may not disclose a criminal charge), which may put children in foster homes at risk.

4. **We recommend the Ministry of Social Services require periodic criminal record checks on all adults residing in approved foster homes.**

4.6.3 Required Annual Review Reports Not Always Completed

The Ministry does not always complete the annual review reports as required.

As noted in **Section 4.6**, the required annual review includes completing an annual review report, and signing an annual service agreement with the foster home being reviewed. In general, the review is to assess whether a foster family still meets the Ministry's requirements for fostering.

The Ministry requires resource workers to complete an annual review report once they complete their assessment, collect all the necessary documentation (e.g., home inspection checklist, criminal record self-declarations), and meet with foster families about the results of the review.

As part of the annual review, the resource worker is to assess the foster family's strengths, skills, and/or supports needed according to five competencies: protecting and nurturing children, meeting children's developmental needs, supporting family relationships,

connecting children to nurturing relationships intended to last a lifetime, and working as a member of a professional team.

In addition to the results of the annual review, the report outlines approval history, significant events in the last year, and the assessment of other workers or agencies involved with the family (e.g., child care workers, school).[13]

The annual review report is to be shared with the foster family to help identify the skills, supports, and any additional training they may require to meet the needs of the children in their care.

The Ministry requires the foster family being reviewed, the resource worker carrying out the review, and related supervisor to sign the report once it is complete, and submit for senior management review. Management expects the annual review report to be signed within two weeks after it is complete.

For each of the 30 foster family files we tested, resource workers regularly (i.e., every six months) met with the foster families, and had their meetings recorded in the case-management IT system. During these meetings, foster families were able to voice their concerns or ask for additional supports. For seven of 30 foster families we tested, annual review reports were done and signed within required timeframes.

However, for the remaining 23 foster family files we tested:

➢ For 14 foster families, no annual review reports were done in 2019.

➢ For nine foster families, a foster family or supervisor signed the annual review report much later than expected even though the reports were done within required timeframes. For these nine files, reports were signed between three to five months after the report was complete.

Delays in completing annual review reports, which formally assess a foster family's strengths and weaknesses, may result in foster families not receiving timely and necessary training and support to provide quality care to children placed within their homes. Additionally, not doing assessments or delays in finalizing annual review reports showing a foster family is no longer suitable for fostering reduces the ability of the Ministry to take timely action (e.g., close a foster home).

> **5. We recommend the Ministry of Social Services consistently follow its standard to complete annual review reports of individual foster families.**

Management indicated the omission and delays in completing annual review reports, and delays in signing the reports, are the result of staff turnover, vacancies, and staff missing details when writing an annual review report. Management identified a need for ongoing training with respect to conducting annual reviews.

Ongoing training may aid staff to correctly conduct annual reviews and prepare reports within required timeframes. It would also help to build capacity for staff to serve as mentors

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[13] Child care workers work in a co-operative partnership with families and caregivers to meet the needs of children in out-of-home care and prepare the child for return to his/her family.

and support for foster families. In addition, training supports compliance with policies and standards, and provides opportunities to share good practices and efficiencies.

> **6. We recommend the Ministry of Social Services train staff responsible for monitoring foster families specifically on conducting annual reviews.**

Each year, the Ministry expects foster families to sign a new service agreement with the Ministry. This agreement outlines roles and responsibilities for both parties.

Ten of 30 foster families we tested did not have signed service agreements with the Ministry in 2019. Since the Ministry uses a standard template, the agreement terms do not change from year-to-year. Therefore, the roles and responsibilities would not change from the previous agreement signed.

4.7 Quality of Care Concerns Acted Upon Promptly

The Ministry promptly follows up on any identified concerns with the quality of care provided in foster homes.

The Children's Services Manual establishes a clear process for resource workers to follow when concerns about a foster family's ability to provide care for a child is identified. For example, if a resource worker learns about such a concern (e.g., from a school, from a child care worker), then the resource worker must review the circumstances of the situation (e.g., interview the child, talk to the school, visit the foster home, interview the foster family), and complete a formal review (i.e., a documented report) if required. The final formal review report is reviewed and signed by the resource worker, supervisor, and foster family.

Depending on the results of the review, the resource worker and related supervisor decide on actions necessary (i.e., increase supervision of the foster home, impose conditions on the foster home, or close the home).

For each of the four foster family files with identified concerns of quality of care in the foster home (either from the child care worker or resource worker's own observation) the Ministry appropriately followed up on the concerns.[14] Three of the concerns in the files we tested related to the cleanliness of foster homes, and one to an accusation of a foster parent not providing needed necessities (e.g., clothing) to a youth in care.

For these four files we tested, we found:

➢ The assigned resource worker immediately followed up with the foster family (e.g., visited the foster home) and interviewed all necessary parties. In each of the four cases, no child was required to be removed from the home.

➢ For one concern, the resource worker conducted a formal review which concluded the home would continue to be approved with a condition it be kept clean

➢ For the other three concerns, the Ministry found them to be insignificant.

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[14] We examined case-management IT records of contacts between resource workers and 30 foster families in the IT system and found four foster family files with identified concerns of quality of care (either from the child care worker or resource worker's own observation).

In addition, the Ministry has a thorough process to investigate and act upon any allegations of child abuse and neglect in foster homes. In our testing of 30 foster family files, we did not find any instances of such allegations.

The Ministry also tracks the reasons why foster homes close. Reasons may include other family commitments, retired from fostering, and Ministry-imposed closures. The Ministry may close foster homes as a result of investigations, conflicts with the Ministry, and homes not participating in formal reviews, implementing formal-review recommendations, or not being able to meet competencies required for fostering.

During 2018-19, the Ministry closed 12 foster homes because of identified issues with the home's ability to provide proper foster care.[15]

For three instances we tested with issues in foster homes prior to closure, the Ministry took prompt action to keep the children in the home safe, and to investigate and address valid allegations and concerns. We found:

➢ One instance related to alleged child abuse. The Ministry promptly removed the children the same day allegations were made. The Ministry's formal review led to closing the foster home.

➢ The second instance of closure related to allegations with the quality of care. The Ministry promptly removed the children the same day allegations were made. Based on the results of the formal review, the Ministry did not close the home. However, the foster family decided not to continue fostering.

➢ The third instance related to the foster family requesting a change to the service it provided (i.e., be approved as a respite group home). The Ministry's formal review included suggestions to improve the family's care of children. At the time of the formal review, no children were in the care of the foster family. The foster family disagreed with the results of the formal review, did not sign the review, or co-operate with the Ministry. The foster family decided not to continue fostering.

Promptly following up on any concerns with the quality of care foster families provide ensures children remain well cared for and safe.

4.8 Reasonable Financial Support Provided to Foster Families

The Ministry provides reasonable financial support to foster families.

The Ministry sets the basic maintenance rates paid to foster families. As shown in **Figure 5**, the rate is based on the age of a child and the geographic location of the family. The rate is higher for children and families living in the north (e.g., Beauval, La Ronge, Turnor Lake) as living costs are higher.

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[15] At the time of our audit, only the 2018-19 information was available. We confirmed that the process for closing homes remained the same up to December 31, 2019.

Figure 5—Basic Monthly Maintenance Rates for Foster Families

Age of children	0-5	6-11	12-15	16+
Southern Rates	$689	$722	$814	$918
Northern Rates	$728	$814	$917	$1,051

Source: Adapted from Ministry of Social Services, *Children's Services Manual*, Section 6.2 Foster Care Maintenance Rates, Initial Placement Rates.

The Ministry designed the basic rates to cover the cost of raising a child. The basic monthly rates outlined in **Figure 5** includes cost for food, clothing, education (e.g., school supplies), personal care (e.g., toiletries), transportation (e.g., bus pass, routine travels), household operations (e.g., cleaning supplies), recreation (e.g., toys, memberships), and a spending allowance for children above six years old.

Beginning October 2019, the Ministry implemented an additional monetary incentive system for foster parents to develop further foster parenting skills. Foster families who complete all of the mandatory training described in **Figure 3** receive an additional $500 per child a month. This system aligns additional financial support to foster parents with their completion of specialized foster care training. The Association estimates about 70 percent of all foster families will qualify for such additional financial support.

The Ministry also provides additional financial support for children with high needs (e.g., affected by developmental and/or physical disabilities). These special rates range from an additional $100 to $1,100 per month per child based on the child's assessed needs. A director approves provision of the special rates.

In addition to basic and special rates, the Ministry also reimburses foster families for other expenses incurred while fostering, such as babysitting expenses, organized activities, and counselling.

For 30 foster family files we tested, foster families received, on average, $1,500 of monthly financial support per child in their care in November 2019. This included basic rates, special rates, reimbursements, and the additional $500 payment per child for completing mandatory training.

For 20 foster families we tested for the month of November 2019, the Ministry paid the additional $500 per foster child to eligible families.

When we compared Saskatchewan's basic monthly maintenance rates to those in nine other Canadian jurisdictions, we found Saskatchewan had the third lowest rates.[16] However, with the addition of $500 per child in October 2019 for eligible foster families, Saskatchewan leads other Canadian jurisdictions on the amount of monthly financial support it provides foster families.

Providing reasonable financial support to foster families positively contributes to foster children's health and well-being.

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[16] We used 2017 rates for four provinces due to lack of public information available for more recent years.

4.9   Additional Support Provided to Foster Families When Needed

The Ministry, with help from the Saskatchewan Foster Family Association, recruits and supports foster families.

The Association works to raise awareness in the communities about the role of foster parenting and the needs of children and youth in care through its online presence, hosting informational sessions, and quarterly newsletters.[17] Through a recruitment program called Foster New Beginnings, the Association helped the Ministry to recruit 71 foster families in 2016-17, 56 in 2017-18, and 55 in 2018-19. The Association plans to recruit at least 50 foster families in 2019-20.[18]

Despite the recruitment efforts and as shown in **Figure 6**, the number of Saskatchewan foster families has gradually declined by 10 percent over a five-year period. During the same period, the number of children in foster care has also decreased. At March 31, 2015, there were 1,092 children in foster care compared to 856 at March 31, 2019.

Figure 6—Number of Foster Families in Saskatchewan
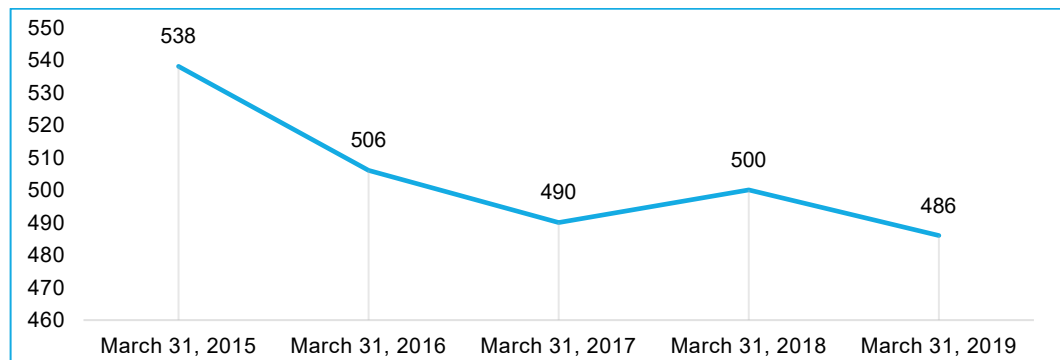
Source: www.saskatchewan.ca/residents/family-and-social-support/putting-children-first (25 March 2020).

Management told us several factors influence the declining number of foster homes. These include less interest in fostering, both parents working, and aging foster parents.

To retain more foster families, the Ministry, in collaboration with the Association, strives to give more support to foster families. For example:

➤ Beginning in 2017, the Ministry increased its supports for foster families in the first year of fostering. Ministry staff visits or phones the foster family every two weeks in the first three months of fostering to check on the family and to provide support it needs. The Ministry reduces this contact with a foster family over time (e.g., visit every 3 months) as a family becomes more comfortable in their role.

➤ After assessing a family's needs, the Ministry, through the Association, offers each foster family access to in-home support for child-care, flex hours (e.g., to support family visits), and domestic duties (e.g., laundry, meal preparation). This support aims to relieve some of the stress a foster family may experience. In 2018-19, the Ministry provided $4.65 million to the Association of which $3.6 million was for in-home support services to foster families.

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[17] www.sffa.sk.ca/resources-for-foster-parents/sffa-advisor-newsletter (25 March 2020).
[18] Saskatchewan Foster Families, Annual Report 2019, p. 2.

In 30 foster family files we tested, 17 foster families requested some additional support. In each of the 17 cases, the Ministry approved and provided the requested support.

The Ministry plans to continue its partnership with the Association to address recruitment and retention challenges in fostering. It recognizes when there are not enough foster families, vulnerable children in need of care are impacted the most (e.g., children may be placed in residential group homes, siblings may be separated, children may need to move to another area).

4.10 Foster Homes with More than Four Foster Children Actively Monitored

The Ministry approves the placement of more than four children in a foster home consistent with its standards, and actively monitors these foster homes.

At March 31, 2019, 33 foster homes had more than four children in their care.[19]

The Children's Services Manual limits the Ministry's placement of children into a foster home to a maximum of four children unless certain conditions exist. These conditions include where it is an emergency placement, placement of a sibling group, placement of children in a home in which they have lived previously, or in the case of short-term respite provision.

Under these certain conditions, a supervisor has authority to approve placement of more than four children for two weeks, but only if child care needs are at a manageable level and the family has available support. If a child needs to stay longer, the supervisor reviews the conditions of placement and is required to approve the placement every two weeks until another placement is found. When a child has been staying with a foster family for over six months, then the placement for such child is approved every 90 days.

Of the 30 foster family files we tested, five foster homes had more than four children for some period of time. Each of these five files showed the supervisors provided appropriate and timely approval of such placements, and the Ministry had regular contact (via phone calls and visits) with the families.

Actively monitoring foster homes with more than four children confirms that foster children remain safe and well cared for, and foster families obtain the support they need.

4.11 Compliance with Standards and Actions Taken Systematically Monitored

The Ministry uses systematic quality assurance program reviews of foster family files of each Ministry service area, and reviews of critical incidents to monitor compliance with standards and procedures.

The Ministry has three service areas (south, centre, and north). Each are involved in approving and monitoring foster care homes and services.

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[19] The March 31, 2019 number was the most current information available from the case management IT system. The Ministry continued to monitor foster families with more than four children to December 2019.

The Ministry's Quality Assurance Unit conducts annual program reviews of foster family files in each service area. The Unit is not involved in program delivery.

We found the Unit has a well-established process to carry out its reviews and to report its findings. Its process includes the following:

➤ The Unit uses a standard template to assess a random sample of files in each service area. It assesses each file's compliance with Ministry standards set out in the Children's Service Manual. Its template includes standards related to approving and monitoring foster families (e.g., having all background checks done prior to approval of foster family, completing annual review reports yearly, and doing home safety checks annually).

➤ The Unit shares the preliminary review results, and any immediate concerns with the management of related service area. If its reviews identify items requiring immediate attention (e.g., need for additional documentation in the IT system), the Unit requires service area management to advise it of actions taken.

➤ For each review, the Unit prepares a findings report. The report includes recommendations to help staff improve compliance with standards.

➤ The Unit reviews findings reports with service area management prior to issuance. The Ministry requires service area management to provide a written response and action plan to address recommendations. The Unit includes the response and action plan in the final reports.

Each year, senior management receives and reviews the reports. The Ministry uses these reports along with its other interactions with service areas to monitor whether service areas complete the planned actions.

We found the Unit followed its established processes. The 2018 reports of each service area and completed 2019 reports each included key findings, recommendations, and planned actions to address the recommendations.

The Ministry expects the Unit to finalize the review reports within 90 days after the period of review. We found, for 2018, two of three service area reports were finalized within 90 days as expected. The review of the third service area was not finalized until nine months after the period of review; management indicated this was because of turnover. For 2019, two of three service area reports were finalized within 90 days as expected. At January 31, 2020, the quality assurance review was underway for the third service area.

We found the nature and extent of the Unit's reviews sufficient and robust. When we compared the results of our testing of foster family files to the Unit's 2018 results (see **Figure 7**), we found the results were comparable in nature.

Figure 7—Comparison of Provincial Auditor and Quality Assurance Unit Compliance-Rate Testing Results

Children's Services Manual Standard	Provincial Auditor Compliance Rate Results December 2019[A]	Quality Assurance Unit Compliance Rate Results 2018[B]
Criminal record checks completed on all adults in the home	90%	98%
Ministry record check completed	90%	98%
Mutual Family Assessment completed	90%	96%
Home safety record completed during annual review	77%	82%
Criminal record check or self-declaration completed during annual review	70%	79%
Annual review report completed in the past 12 months	53%	76%
Annual agreement signed	67%	75%

[A] Compliance rate results are based on sample size of 10 files for tests relating to approving a foster home (greyed rows); and 30 files for annual reviews (other rows).
[B] Source: Ministry of Social Services quality assurance reports. The Quality Assurance Unit sample sizes ranged from 50 to 57 files.

In addition, the Ministry requires the Quality Assurance Unit to review all critical incidents that happen to a child who is in foster care. It differentiates critical incidents by the level of impact on the health and safety of the child as low (e.g., illness or injury that does not require or requires minimum medical attention like fever or bumps), medium (i.e., injury or condition that needs medical treatment like surgery, casting) or high impact (i.e., injury or condition that results in child's death).

The Unit assists the Ministry in tracking medium and high impact critical incidents. The Unit aggregates medium impact incidents, and looks for lessons learned. For high impact incidents, the Unit reviews the case to determine whether a more comprehensive review is needed.

The Ministry reports all critical incidents to senior management, the Saskatchewan Advocate for Children and Youth, and the Office of the Chief Coroner (in cases of death).

For the twelve-month period ending December 2018, there were 75 medium impact critical incidents related to children living in foster homes.[20] Of the incidents, 76 percent were related to physical health (e.g., child admitted to a hospital with asthma) and 19 percent were related to mental health (e.g., youth experiencing depression). We found that none of the medium impact critical incidents were a result of poor quality of care or maltreatment by foster families.

For the same period ending December 2018, there were no high impact critical incidents related to the care children received in foster homes. There were also no deaths related to children in foster care in 2018 or 2019.

Systematic reviews of foster family files and critical incidents provide for timely identification of and response to Ministry non-compliance with standards and procedures.

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[20] At December 31, 2019, the results for the twelve-month period ending December 2019 were not available.

4.12 Tracking and Reporting Foster Care Information Evolving

The Ministry tracks and reports key information with relation to foster care and foster homes, and plans to do more.

The Ministry primarily uses its case-management IT system, along with the quarterly reporting from the Saskatchewan Foster Families Association, to track information about foster care. For example, it tracks and reports number of children in care, number of foster families, training completed by foster families, and cost of foster care.

We found the Ministry's analysis of this information was limited. The Ministry fully recognizes it needs to do more analysis, but notes, although it has the data within its case-management IT system, at December 2019, the reporting functionality of this system is limited. It notes this system was designed primarily to help its staff manage cases (e.g., document ongoing contacts with children in care).

The Ministry shared its plans to increase the reporting functionality of its case-management IT system (in the next one to three years). It expects to have the ability to report more on children in care and their needs (e.g., number of children with special needs); and foster care providers (e.g., by level of specialization, age).

Having more detailed reports may enable the Ministry to better analyze information, which may help it focus its foster home recruiting and training efforts to target areas with gaps, and better identify where to provide foster families with support.

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Chapter 13
Water Security Agency—Regulating Water Use

1.0 MAIN POINTS

Saskatchewan has over 100,000 waterbodies (i.e., lakes and rivers), of which about 10,000 have human demand for water use. Part of the responsibility of the Water Security Agency is to plan for sustainable use of water including authorizing (i.e., licensing) individuals and companies to draw water from ground and surface water sources. At 2018, the Agency had licensed the annual use of about 1.4 million cubic decameters of water—enough to fill over 550,000 Olympic-size swimming pools each year.

Estimating long-term water availability is difficult, and requires making assumptions using scientific calculations. Estimating availability of groundwater is even more challenging because groundwater is harder to accurately measure and quantify than surface water.

Furthermore, Saskatchewan's water resources and demand for water is not evenly distributed across the province. Southern Saskatchewan has more demand for water given its population and industries (e.g., oil and potash extraction, and irrigation) that require sustainable water to operate. Also, southern Saskatchewan is typically a relatively dry area with a high variability in annual precipitation.

At December 2019, the Water Security Agency had, other than in the following areas, effective processes to regulate water use to support a sustainable water supply. It reasonably monitors the quantity of water in and flowing through Saskatchewan on an overall basis. But, it needs to do more to better regulate on a water-use licence basis. This includes:

➢ Developing guidance about staff documenting key decisions and analysis when assessing water-use licence applications and water availability

➢ Developing enforcement procedures to help identify and address significant non-compliance with conditions imposed on individual water-use licences

➢ Maintaining accurate water-use data to enable better monitoring of water use, and actively monitoring whether licensed water users comply with water-use licences

➢ Giving senior management reports on the nature and extent of non-compliance and related enforcement activities

Furthermore, to support the achievement of its goal of ensuring a sustainable water supply, the Agency needs to update when it expects to complete outstanding key regulating-water-use actions from its *25 Year Saskatchewan Water Security Plan*.

An increasing demand for water, combined with a potentially drier climate, increases the importance of regulating water. Effective monitoring of water allocations and usage is key to Saskatchewan having a sustainable supply of water available. A safe and secure water supply is essential to Saskatchewan's continued economic development and high standard of living for both current and future generations.

2.0 INTRODUCTION

This Chapter reports the results of our audit of the processes the Water Security Agency uses to regulate water use.

2.1 Background

Under *The Water Security Agency Act*, the Agency is responsible for regulating and controlling the flow of water in lakes, rivers, reservoirs or other water bodies in Saskatchewan.[1,2] Part of this responsibility is to plan for sustainable use of water including authorizing individuals and companies to draw water from ground (e.g., aquifers) or surface (e.g., rivers, lakes) water sources.[3,4]

The Water Security Agency Act and *The Water Security Agency Regulations* set the regulatory process and requirements for water-use licensing (e.g., application and authorization). By law, water users who wish to draw water from an existing water source must first obtain from the Agency an approval to construct and operate systems or infrastructure to divert water, then apply for a water-use licence. The Act does not require users to obtain water-use licences for certain domestic water use less than five cubic decameters per year.[5,6] Five cubic decameters, or five million litres, is approximately enough water to fill two Olympic-size swimming pools.

The Agency has distributed responsibility for managing water-use licences. For example:

➢ The Licensing and Water Use Branch is responsible for the regulatory processes for water-use approvals and licensing. The Branch employs about ten staff who are located primarily in Moose Jaw. Staff review and approve applications for long-term water use, such as for commercial mining operations.

➢ The Hydrology and Groundwater Services Branch is responsible for assessing the sustainability of water sources expected to provide the amount of water the applicant is requesting. Staff do these assessments upon request of the Licensing and Water Use Branch. The Hydrology and Groundwater Services Branch has about 20 staff located primarily in Regina and Moose Jaw whose responsibilities include assessing the availability of water, and monitoring surface water inflows and outflows.

➢ Five regional offices review and approve applications for temporary surface water use.[7] These offices are located in Swift Current, North Battleford, Yorkton, Nipawin, and Weyburn.

As of 2019, the Agency, through approximately 14,500 long-term and 1,800 temporary water-use licences, has granted approval for the use of almost 1.4 million cubic decameters of water annually. As shown in **Section 5.0**, other than for power generation, irrigation is the largest purpose of water use, which primarily uses surface water;

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[1] *The Water Security Agency Act*, s. 6(1).
[2] The Water Security Agency is responsible for provincial water management.
[3] An aquifer is an underground layer of water-bearing rock used for water extraction.
[4] *The Water Security Agency Act*, s. 50 – 58.
[5] *The Water Security Agency Act* defines domestic water use as household and sanitary purposes, the watering of livestock, the spraying of crops and the watering of non-commercial lawns and gardens adjoining private residences.
[6] www.wsask.ca/Permits-and-Approvals/Water-Allocation/ (13 March 2020).
[7] A temporary water licence is for the duration of less than a year.

municipalities (e.g., drinking water) are the second largest purpose of water use, which use both surface and ground water.

2.2 Impact of Water Usage and Climate Change on Water Sustainability

Water is the foundation for biological, economic, social, and environmental prosperity in Saskatchewan. It supports people, irrigation, livestock, power generation, and industry. The quantity of water in our rivers and lakes depends on a number of different factors. These include the speed of snowmelt in the spring, plus rain and soil conditions. Other factors such as groundwater discharge and storm runoff also play a role.[8]

As water demand increases because of growth in population and/or economic activities, competition for water may increase.[9] Climate change poses significant threats to environmental sustainability, economic growth, biodiversity, human health, infrastructure, and water resource management. For example, increasing climate variability increases risks of floods and droughts, while longer periods of warmer temperatures affect water supply management.[10] The demand for available water continues to increase with industrial growth, and agricultural developments (e.g., increased use of irrigation).[11]

Australia demonstrated the importance of effectively regulating water use when its Darling River started running dry. In the early 2000s, an irrigated agricultural region experienced a significant drought, resulting in the mouth of the Darling River running dry. The three controllable contributing factors were allowing farmers to buy and sell water-use licences according to farmers' needs in a given season, farmers illegally extracting water from the river (i.e., not having a water-use licence) or exceeding their water-use licence, and the government not effectively enforcing the water-use rules.[12]

Like Australia, the largest factor impacting sustainability of water supplies that the Water Security Agency can control is how much water it allows to be taken out of Saskatchewan's surface and ground water sources.

Effective monitoring of Saskatchewan's water allocations and usage is key to having a sustainable supply of water available. A safe and secure water supply is essential to Saskatchewan's continued economic development and high standard of living for both current and future generations.

3.0 AUDIT CONCLUSION

We concluded that, for the 12-month period ended December 31, 2019, the Water Security Agency had, other than in the following areas, effective processes to regulate water use to support a sustainable water supply.

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[8] Ministry of Environment *2017 State of the Environment Report*, pp. 44 and 50.
[9] *Present and Future Water Demand in Saskatchewan – A Summary by River Basin*, p. i.
[10] *2017 Report – Volume 1*, Chapter 4, pp. 41-42.
[11] www.parc.ca/saskadapt/success-stories/water-conservation.html (13 November 2019).
[12] *The Economist*, May 19, 2018, pp. 34-35. www.economist.com/asia/2018/05/19/australias-biggest-river-is-running-dry-despite-plans-to-save-it (26 March 2020).

The Agency needs to annually update when it expects to complete key actions originally set in its *25 Year Saskatchewan Water Security Plan* to better support the achievement of its goal of ensuring the sustainability of surface and groundwater supplies.

At December 2019, the Agency reasonably monitors the quantity of water in and flowing through Saskatchewan primarily on an overall basis. To help it better regulate on a water-use licence basis, the Agency needs to:

➢ **Develop guidance to help ensure staff consistently document key decisions and analysis, including water availability, when assessing applications for water-use licences**

➢ **Develop enforcement procedures to help it identify significant non-compliance and actions to take when it identifies non-compliance**

➢ **Maintain accurate data about licensees' actual use of water, including doing more to obtain reports on actual water use where individual water-use licences require such reporting**

➢ **Actively monitor whether water users comply with individual water-use licences, such as whether licensees used more water than allowed**

➢ **Report to senior management on the nature and extent of non-compliance and related enforcement activities**

Figure 1—Audit Objective, Criteria, and Approach

Audit Objective: To assess whether the Water Security Agency, for the 12-month period ending December 31, 2019, had effective processes to regulate water use (subject to regulation) to support a sustainable water supply. The Agency regulates all water users other than certain domestic water users. This audit did not include the Agency's regulation of water quality.

Audit Criteria:

Processes to:

1. Plan for sustainable water availability
    1.1   Estimate short- and long-term water supply (e.g., region, water basin)
    1.2   Estimate short- and long-term water demand (e.g., evaporation, sustainability, existing licenses)
    1.3   Use relevant scientific methods (e.g., flow calculations) to determine availability
    1.4   Establish measures for desired water availability

2. Issue water-use licences
    2.1   Establish water-use licence requirements (e.g., legislation, water sustainability plan, licensing conditions and terms)
    2.2   Screen applications (e.g., approval to construct and operate, suitability of proposed water source)
    2.3   Issue appropriate water-use licences

3. Monitor sustainable water use
    3.1   Track actual water use (licenced users, use by unlicensed users)
    3.2   Use reliable data to evaluate impact of water use
    3.3   Take action as necessary (e.g., revoke/revise licences, revise licence requirements)
    3.4   Report results to 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 the Agency's processes, we used the above criteria based on our related work, reviews of literature, including reports of other auditors, and consultation with management. The Agency agreed with the above criteria.

We examined the Agency's policies and procedures relating to regulating water use. We interviewed Agency staff responsible for allocating water resources, and regulating water-use licences. We discussed water use regulation with SaskWater.[A] In addition, we reviewed related documentation (e.g., training manuals, water-use licences, and water agreements with neighbouring provinces). We tested samples of short- and long-term water-use licences to assess the Agency's licensing processes, and another sample of water-use licences to assess the Agency's monitoring activities. We analyzed the Agency's water-use data to assess the extent to which licensees exceeded their water-use allocation. In addition, we used an independent consultant with subject matter expertise in the area to help us identify good practice, and assess the Agency's processes.

[A] SaskWater is Saskatchewan's commercial Crown water utility, helping communities, First Nations and industry gain access to reliable and professional water and wastewater services.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Agency Behind on Planned Actions Related to Regulating Water Use in its 25 Year Water Security Plan

While the Agency's *25 Year Saskatchewan Water Security Plan* includes a key goal and many actions related to regulating water use in a sustainable way, the Agency has not revisited or updated target completion dates for actions not completed within the original planned timeframes.

In 2012, the Agency released its *25 Year Saskatchewan Water Security Plan*.[13] The Plan's goal related to regulating water use is to ensure the sustainability of our surface and ground water supplies. In addition, 22 of its 89 actions relate to regulating water use. For these 22 action items, the target completion years in the Plan range from 2014 to 2016.[14]

The Agency uses its annual report to keep the public informed about the ongoing relevance of actions set out in the Plan, and the status of its implementation of actions of continued relevance. At December 2019, it had not updated the status of actions since March 31, 2019.

Our analysis of the status of the 22 actions related to regulating water use at March 31, 2019 found the Agency completed nine actions (40%), abandoned four actions (18%), is taking ongoing action on two actions (9%), and has not completed seven actions (32%). See **Section 6.0** for listing of the 22 actions, the initial target completion date, and the status of the action as per the Agency's *Annual Report for 2018-19*.[15]

Incomplete actions include analyzing the water supply situation in major rivers, and undertaking comprehensive water management analysis for priority surface and groundwater systems. The Plan's original target date for completion of most of these actions was 2016.

Management indicates that the Agency abandoned certain actions due to a shift in direction and priorities since it developed the Plan in 2012. It further noted it was taking longer to complete actions than originally planned due to this shift. For example, the Agency was focusing on implementing a new Agriculture Water Management Strategy for regulating the

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[13] www.wsask.ca/About-WSA/Publications/25-Year-Water-Security-Plan/ (13 March 2020).
[14] Ibid.
[15] www.wsask.ca/About-WSA/Publications/Water-Security-Agency-Annual-Reports/ (13 March 2020).

drainage of agricultural land. It noted the implementation of this Strategy required a significant change in the regulation of drainage, and was taking considerable resources.[16]

By not updating or revising the targets for relevant key actions in its Plan, the Agency increases the risk of not completing timely, important actions to achieve its goal of ensuring the sustainability of surface and groundwater supplies.

1. **We recommend the Water Security Agency update completion date targets for relevant key actions originally set in its *25 Year Saskatchewan Water Security Plan* pertaining to regulating water use to ensure water sustainability.**

4.2   Potential Water-use Licence Applicants Adequately Informed

The Agency's legislation creates a clear, understandable framework for water-use licences. The Agency adequately informed potential water-use licence applicants of licencing requirements.

The Agency provides potential water-use licence applicants with numerous sources of publicly available information on the water-use licensing process and requirements.

As noted in **Figure 2**, the risk associated with issuing a licence for use of surface water (e.g., lake water) is lower than for groundwater (e.g., well water from aquifers) in that users and the Agency can more accurately estimate the amount of water available and can see the impact of surface water use. As a result, the Agency has different water-use licensing requirements and licence terms for requests for use of groundwater and surface water. For example, the Agency requires new groundwater-use applicants to provide a third-party engineering report assessing the sustainability of the aquifer supplying the water.

Also, the Agency typically makes groundwater-use licences valid for a maximum of five years, and surface water-use licences for a maximum of 25 years. The Agency makes temporary licences valid for a maximum term of one year. Water users must apply to renew licences when expired.

We found the shorter duration for groundwater licences consistent with good practice. The shorter term recognizes the difficulties in monitoring water use and sustainability because groundwater is harder to estimate its availability (e.g., not physically visible).

Figure 2—Summary of Key Surface and Groundwater Water-Use Licensing Requirements and Risk Profile

	Surface water	Groundwater
Water source	Lakes, rivers, reservoirs, sloughs	Aquifer
Application required (including name of individual/company, type of project, amount of water requested, and location of water source)	Yes	Yes

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[16] Chapter 12 of our *2018 Report – Volume 1* reports on our 2017 audit of the Agency's processes to regulate drainage of water on agricultural lands.

	Surface water	Groundwater
Technical assessment required from the Agency's Hydrology & Groundwater Services Branch on sustainability of water source	Yes – if one does not already exist	No – applicant required to supply third party engineering groundwater investigation report for first-time requests[A]
Licence term (Agency established practice)	Maximum of 25 years	Maximum of 5 years
Extent of uncertainty of water availability–rationale	Lower–easier to assess water availability (e.g., water source visible). Can see impact of water use on water source	Higher–more difficult to accurately measure water availability and cannot see impact of water withdrawal

Source: Adapted from Water Security Agency information.
[A] Third party engineering firms prepare groundwater investigation reports on behalf of the applicant to assess if the aquifer can support water withdrawal request.

We found applicants can access sufficient and understandable information on licencing requirements (i.e., who needs a licence, information required, application templates) on the Agency's website.[17] Applicants are also able to call the Agency directly for more information.

Establishing a clear structure for water-use licences increases the ability and likelihood that water users will understand and follow the rules.

4.3   Suitably Qualified Staff Used to Regulate Water Use and Assess Water Sustainability

The Agency uses suitably qualified staff with up-to-date knowledge of industry practice to review and approve water-use licences, and to assess sustainability of water sources from which applicants have requested licences for water use.

The Agency maintains job descriptions for each staff position. These descriptions follow a standard template, which sets the responsibilities and education requirements for each position.

We found the educational requirements for staff responsible for water-use licencing and for assessing water sustainability were reasonable given assigned responsibilities. For example, the Agency requires most staff of the Licensing and Water Use and the Hydrology and Groundwater Services branches to hold a Bachelor of Science (e.g., Engineering, Biology) or Masters of Engineering.

We found at December 2019, each staff member in the above branches possessed the educational qualifications set in their position job description.

In addition, the Hydrology and Groundwater Services Branch provides its staff with training and training manuals on how to carry out water availability studies. Staff in this Branch also establish relationships with local universities and hold memberships in national associations (e.g., Canadian Water Resource Association) to keep up-to-date on changes in industry practices.

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[17] www.wsask.ca/Permits-and-Approvals/Regulatory-Info/ (10 March 2020).

The Licensing and Water Use Branch primarily uses on-the-job training to help staff learn Agency processes for reviewing water-use licence applications.

Qualified staff enable the Agency to complete and understand scientific work involved in regulating water use and assessing water availability. Qualified staff enhance the Agency's credibility as it conducts its regulatory role.

4.4 Written Procedures Required for Assessing Water-use Licence Applications

While the Agency's practices to review and approve water-use licence applications are understood by staff, they are largely unwritten and somewhat incomplete.

In 2019, the Agency issued approximately 1,800 temporary water-use licences, and approved or renewed about 170 groundwater and 130 surface long-term water-use licences. At December 2019, the Agency had issued about 14,500 long-term water-use licences in effect with permission to use up to about 1.4 million cubic decameters of water.

The Agency's regional offices receive, review, and approve applications for temporary use of surface water. The Licensing and Water Use Branch reviews and approves applications for requests other than for temporary surface water use.

Instead of written procedures, the Agency relies on the knowledge and experience of its staff to appropriately review and approve water-use licence applications (i.e., new and renewal).

The Agency gives Licencing and Water Use Branch staff responsible for processing applications for long-term water use the authority to make a number of key decisions. As shown in **Figure 3**, staff decide:

➤ For groundwater use, when to ask licence renewal applicants to supply an updated third party engineering investigation report about water availability

➤ For groundwater use, the nature and extent of internal water availability assessments necessary when Licencing and Water Use staff decide not to request updated engineering investigation reports when assessing licence renewal applications

➤ For groundwater use, when to ask Hydrology and Groundwater Services Branch to review third party engineering investigation reports provided by applicants

➤ For surface water use, when to ask the Hydrology and Groundwater Services Branch for an in-depth assessment of surface water availability on a new or renewal application

➤ For surface water use, the nature and extent of internal water availability assessments necessary when Licencing and Water Use staff decide not to request updated water availability assessments from the Hydrology and Groundwater Services Branch when assessing surface licence renewal applications

➤ The term of the licence

> ➤ The licence conditions (e.g., annual allowable water use [referred to as allocation], and requirements for reporting actual water use)

Figure 3—Expected Practices of Licensing and Water Use Branch for Processing Long-term Water-use Applications

> ➤ **Receipt of application**: Upon receipt of an application for water use, the Licensing and Water Use Branch reviews the application package for completeness. Where an applicant fails to provide key information, staff are to follow up by phone or email. The Branch does not actively pursue the receipt of missing information; rather it waits until the applicant provides the missing information.
>
> ➤ **Approve a new, or renew an existing licence**: The Licensing and Water Use Branch uses the results of the assessment of water availability to decide on whether to approve a new, or renew an existing licence.
>
> **For new groundwater use applications**, the Licensing and Water Use Branch requires applicants to supply third-party engineering reports to assess if the requested amount of water is sustainably available.
>
> **For groundwater use renewals**, the Licensing and Water Use Branch decides on a case-by-case basis whether applicants must supply an updated a third-party engineering investigation report. If not, it carries out its own assessment of the water availability.
>
> The Licensing and Water Use Branch seeks advice on a case-by-case basis from the Hydrology and Groundwater Services Branch (e.g., to determine whether third-party engineering reports completed appropriately).
>
> **For new surface water use applications**, the Licensing and Water Use Branch only assesses if the requested amount of water is sustainably available when a previous water availability study exists for that water source. If such a study does not exist, the application is forwarded to the Hydrology and Groundwater Services Branch for an in-depth assessment of water availability from that water source.
>
> **For surface water-use renewals**, the Licensing and Water Use Branch decides on a case-by-case whether to request an updated water availability study from the Hydrology and Groundwater Services Branch. If not, it carries out its own assessment of the water availability by using internal knowledge of the water source.
>
> ➤ **On approval of new and renewed groundwater and surface water-use licences, terms and conditions are set**.
>
> The Branch decides on a case-by-case basis the term of water-use licence (up to 25 years for surface water and up to five years for groundwater).
>
> On all long-term licences, it imposes general licence conditions about its right to cancel, alter or suspend the licence as per *The Water Security Agency Act*. It requires all industrial water-use licences to report to the Agency on actual water use; these users pay a fee based on the amount of water used.[A]
>
> It decides on a case-by-case basis the amount of annual water allocation (the maximum amount of water permitted to use), and whether to impose other conditions on the licensee. Other conditions could include requiring the licensee to track and report to the Agency actual water usage annually.

Source: Adapted from information provided by Water Security Agency management.
[A] The Agency charges industries using water for processing, mineral exploration and mining, oil exploration and recovery, manufacturing, gravel washing, hydraulic pressure testing, thermal power generation, and other purposes the Agency may designate. The rate charged depends on the use of the water and the source of the water. Agricultural water users are exempt. www.wsask.ca/Permits-and-Approvals/Regulatory-Info/Industrial-Water-Use-Charges/ (13 March 2020).

However, the Agency does not provide written criteria or expectations to staff to guide which water-use licences should require reporting of actual water use, or on-going monitoring of water use. Rather written guidance is limited to expecting the inclusion of a condition requiring water users to track and report actual water use annually for projects where monitoring is required, and providing examples of licence conditions for both surface and groundwater-use licences.

Providing clear guidance to staff on when to require water users to track and report actual water use is important. This information enables the Agency to determine if licensees comply with licences (i.e., do not exceed water allocations).

Good practice recognizes requiring all licensees to have water flow meters or other water-use measuring devices to measure all types of water use is not economically feasible. Some jurisdictions impose water-use measurement and reporting requirements on licensees with higher annual allocations of water use. For example, we found Manitoba required all licensed water users to track and report actual water usage using a water meter or timing device to measure actual usage.[18] Manitoba only licenses water users who wish to draw over about 9.1 cubic decameters each year (i.e., 25,000 litres per day).[19]

In addition, we found the Agency, when considering renewals of groundwater-use licences, did not set in writing what work it expects staff to do to determine water use remains sustainable before renewing a licence. For example, work may include review of recent third party engineering reports for wells drilled nearby or actual water-use data for the licensee. We found it reviewed actual water-use data for some renewals in 2019, but did not do so consistently. Nor does the Agency expect staff to request the applicant to supply updated third-party engineering reports periodically.

Furthermore, while the Agency informally expects staff to document their decisions, and the basis of those decisions, it has not set, in writing, minimum documentation staff are to keep or where documentation should be kept.

As shown in **Figure 4**, we found the Agency keeps information about water-use applications and related licences in various locations and formats. It tracked surface water availability studies completed since the 1990s in an electronic listing. It did not keep a listing of water availability studies completed prior to the 1990s, which are only stored in paper files. It did not have a centralized list of all completed water availability studies; staff continue to use these studies as the basis of decisions to issue new or renew surface water-use licences, when newer studies have not been completed. The Agency's current, experienced staff readily knew where to find and store other information.

Figure 4—Location of Information Within Agency for Key Steps in Licence Approval Process

Key Step	Long-term Water Use Licences		Temporary Water Use Licences
	Surface water	Groundwater	
Application received, and requests for missing information from applicants	Standard application form and related correspondence kept in licensee manual file in Branch		Standard application form and related correspondence kept in Agency's temporary water-use licence IT application
Applicant-supplied third party engineering investigation report[A]		Report kept in licensee manual file in Branch	
Requests for Hydrology and Groundwater Services Branch to do a water availability study	Email may be kept in licensee manual file in Branch or in email IT system of Branch staff sending request		

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[18] For example, devices can measure the amount of water flowing through a pipeline from a water body to the water user.
[19] www.gov.mb.ca/sd/water/water-rights/water-use/index.html (13 March 2020).

Key Step	Long-term Water Use Licences		Temporary Water Use Licences
	Surface water	Groundwater	
Hydrology and Groundwater Services water availability studies	Hydrology and Groundwater Services Branch maintains master copy in Moose Jaw. Licencing and Water Use Branch include a copy in individual licensee manual file for which study was done. No listing by water body maintained.		
Term of Licence	In approved licence maintained in licensee manual file with key details tracked in long-term licence IT database (e.g., licence number, client name, date of issuance, purpose, annual quantity of water allocated, source of supply)		Agency's temporary water-use licence IT application
Licence conditions	In approved licence maintained in licensee manual file		Agency's temporary water-use licence IT application

Source: Adapted from information provided by Water Security Agency management.
A Third party engineering firms prepare groundwater investigation reports on behalf of the applicant to assess if the aquifer can support water withdrawal request.

We found for the 25 long-term water-use licences (14 groundwater, 11 surface water) and 15 temporary water-use licences issued or renewed from January 1 to November 30, 2019 that we tested:

➢ For each new surface licence tested, sufficient water availability studies were on file and determined the requested water allocation was sustainable from the water source.

➢ For each, the manual licensee file and licence database included key information about the licence; information in the database was consistent with information in the manual file.

➢ For each, the issued licences included standard general conditions (e.g., ability for the Agency to cancel, amend, or suspend licence), and annual allowable amount of water use.

➢ For 24 of 25 long-term licences, the duration of the term of each licence was within the maximum term (i.e., 25 years for surface water use, and five years for ground water use). One groundwater-use licence tested was for a cattle-watering bowl using water supplied from a low-volume well that had a 25-year term. We found rationale for the term reasonable.

➢ For each, an individual with appropriate authority approved the licence.

However, for six of the 14 groundwater licence renewals we tested, each water-use licence file did not contain evidence showing whether the planned water-use continued to be sustainable. For two of these six groundwater licence renewals, each file did not contain a groundwater investigation report/water well driller report as the Agency initially issued the licence in the 1960s when it did not have this requirement. We found the last written assessments in these six files were between 11 and 51 years old. Two of these licences had annual water allocations of less than five cubic decametres; two had allocations between 10 and 30 cubic decametres; and two had allocations between 300 and 400 cubic decametres.

For another 30 water-use licences (23 surface water, and seven groundwater) we tested, for each, the licence was approved by an individual with appropriate authority.

However, for four non-industrial groundwater-use licences we tested, each did not require the licensee to report actual water use to the Agency. Two of these licences had annual allocations of around 1 cubic decametres; one had an allocation of 3 cubic decametres; and one had an allocation of 12.3 cubic decametres. Whereas, for other licences we tested with similar water use, the Agency required annual reporting of actual water use.

Not having clear, written guidance increases the risk of the Agency not treating applicants equitably. That is, issuing water-use licences for similar situations with differing term lengths and conditions. In addition, not having written procedures for staff to follow when assessing water-use licence applications (e.g., checklists) increases the risk of staff not obtaining and maintaining sufficient information to support the Agency's decisions. Furthermore, written guidance allows for knowledge transfer in the event of staff turnover.

2. **We recommend the Water Security Agency develop written procedures for processing and approving applications for water use.**

4.5 Water Levels of Key Water Bodies and High-risk Aquifers Actively Monitored

The Agency monitors water levels of key water bodies and aquifers.

For surface water, the Agency, and Environment and Climate Change Canada have approximately 300 hydrometric monitoring stations located throughout the province to monitor water inflows and outflows in water bodies in real time.[20] They have located most of these monitoring stations in southern Saskatchewan; this area has the highest demand for water use.

We found these monitoring stations were located in areas of highest risk (i.e., those with the largest amount of water users) and on the largest waterbodies.

For ground water, the Hydrology and Groundwater Services Branch uses a risk-based plan to determine which aquifers to monitor during the year. We found this plan helped the Branch focus its finite resources (both human and financial) on aquifers with higher risk levels. For example, the Branch monitors the Zehner aquifer located east of Regina due to an increasing demand from municipal and industrial development. This increased demand for water could potentially exceed the aquifer's supply, if not managed appropriately over the long term.

Actively monitoring high-risk aquifers and water bodies with higher water utilization supplies the Agency with critical information to help it determine whether requested water use from a water body is sustainable.

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[20] Hydrometric monitoring stations are electronic devices installed at specific locations to measure the volume of water flowing into or out of a waterbody. Technology sends readings from the stations to the Agency, and Environment and Climate Change Canada in real time.

4.6 Work Underway to Increase Consideration of Potential Impact of Climate Change on Water Availability

At December 2019, the Agency was actively working on increasing its understanding of climate variability and climate change to enable better consideration of these on sustainability of water supply.

To increase its understanding of climate variability and climate change, the Agency takes two approaches.

First, to better understand the historical variability in Saskatchewan's climate, it is working on expanding its climate records back hundreds of years. These records correlate measured water records with tree ring information to determine the hydrology of the past. It is using this information to help with understanding risks to water availability. It is taking steps to obtain data on historical water flow on most major basins in the province so it can include this information in future water availability studies.

Second, to predict future climate variability, it is actively involved in several studies attempting to predict local changes in climate. For instance, it is working with partners studying water supply in the Souris River. The Agency is working to take large climate change models and downscale the data to model climate scenarios representative of the local climate, and use the results to determine impacts on water supply. It expects to use such studies to better understand how risky or uncertain future water supply could be.

Working to better understand future climate change is important to enable the Agency to include this forward-looking analysis in its water availability studies. Including this analysis will help ensure its water availability studies do not over-estimate water availability in the future.

4.7 Simplistic but Reasonable Processes Used to Determine Surface Water Availability

The Agency uses a reasonable method to determine surface water availability. Some of its processes to estimate information used within its method are simplistic.

The Hydrology and Groundwater Services Branch uses water availability studies as its main way of determining availability of surface water from a specific water body, and the sustainability of the water source. It does these studies upon request of the Licensing and Water Use Branch.

The Licensing and Water Use Branch may make this request when it is assessing a request for water use (i.e., received a new surface water water-use application, or request for renewal of existing licence).

We found the Hydrology and Groundwater Services Branch's training manual and materials provide sufficient detail to understand the Agency's method to predict surface water availability including the key processes to carry out such studies. Its method uses a water balance equation. See **Figure 5** for a simplified overview of this equation.

We also found the training materials include sufficient information on where to find information within the Agency relevant to doing these studies, and how the Agency predicts water inflows (e.g., scientific calculations).

Figure 5—Simplified Overview of Water Balance Equation Used to Determine Water Availability from a Water Source
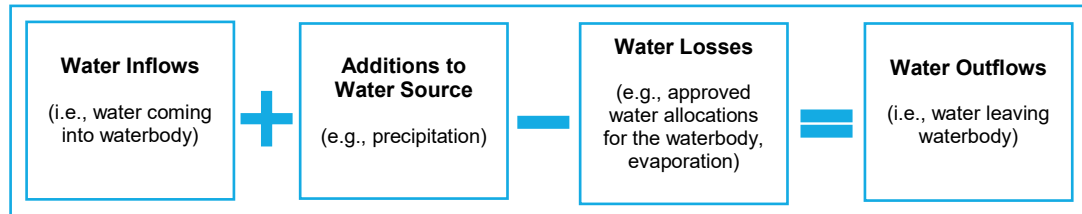
Source: Adapted from information provided by Water Security Agency management.

When predicting water availability from a water source, Hydrology staff consider historical information about water inflows and additions to the water source (e.g., precipitation) and water losses. In addition, they consider water losses related to allowable amounts of water-use based on existing licences (allocations). Staff consider a range of conditions (e.g., drought). They use their analysis to determine whether the water source can sustain the water removal requested in a water-use application.

We found, while some of the Hydrology and Groundwater Services Branch's processes to estimate inputs used in its method to predict water availability were simplistic compared to other available processes, they met minimum good practice. Other available processes use scientific calculations to assess evaporation instead of using historical information. Where practical, we encourage the Agency to consider using more sophisticated processes to estimate information used in its method to predict surface water availability.

Using sufficient processes to estimate water availability allows the Agency to make appropriate water allocation decisions to ensure surface water supplies remain sustainable.

4.8 Better Documentation of Key Judgments Made in Surface Water Availability Studies Needed

Water availability studies for surface water-use licences did not always clearly document key judgments to predict availability of water, and conclusions reached about the sustainability of requested amount of water from a water source.

While not specifically stated in the training materials, the Hydrology and Groundwater Services Branch expects staff to consider and assess each of the components of the water balance equation (see **Figure 5**). The Branch further expects staff to document their assessment of each component in a written water availability study. The Licensing and Water Use Branch uses the conclusion of the water availability study when determining whether the Agency will issue a new or renew an existing surface water-use licence.

For five surface water availability studies we tested, we found:

➢ Three studies (and supporting documents) did not document the analysis of all components of the water availability assessment or why staff did not consider particular components (e.g., existing water allocations, evaporation).

➢ One study did not have a clear conclusion on whether the water source was sustainable or not. No licence was issued for the water body in this study.

Management agreed the Agency should have documented its analysis and conclusion.

Not documenting key judgments increases the risk of not having support for the conclusion about whether the surface water source can sustain the requested amount of water use. In addition, it increases the risk of the Agency not being able to verify or demonstrate staff made the appropriate decision in approving (or not approving) a surface water-use licence. Furthermore, not documenting key judgments increases the risk of loss of knowledge in the event of staff turnover.

3. **We recommend the Water Security Agency clearly document its consideration of key components used to predict water availability of a proposed water source before related surface water-use licences are approved.**

4.9 More Active Enforcement of Actual Water-use Reporting Needed

The Agency does not actively enforce water-use reporting requirements.

The Agency requires some water-use licensees, as a water-use licence condition, to self-report actual water usage. It relies on them to accurately measure and report actual water usage. In some cases, it requests licensees to self-report actual water usage, even though not required by the water-use licence.[21] This information helps it estimate water use.

Similar to the practice in Alberta and Manitoba, it does not verify the accuracy of self-reported water use (e.g., inspect licensees' equipment, records).[22] Rather where the Agency receives reports on actual water usage from individual licence holders, it informally tries to compare its records to available third-party data (e.g., from SaskWater and the Ministry of Energy and Resources).[23] It notes comparisons, at times, are challenging as the third-party data is not always presented the same way as the Agency's information.

Where possible, the Agency investigates discrepancies between self-reported water use (or its estimates thereof) and the third-party data (e.g., discusses with licence holder to determine if the water meter is in the appropriate location).

We observed the Agency compared its 2018 data to SaskWater data as expected, and last compared its data to Ministry data in 2017. About 3 percent of the 2018 annual water

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[21] Self-reported water use required by a water-use licence and Agency-requested self-reporting collectively referred to as requested for remainder of this section.
[22] Section 89 of *The Water Security Agency Act* gives the Agency authority to complete inspections.
[23] The Agency receives annual reporting from SaskWater and upon request from the Ministry.

allocation was to customers of SaskWater (e.g., municipal use, water supplied to potash mines), and about 3 percent was used by the oil and gas sector (i.e., oil and gas companies report water usage to the Ministry).

Our analysis of the 2018 Agency water-use licence records found:[24]

➢ The Agency requested self-reporting of actual water use for just over 20 percent of long-term water use licences (i.e., about 3,150 of the approximately 14,500 long-term water-use licences).

➢ The Agency received only about 50 percent of the requested reporting on actual water use. As shown in **Figure 6**, just over one-half of licensees not reporting have annual water allocations of less than 50 cubic decametres. The largest water user that did not provide requested reporting had an allocation of over 8,500 cubic decametres.

Figure 6—Summary of the Licensees Requested to Report Actual Water Usage Annually that Did Not Submit Reporting for 2018

Water Allocation Amount (cubic decameters)	Number of Licensees That Did Not Report
0[A]	331
0.1 – 50	780
51 – 100	119
101 – 300	179
301 – 999	82
1,000 – 2,000	22
Greater than 2,000	11
Total	**1,524**

Source: Adapted from information supplied by the Water Security Agency.
[A] Allocation is set under another licence. For example, irrigation districts hold the water-use licence with an allocation. Each individual irrigator within that irrigation district hold their own water-use licences with an allocation set to zero, but record water use under this licence. The Agency asks each irrigator to report their usage.

We also found the Agency took little action to obtain the reports. Rather its actions were limited to sending licensees a reminder letter of the due date to submit reports. We did not find any instances where the Agency suspended or cancelled a licence of a licensee who failed to submit requested reports.

Not receiving requested information on water use increases the risk of the Agency not having sufficient information to make reasonable estimates of water use. Also, not enforcing licence conditions increases the risk of the licensees not regarding the Agency as an effective regulator. See **Recommendations 5** and **6** about actively monitoring whether licensees comply with water-use licence conditions, and developing written enforcement procedures for staff to address identified non-compliance with water-use licences.

4.10 Reliable Actual Water-use Data Needed

While the Agency used reasonable ways to estimate water use, it did not consistently maintain accurate information about water use.

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[24] Water use data for 2019 was not due for reporting at the time of our audit.

The Agency often estimates amount of water used. As **Figure 7** shows, in 2018, it estimated water use for almost 90 percent of licensees.

Figure 7—Summary of the Agency's 2018 Water-use Data

Source of Agency's 2018 Water-use Data	Number of Water -use Licences	Percent of Total Licences
Actual water-use reporting from licensee (typically manufacturing, mining, oil and gas, municipal purposes)	1,559	11%
Agency-estimated usage based on reasonable estimation method (for irrigation)	871	6%
Agency-estimated water usage based on allocated amount (typically for multi-purpose and other (e.g., domestic) purposes)	9,339	64%
Agency-estimated water usage at 0	2,741	19%
Total	**14,510**	**100%**

Source: Adapted from information supplied by the Water Security Agency.

We found the Agency's practice of estimating water use consistent with some other jurisdictions (e.g., Alberta). While estimating water use can be appropriate, using estimates for many licences increases the risk it has insufficient or unreliable water-use data to assess compliance with licences.

In general, the Agency uses three approaches to estimate water usage.

➢ For water used for irrigation, it uses a simplistic yet reasonable method to estimate water use—about one-quarter of its 2018 annual water allocations were for irrigation purposes.

➢ For water used primarily for domestic purposes, it often uses its annual allocation as its estimate—about 1 percent of its 2018 annual water allocations were for domestic purposes. Where the Agency estimated water use in 2018, we found the Agency based its estimate on annual allocation for about 65 percent of licences. Our analysis noted these individual licences typically have smaller amounts of water allocated. Based on this, we considered this a practical method.

➢ For licensees the Agency estimated had little activity or did not draw water from the licensed water source during the year (e.g., industrial users that have not operated recently but maintain their allocation), it estimated water use as zero. These licences had an annual water-use allocation ranging from 0 to 28,000 cubic decametres.

While its estimation practices are not documented, we found staff understood them.

However, we found the Agency inaccurately recorded both self-reported actual water use and estimated water use information in the Agency's water-use database. For five estimated water-use records we tested:

➢ For two licences, the estimated water use recorded in its database did not agree with the estimated water-use amount (i.e., annual allocation in the licence).

Further analysis of the Agency's 2018 water-use data found 33 additional licences we expect contain similar data entry errors.

➤ For two other licences, the water use recorded in its database did not agree with the amount reported by the licensee. In addition, for each of these two licences, the database incorrectly noted these items as estimates instead of actuals reported by the licensee.

Also, during our detailed review of 27 water-user licences where the database showed usage exceeded allocation significantly, we found seven licences where the Agency's water-use data contained errors. For example, staff incorrectly entered actual water-use amounts into its database because of an incorrect unit of measure (e.g., licensee reported in gallons instead of cubic decameters). Upon further investigation, we found these seven water users did not exceed their allocation.

Not consistently keeping accurate records about water use reduces the ability to analyze the impact of use on a water source or individual licensee basis (e.g., to assess whether licensees complied with approved annual water allocation). Having documented processes to record actual reported water use and to make and record estimates in its database, may help the Agency to keep accurate records on water use.

> **4. We recommend the Water Security Agency implement written procedures about estimating and recording licensed water use.**

4.11 Monitoring of Compliance with Water-use Licences Needed

The Agency's tracking of information about individual water-use licences does not enable effective monitoring of licensee compliance with annual water allocations. As a result, the Agency does not actively monitor whether individual licensees exceed their annual water allocation.

Our analysis of the water-use of licensees for the period 2014 to 2018 found the following:

➤ Seven licence holders exceeded their allocation by more than 100 cubic decametres (i.e., 100 million litres) at least once during 2014 to 2018 (based on self-reported actual water-use).

➤ For four licences, the Agency's estimated water-use amount exceeded the licensee's allocation by more than 100 cubic decametres.

Not actively monitoring whether individual licensees exceed annual licensed water-use allocations increases the risk of unidentified non-compliance with water-use licence provisions. If individual licensees consistently use significantly more water than allowed, there is increased risk of:

➤ The Agency making inappropriate water allocation decisions for the related waterbody. The Agency may estimate more water is available from the water body and issue additional water-use licences where additional water is not available.

➤ Water not being available for other licensed water users.

➤ Negatively impacting the environment (e.g., insufficient water downstream from the water body to support the ecosystem, reducing habitat for animals).

➢ Jeopardizing the long-term sustainability of water bodies.

5. We recommend the Water Security Agency actively monitor whether water-use licensees comply with key water-use licence conditions.

In addition, the Agency did not analyze water-use data to identify water-use trends by water source, region or type of licence, other than it annually assessed municipal water use to identify trends (e.g., per-capita use).[25]

As shown in **Figure 8**, our analysis of water allocation and use by purpose from 2016 to 2018 found, on an overall basis, sectors did not use more water than allocated.

Figure 8—Long-term Water Licensed for Use (Allocated vs Used) by Purpose (in Cubic Decameters)

Purpose	Cubic Decameters (000s)					
	2016		2017		2018[A]	
	Licensed Allocation[B]	Used[C]	Licensed Allocation[B]	Used[C]	Licensed Allocation[B,F]	Used[C]
Power Generation[D]	463	13	458	18	457	18
Irrigation	361	142	359	209	357	199
Municipal	297	104	297	131	295	120
Mining–Potash	100	34	64	21	61	24
Multi-purpose	73	0.5	73	0.5	73	0.5
Manufacturing	47	11	46	12	46	11
Oil & Gas	38	16	40	19	46	19
Other[E]	40	23	53	32	44	34
Total	**1,419**	**343.5**	**1,390**	**442.5**	**1,379**	**425.5**

Source: Adapted from Water Security Agency records.
[A] At the time of our report, the Agency's 2019 actual water-use data was not available.
[B] Licensed water allocation is based on amounts set in water-use licences in effect.
[C] Water used is primarily based on Water Security Agency's estimation of use.
[D] Water used for power generation is flowed through the generation station and returned to the water source. Therefore, the licence holder does not use water as with other water-use licences; however it is important to track this allocation to plan for the water to be available.
[E] Other includes water for recreation, water management, intensive livestock, domestic, and mining (other than potash) purposes.
[F] At the end of 2018, the Agency had allocated in total an additional 187,000 cubic decameters for water users who were approved to construct water infrastructure and were still working to obtain a long-term water-use licence.

4.12 Enforcement Processes Needed

The Agency has not established processes to guide enforcement actions to address non-compliance with water-use licence conditions.

The *Water Security Agency Act* gives the Agency the authority to cancel, suspend, or amend water-use licences.[26] The Agency indicated it was not aware of any instances where it cancelled or suspended water-use licences in the last five years.

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[25] Water Security Agency *Saskatchewan Community Water Use Records*. www.wsask.ca/About-WSA/Publications/Community-Water-Use-Records/ (12 April 2020).
[26] *The Water Security Agency Act*, section 53.

The Agency does not have written processes (or informal practices) setting how to identify non-compliance, what constitutes significant non-compliance (e.g., repeatedly not submitting water-use reporting, exceeding allocated water amount), or actions to address identified significant non-compliance (e.g., warning letters, suspension or cancelation of licences).

By not having effective written processes to enforce water-use licence conditions or consequences for significant non-compliance, the Agency increases the risk that licence holders continue to violate licence conditions without consequence. Licensees may continue not providing the Agency with actual water use reporting (if required) or exceeding their allocation.

> 6. **We recommend the Water Security Agency develop written enforcement procedures for staff to follow when the Agency identifies licensed water users not complying with water-use licences.**

4.13 More Robust Reporting to Senior Management on Water-use Regulatory Program

The Agency does not give senior management sufficient information about water users identified as not complying with water-use licences and related enforcement activities.

The Agency tracks and reports to management, each month, key activity-based information on water-use licences (e.g., number of new licences issued, number of licences renewed, number of licences cancelled, and number of applications received).

Annually, senior management receives information about water use and water allocation. In addition, the Agency routinely reports this information to the public using various formats (e.g., the Agency's Annual Report, annual community water use reporting, periodic Ministry of Environment State of the Environment Report). We found the *2017 State of the Environment Report* includes information on demand for surface water compared to available surface water.

The *2017 State of the Environment Report* is the most current report released including information about water. The State of the Environment Report is released every two years.[27] The Ministry of Environment expects to release the next report that includes information about water in 2021.[28]

Senior management does not receive written reports about licence holders not complying with water-use licences (e.g., water use significantly exceeding water allocation), or the implications of non-compliance (e.g., disregard for the Agency's regulatory role, impact on water sustainability). Also, senior management does not receive information about enforcement strategies to achieve compliance.

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[27] The Ministry's 2019 State of the Environment Report focused on its progress in achieving sustainable forest management.
[28] www.saskatchewan.ca/residents/environment-public-health-and-safety/state-of-the-environment/about-the-report1 (13 March 2020).

By not reporting this information to senior management, the Agency increases the risk of senior management not being aware of the nature and extent of non-compliance, and implications thereof. It also may increase the risk of the Agency not taking sufficient or appropriate action to bring water-use licence holders into compliance for significant infractions.

7. We recommend the Water Security Agency periodically give senior management written reports on non-compliance with key water-use licence conditions, and related enforcement strategies and actions.

5.0 NUMBER OF LONG-TERM WATER LICENCES, ALLOCATION, AND USE BY PURPOSE IN 2018

Purpose	Number of Long-term Water Licences			In Cubic Decameters (000s)	
	Total	Groundwater	Surface water	Licensed Allocation[D]	Use
Power Generation[A]	38	30	8	457	18
Irrigation	3,756	41	3,715	357	199
Municipal	2,174	1,809	365	295	120
Mining–Potash	36	25	11	61	24
Multi-purpose[B]	127	89	38	73	0.5
Manufacturing	79	53	26	46	11
Oil & Gas	300	283	17	46	19
Other[C]	8,000	689	7,311	44	34
Total	**14,510**	**3,019**	**11,491**	**1,379**	**425.5**

Source: Adapted from Water Security Agency data.
[A] Surface water is used for power generation. Groundwater-use licences are for wells around the generation stations to remove groundwater to help keep the generation station infrastructure stable. Surface water used for power generation is flowed through the generation station and returned to the water source. Therefore, the licence holder does not use water as with other water-use licences; however it is important to track this allocation to plan for the water to be available.
[B] Multi-purpose licences are for water users that use water for multiple purposes (e.g., domestic, irrigation, and for livestock).
[C] Other includes water for recreation, water management, intensive livestock, domestic, and mining (other than potash) purposes.
[D] At the end of 2018, the Agency had allocated in total an additional 187,000 cubic decameters for users who were approved to construct water infrastructure and were still working to obtain a long-term water-use licence.

6.0 25 YEAR SASKATCHEWAN WATER SECURITY PLAN— ACTIONS AND TARGETS RELATED TO REGULATING WATER USE

25 Year Saskatchewan Water Security Plan—Action Items	Target Completion Date[A]	Status Update at March 31, 2019[B]
1.1a) Promote adoption of best conservation and efficiency practices and technology through education, regulations, water licence conditions and new programming	Ongoing	Abandoned
1.2a) Evaluate existing water supplies and future demands for the next 25 years and beyond to determine the need for new infrastructure across the province	2016 and Ongoing	Incomplete

25 Year Saskatchewan Water Security Plan—Action Items	Target Completion Date[A]	Status Update at March 31, 2019[B]
1.2b) Investigate alternative measures to increase the delivery of water from Lake Diefenbaker to Buffalo Pound Lake, including evaluation of the feasibility of the Qu'Appelle South irrigation project	2014	Complete
1.3a) Develop a modern system of water allocation, including a new allocation policy and regulations	2014	Ongoing
1.3b) Review existing water rights licences and assess current water use	2014 (priority) 2016 (other)	Ongoing
1.3c) By watershed, determine the existing use of water, level of protection of environmental flows, how much water is available for future allocation, and identify areas where water scarcity may be a factor	2014 (priority) 2016 (other)	Abandoned
1.4d) Develop new criteria for allocation licences based on best practice and new technologies to sustainably support irrigation	2016	Complete
1.6a) Develop detailed aquifer maps	2016	Abandoned
1.6b) Analyze the water supply situation in the major rivers	2016	Incomplete
1.6c) Determine the existing water use by sector and delineated by the major basins	2016	Complete
1.6d) Examine projected water demand by sector within major basins to the year 2060	2016	Complete
1.7b) Assess how the economic value of water could be used in allocation decision-making	2016	Complete
5.3b) Develop new regulations for water allocation to help manage shortages during droughts	2014	Complete
6.1a) Complete a strategic review of major monitoring programs, including surface water, groundwater and water quality	2015	Complete
6.1b) Develop an integrated geographically referenced database to provide government-wide and public access to water-based information	2015	Incomplete
6.1c) Consolidate precipitation data and information through the development of co-operative agreements and partnerships with government and non-government organizations	2014	Complete
6.2d) Publish the State of the Watershed Report every 5 years in an expanded form which can be applied by government in the renewal of the 25 Year Saskatchewan Water Security Plan and by the public in decision-making	Ongoing	Abandoned
6.3a) Support the work of the Global Institute for Water Security at the University of Saskatchewan in their assessment of the water supply and quality issues in the South Saskatchewan River	Ongoing	Incomplete
7.6a) Continue to work with the Prairie Provinces Water Board to evaluate the resiliency of the Master Agreement on Apportionment	Ongoing	Complete
7.6b) In support of the Mackenzie River Basin Board, negotiate bilateral agreements with Alberta and the North West Territories	2016	Incomplete
7.7a) Undertake comprehensive water management analysis for priority surface and groundwater systems	2014 (priority) 2016 (other)	Incomplete
7.7b) Implement new watershed modelling and data base management systems to allow efficient evaluation of new requests for water and ensure that cumulative effects are considered	2014 (priority) 2016 (other)	Incomplete

[A] Adapted from information in the *25 Year Saskatchewan Water Security Plan*.
[B] Adapted from information in the Saskatchewan Water Security Agency *Annual Report for 2018-19*.

7.0 SELECTED REFERENCES

Auditor General of Canada. (2010). *2010 Fall Report of the Commissioner of the Environment and Sustainable Development, Chapter 2 – Monitoring Water Resources.* Ottawa: Author.

Auditor General of Nova Scotia. (2014). *Report of the Auditor General May 2014, Chapter 7 – Natural Resources: Mineral Resource Management.* Halifax: Author.

Provincial Auditor of Saskatchewan. (2018). *2018 Report – Volume 1, Chapter 4, Energy and Resources—Regulating Oil, Gas, and Pipeline Industry Incidents.* Regina: Author.

Provincial Auditor of Saskatchewan. (2015). *2015 Report – Volume 1, Chapter 11, Environment—Regulating Industrial Wastewater Systems.* Regina: Author.

Provincial Auditor of Saskatchewan. (2018). *2018 Report – Volume 1, Chapter 12, Water Security Agency—Regulating Drainage.* Regina: Author.

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Follow-Up Audits

Chapter 14
3sHealth—Procuring Goods and Services for Member Agencies

1.0 MAIN POINTS

By January 2020, Health Shared Services Saskatchewan (3sHealth) implemented the five remaining recommendations from our 2015 audit of its processes to procure goods and services for the Saskatchewan Health Authority, healthcare affiliates, and the Saskatchewan Cancer Agency (member agencies).

3sHealth:

➢ Used a checklist to support adequately documenting the rationale for the procurement method selected for group purchases of goods and services

➢ Periodically assessed and reported on the performance of suppliers of goods and services

➢ Provided feedback to the national group purchasing organization used to make certain group purchases before the organization extended its existing purchase commitments with suppliers

➢ Published its estimate of annual cost savings to the health-care system along with information to help the public understand the basis for its annual and cumulative estimate

Having effective processes to procure goods and services for its member agencies allows 3sHealth to manage risks and obtain the best value in a fair and transparent way.

2.0 INTRODUCTION

2.1 Background

3sHealth is responsible for leading and taking a provincial approach to procuring goods and services for member agencies in an effort to obtain economies of scale. It uses this approach for procuring goods and services such as: nutrition and food services; dietary and linen supplies; medical, surgical, and laboratory supplies; pharmaceuticals and hearing aids; biomedical waste disposal services; and administrative services and supplies.

3sHealth leads the procurement of some purchases, and has hired a national group purchasing organization, which provides procurement services to agencies across Canada, to lead the procurement of others.

In 2018-19, member agencies purchased goods and services totalling $213 million through 3sHealth. During this period, 3sHealth-led procurements totalled about $99 million, and the national group purchasing organization-led procurements totalled about $114 million.

2.2   Focus of Follow–Up Audit

This chapter describes our second follow-up of management's actions on the five outstanding recommendations we first made in 2015 about 3sHealth's processes to procure goods and services for member agencies.[1] At July 2017, the time of our last follow-up, 3sHealth had not fully implemented those five recommendations.[2]

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate 3sHealth's progress towards meeting our recommendations, we used the relevant criteria from the original audit. 3sHealth's management agreed with the criteria in the original audit.

To complete the audit, we discussed with management the progress made in meeting our recommendations and examined key policies and procedures, reports, and supplier performance reviews. We also tested a sample of internally-led and sole/single sourced procurements to determine if 3sHealth documented the rationale for the procurement method selected.[3]

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 January 31, 2020, and actions of 3sHealth up to that date.

3.1   Rationale Documented for Procurement Method Selected

We recommended Health Shared Services Saskatchewan document rationale for the shared procurement method selected (i.e., internally-led, single- or sole-sourced procurement). (2015 Report – Volume 2, p. 194, Recommendation 5; Public Accounts Committee agreement June 12, 2018)

Status—Implemented

3sHealth adequately documents the rationale for the procurement method selected.

In January 2016, 3sHealth created a Procurement Method Rationale Checklist to help staff adequately document the basis for the selected procurement method (e.g., internally-led or sole/single sourced procurement).

For all four of the internally-led and sole/single sourced procurements we tested, 3sHealth adequately documented the procurement method rationale.

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[1] Our *2015 Report – Volume 2*, Chapter 34, concluded that 3sHealth had, other than for the areas identified in the 13 recommendations, effective processes to procure goods and services for its member agencies. Find the original report regarding these recommendations at auditor.sk.ca/publications/public-reports (02 April 2020).
[2] *2017 Report – Volume 2*, Chapter 36, pp. 253–259.
[3] Sole-source – contracting a company, without competition, to be the sole supplier of a product or service, www.dictionary.com/browse/sole-source (26 February 2020).

Having adequate documentation of reasons for selecting a procurement method helps ensure the best procurement method is selected. It provides a record of decisions and facilitates the review of those decisions.

3.2   Periodic Performance Assessments of Suppliers Completed

> *We recommended Health Shared Services Saskatchewan track and periodically assess the performance of its suppliers of goods and services for shared procurements.* (2015 Report – Volume 2, p. 201, Recommendation 10; Public Accounts Committee agreement June 12, 2018)

Status—Implemented

> *We recommended Health Shared Services Saskatchewan regularly provide information on supplier performance to member agencies, senior management and the Board.* (2015 Report – Volume 2, p. 201, Recommendation 11; Public Accounts Committee agreement June 12, 2018)

Status—Implemented

3sHealth completes periodic assessments of the performance of its suppliers of goods and services, and reports the results to member agencies, senior management, and the Board.

Typically, each year, 3sHealth procures goods and services for its member agencies from about 120 suppliers. Approximately 27 suppliers provided greater than $1 million in goods and services, with the remaining suppliers providing less than $1 million.

Starting in 2017, 3sHealth reviews the performance of approximately five randomly selected suppliers for performance reviews on an annual basis. 3sHealth separates the suppliers into different categories (i.e., greater than $1 million spent, between $500,000 - $1 million, and less than $500,000) and reviews at least one from each category. For each supplier selected, it assesses:

➢ Customer service (e.g., easily accessible, vendor representative is knowledgeable of product, equipment or service)

➢ Delivery (e.g., delivers products/service according to schedule, does not have frequent backorders)

➢ Product quality (e.g., product/service meets quality expectations, products are reliable and durable)

➢ Billing/financial (e.g., consistent accuracy of billing, rebate information provided is clear)

3sHealth reports the results of these reviews to each of its member agencies, its senior management, and the Board. For example, for the reviews completed in 2019, 3sHealth provided results of the five supplier performance reviews to senior management and the Board on January 14, 2020. We found 3sHealth was using the review results to resolve identified performance issues with its suppliers.

Periodically assessing the performance of suppliers helps confirm the suppliers meet performance expectations, and provides useful information when deciding whether to use specific suppliers in the future.

3.3 Feedback from Member Agencies Obtained Prior to Extending Purchase Commitments

We recommended 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, p. 197, Recommendation 8; Public Accounts Committee agreement June 12, 2018)

Status—Intent of Recommendation Implemented

3sHealth provides its national group purchasing organization with feedback prior to the organization extending existing purchase commitments. Purchase commitments are agreements between 3sHealth, its member agencies and the national organization to buy certain goods or services from a single supplier at a set price for a set period of time.[4]

Prior to extending existing purchase commitments, the national organization sends a supplier performance survey to its national members (like 3sHealth). The survey consists of questions similar to 3sHealth's supplier performance review discussed in **Section 3.2**. The national organization is to use this information from its members (nation-wide) to help determine if it will extend existing purchase commitments with the supplier.

In January 2020, 3sHealth received the opportunity to respond to the most recent survey and provide feedback on suppliers by February 2020. 3sHealth encourages each of its member agencies to complete the survey. We confirmed member agencies were responding to the survey.

Having its member agencies provide feedback to its national group purchasing organization prior to that organization extending existing purchase commitments decreases the risk of extending purchase commitments that do not meet the needs of its member agencies (e.g., using suppliers with performance issues).

3.4 Estimated Cost Savings Explained to the Public

We recommended 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, p. 202, Recommendation 13; Public Accounts Committee agreement June 12, 2018)

Status—Implemented

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[4] 3sHealth uses its contract with the national group purchasing organization to increase purchasing power through shared national agreements. Through the national group purchasing organization, 3sHealth and member agencies can enter into agreements to access volume discounts gained through partnering with jurisdictions seeking similar products.

3sHealth publishes on its website its estimate of annual and cumulative cost savings to the health-care system (referred to as Health System Savings).[5] Its webpage includes a link to its description of how it determines its estimated annual and cumulative savings, and an audited Statement of Cumulated Savings for the seven-year period ending March 31, 2017.[6,7,8]

In 2017, 3sHealth published the audited Statement of Cumulative Savings for the seven-year period ending March 31, 2017 to provide the public with assurance that it follows its methodology when it estimates its annual and cumulative savings.

We found the 2017 Statement of Cumulative Savings and its accompanying notes clearly describe the methodology 3sHealth uses to estimate savings, and gives the public sufficient information to understand the methodology in use.

We also found the description in the 2017 Statement of Cumulative Savings more understandable and complete than the webpage description. For example, the Statement more clearly shows the cumulative savings is comprised of estimated savings from new contracts, one-time events (like rebates), and recurring savings.[9] When determining recurring savings, it shows 3sHealth assumes savings from prior years will continue indefinitely.

Providing the public with sufficient and understandable information about the estimated nature of the cost savings and its basis is key to the public understanding the reported cumulated cost savings.

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[5] www.3shealth.ca/Default.aspx?PageID=16681632&A=SearchResult&SearchID=32459864&ObjectID=16681632&ObjectType=1 (25 February 2020).
[6] www.3shealth.ca/pdfs/3sHealth-Statement-of-Cumulative-Savings.pdf (25 February 2020).
[7] The 2017 audit report emphasizes the *Statement of Cumulative Savings* is prepared to assist 3sHealth to monitor savings achieved through its activities, and, as a result, may not be suitable for another purpose.
[8] www.3shealth.ca/pdfs/Annual-and-cumulative-savings-Calculations-v3-final.pdf (25 February 2020).
[9] 3sHealth calculates contract savings based on the following formula: Current Volumes multiplied by (old price + expected price increase – new price).

Chapter 15
Advanced Education—Working with the Advanced Education Sector to Achieve Ministry Strategies

1.0 MAIN POINTS

The Ministry of Advanced Education, in conjunction with post-secondary institutions, continues to actively work towards establishing common measures to enable monitoring of the achievement of advanced education sector strategies as recommended in the 2015 audit.

By February 2020, the Ministry and post-secondary institutions established 24 indicators, with three more in development. The Ministry wants institutions to report on this common set of indicators by September 2020 to facilitate consistent and comparable sector-wide reporting. In addition, the Ministry started working with institutions on developing a performance framework (e.g., measureable targets and timelines).

Without specific measurable targets or timelines, the Ministry is hindered in analyzing and reporting progress towards achieving its strategies.

2.0 INTRODUCTION

The Ministry of Advanced Education is responsible for the post-secondary education sector.[1] Its responsibilities include coordinating, developing, implementing, promoting and enforcing policies and programs related to post-secondary education.[2] In particular, it is responsible for strategic alignment and effective two-way communication and information sharing between the Ministry and post-secondary institutions.[3]

To be successful in achieving its mandate and *the Ministry of Advanced Education Plan for 2014-15*, the Ministry must engage post-secondary institutions in its strategies.

This chapter describes our second follow-up audit of management's actions on the recommendations we made in 2015 about the Ministry's processes to work with the advanced education sector to achieve Ministry strategies.

Our *2015 Report – Volume 1*, Chapter 7, concluded that for the 12-month period ended December 31, 2014, the Ministry had, except in the areas reflected in our two recommendations, effective processes to work with the advanced education sector to achieve the Ministry's strategies for the sector as set out in the *Ministry of Advanced Education Plan for 2014-15*. By March 2018, the Ministry had implemented one recommendation and partially implemented the other recommendation.[4]

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[1] *Ministry of Advanced Education Annual Report for 2018–19*, p.3.
[2] *The Ministry of Advanced Education Regulations*, section 3.
[3] *Ministry of Advanced Education Annual Report for 2018–19*, p.3.
[4] See *2018 Report – Volume 1*, Chapter 13 for the results of the previous follow-up audit.

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 toward meeting our recommendations, we used the relevant criteria from the original audit. Ministry management agreed with the criteria in the original audit.

To perform our follow-up audit, we discussed actions taken with Ministry management and reviewed ministry analysis, planning documents, and public reports.

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 February 13, 2020, and the Ministry's actions up to that date.

3.1 Specific, Measurable Targets and Timelines Under Development

> *We recommended the Ministry of Advanced Education use specific, measurable targets and timelines to monitor progress towards achievement of its strategies.* (*2015 Report – Volume 1*, p. 7, Recommendation 1; Public Accounts Committee agreement January 14, 2016)

> **Status**—Partially Implemented

The Ministry, as well as various post-secondary institutions, are making reasonable progress in establishing indicators for use across the advanced education sector.[5,6] The use of such indicators would support consistent and comparable sector-wide reporting.

By February 2020, the Ministry along with the participating post-secondary institutions:

➢ Approved 13 non-financial and 11 financial indicators, with three more non-financial indicators in development (see **Figure 1** for examples)

➢ Collected data on 18 indicators

➢ Released three public reports on these indicators (e.g., students and credentials, and sustainability)[7]

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[5] In September 2015, the Ministry initiated, along with participating post-secondary institutions, the post-secondary education indicators project to support consistent and comparable sector-wide reporting.
[6] Participating post-secondary institutions: University of Regina, University of Saskatchewan, Saskatchewan Polytechnic, Luther College, Campion College, First Nations University of Canada, St. Thomas More College, St. Peter's College, Gabriel Dumont Institute, Saskatchewan Indian Institute of Technology, and the seven Regional Colleges.
[7] publications.saskatchewan.ca/#/categories/743 (25 February 2020).

Figure 1—Examples of Indicators for the Advanced Education Sector

Non-Financial Indicators	Financial Indicators
Annual Student Headcount	Amount of Investment–Research Revenue Received
Tuition and Mandatory Fees	Expenditures to Revenue Ratio
Post-Secondary Education Participation Rate	Government/Non-Government Funding Percentages
Employment Rates of Graduates	Reliance on Revenue Source Ratio
Graduate Satisfaction	Administration and Academic Support Costs as a % of Operating Expenditures

Source: Adapted from information provided by the Ministry of Advanced Education.

The Ministry indicated it expects participating post-secondary institutions to report on indicators by September 2020.

In addition, the Ministry has started consultations with institutions to develop a performance framework (e.g., measureable targets and timelines) that will incorporate sector-wide data.

Having specific, measurable targets and timelines will assist the Ministry in analyzing and reporting progress towards achieving advanced education sector strategies.

Chapter 16
Environment—Regulating Landfills

1.0 MAIN POINTS

By January 2020, the Ministry of Environment had implemented one of the three remaining recommendations and made progress on the remaining two recommendations relating to the Ministry's regulation of landfills.

By January 2020, the Ministry had not approved guidance documents on composting or landfills and waste management. In January 2020, the Ministry finalized, approved and publicly released its strategy for landfill design and operation. The Ministry's *Solid Waste Management Strategy* set out long-term goals for waste reduction in the province, assists in addressing the challenges of waste management and identifies potential economic opportunities for the waste industry.[1]

The Ministry revised landfill permits to include requirements for groundwater monitoring. As landfill permits expire, the renewed permits include this new requirement.

The Ministry still needs to conduct inspections on landfills as planned. Timely inspections determine whether the landfills operate in compliance with the permit. Permit requirements exist to enhance the environment and public safety.

2.0 INTRODUCTION

The Ministry of Environment regulates waste management and enforces landfill and transfer station compliance through province-wide legislation under *The Environmental Management and Protection Act, 2010*.[2] Municipalities and private companies own and operate landfills throughout the province.

Saskatchewan has the second-highest amount of waste per capita in Canada. As of 2019, there are 186 landfills and 207 transfer stations within Saskatchewan. From 2015 to 2019, the number of municipal landfills has significantly decreased (i.e., 500 in 2015 to 186 in 2019).[3]

2.1 Focus of Follow-Up Audit

This chapter describes our follow-up of management's actions on three recommendations we first made in 2013 about the Ministry of Environment's processes to regulate landfills.[4] By December 2017, the Ministry had implemented six of the nine recommendations, and made progress on the three others.[5]

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[1] Ministry of Environment, *Saskatchewan's Solid Waste Management Strategy*, (2020), p. 1.
[2] A transfer station is a site where waste is collected in preparation for transport to a nearby landfill.
[3] Ministry of Environment, *Saskatchewan's Solid Waste Management Strategy*, (2019), pp. 2-3.
[4] The original report regarding these recommendations can be found at auditor.sk.ca/publications/public-reports. We reported the original audit work in our *2013 Report – Volume 2* (Chapter 29, pp. 205-217).
[5] We reported this work in our *2018 Report – Volume 1* (Chapter 18, pp. 233-239).

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.

To perform our follow-up of the recommendations, we discussed actions taken with management and reviewed the relevant documents (e.g., Ministry's planning records, guidelines, groundwater monitoring 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 January 31, 2020, and the Ministry's actions up to that date.

3.1 Published Guidance Documents Needed

We recommended the Ministry of Environment adopt guidance on landfills from the proposed Environmental Code as operating practice.
(*2013 Report – Volume 2*, p. 210, Recommendation 1; Public Accounts Committee agreement April 30, 2014)

Status – Partially Implemented

In January 2020, the Ministry released its approved *Saskatchewan's Solid Waste Management Strategy* to the public. In this Strategy, the Ministry indicated its plan to release a new composting guidance document and update the landfill and waste management guidance documents to ensure the availability of compliance requirements and expectations. The Ministry has drafted, but not yet finalized or approved either of these guidance documents. It aims to approve them in 2020.

The Strategy outlines the provincial challenges associated with waste management, and includes goals and targets to reduce the amount of waste generated by 2030 and 2040. Its six goals are to:

➢ Enhance education, awareness and technical understanding of waste management best practices and risks of improper practices across Saskatchewan

➢ Encourage regional collaboration to enhance the cost effectiveness of waste management infrastructure

➢ Foster innovative and sustainable solutions to waste management

➢ Demonstrate government leadership in waste management

➢ Provide modern, efficient and effective regulatory system for waste disposal and management

➤ Enhance waste diversion across Saskatchewan.[6]

Without consistent guidance for landfills, landfills may not be built and operated to the same required environmental standard.

3.2 Groundwater Monitoring Added to Permit Requirements

We recommended the Ministry of Environment amend operating permits for all high-risk landfills to ensure they require appropriate groundwater monitoring. (*2013 Report – Volume 2*, p. 214, Recommendation 4; Public Accounts Committee agreement April 30, 2014)

Status – Implemented

The Ministry has a well-defined process to amend operating permits for high-risk landfills to ensure they require groundwater monitoring.

At January 2020, the Ministry includes groundwater monitoring conditions in 132 of the 182 operating landfill permits. Only two of the 50 landfills without this permit condition are high-risk landfills.[7]

In 2016, the Ministry began issuing permits to require operators of new or existing landfills to conduct groundwater monitoring (unless an environmental site assessment determined such monitoring is not necessary). For existing permits, the Ministry includes this revised condition as permits expire and landfill operators apply for renewal. The Ministry gives existing landfills five years to implement groundwater monitoring.

The Ministry expects to complete renewing permits for existing operating landfills by 2021, when the last of the old permits become due for renewal.

3.3 Landfills Not Inspected Within Expected Timeframes

We recommended the Ministry of Environment perform landfill inspections in accordance with its established frequency requirements. (*2013 Report – Volume 2,* p. 212, Recommendation 3; Public Accounts Committee agreement April 30, 2014)

Status – Partially Implemented

The Ministry is behind schedule on inspecting landfills due to the large number of landfills requiring inspections and its staff size. It is not inspecting landfills consistent with its priority-based inspection strategy.

The Ministry expects its four environmental protection officers to complete 10 to 15 site inspections per year. At January 2020, the Ministry had a junior environmental protection officer assigned to the Landfill Section to complete an additional 15 inspections per year. Summer students assist with inspecting transfer stations and landfill closure confirmations.

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[6] www.saskatchewan.ca/government/news-and-media/2020/january/23/solid-waste-management-strategy. (24 January 2020).
[7] The Ministry uses the National Classification System for Contaminated Sites method for evaluating (i.e., assigning risk ranking) contaminated sites according to their current or potential adverse impact on human health and the environment.

While the Ministry met its target of scheduled inspections for 2019, staff did not complete all annual high-risk landfill inspections and overdue inspections. At January 2020, it had not inspected 8 of 16 high-risk landfills, and had 23 overdue inspections (for moderate and high-risk landfills).

Beginning in 2020-21, the Ministry plans to change which sites it inspects and when. It plans to continue to inspect all high-risk sites annually unless the site is in compliance, at which point, inspection will be completed every second year. In conjunction with those inspections, it plans to inspect medium risk landfill sites in the area surrounding the high-risk sites.

For landfill sites that it has not inspected in the past two years, it plans to survey the landfill operator, and use the survey results to help determine if it should inspect the landfill (e.g., when results suggest poor landfill management). Going forward summer students will assist with inspecting low risk landfills and completing landfill closure confirmations.

Timely inspections determine whether landfills operate in compliance with permit requirements and the law. Permit requirements and laws exist to enhance environment and public safety. The use of inspections is key enforcement tool to assist the Ministry in fulfilling its regulatory role and fostering compliance.

Chapter 17
Health—Detecting Inappropriate Physician Payments

1.0 MAIN POINTS

Each year, the Ministry of Health pays over $500 million to about 1,800 physicians under a fee-for-service arrangement.[1] The Ministry directly compensates physicians at agreed-upon rates for specific services provided to residents with valid health coverage. Physicians submit approximately 364,000 billing claims every two weeks. The Ministry cannot practically confirm the validity of all billings before paying physicians, As such, the Ministry must have effective processes to detect inappropriate physician payments.

By December 2019, the Ministry made some progress on two of the four outstanding recommendations we made in 2017 and implemented the remaining two.

Based on a 2019 cost-benefit analysis, the Ministry has been approved to purchase a new IT system that will better identify inappropriate physician billings and payments. It expects to operationalize the system in 2022.

The Ministry also identified new risks related to inappropriate physician billings. It has yet to complete a comprehensive risk-based strategy to detect inappropriate physician billings for insured services before the payment is made for the service.

The Ministry created a new set of criteria, consistent with best practices of other provinces, to refer physician billings to the Joint Professional Medical Review Committee (JMPRC). The new criteria aims to select the most complex and high-risk cases for the JMPRC to review.

The Ministry identified options to increase the number of investigations into physician billing practices, but has not completed a formal assessment on which options to choose or reject.

Strong processes to detect inappropriate physician payments will help ensure taxpayers only pay for insured services delivered and medically required.

2.0 INTRODUCTION

This chapter describes our first follow-up of management's actions on the recommendations we made in 2017.

In 2017, we assessed the Ministry of Health's processes to detect inappropriate fee-for-service payments to physicians. Our *2017 Report – Volume 1*, Chapter 6 concluded that the Ministry had, except for the recommendation areas, effective processes to detect inappropriate fee-for-service payments to physicians.[2] We made four recommendations.

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[1] Under the fee-for-service arrangement, the Ministry directly compensates a physician at a pre-set rate for each specific insured service provided to a Saskatchewan resident.
[2] Our public reports can be found at auditor.sk.ca/publications/public-reports.

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 toward meeting our recommendations, we used the relevant criteria from the original audit. Ministry management agreed with the criteria in the original audit.

To perform this follow-up audit, we discussed actions taken with management and reviewed the relevant documentation on the actions taken toward our recommendations (e.g., identified risks of inappropriate physician billings for insured services).

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 December 31, 2019, and the Ministry of Health's actions up to that date.

3.1 Cost-Benefit Analysis Completed

We recommended the Ministry of Health conduct a cost-benefit analysis of IT systems that would better identify inappropriate physician billings for insured services before making payments. (*2017 Report – Volume 1*, p. 76, Recommendation 2; Public Accounts Committee agreement June 12, 2018)

Status—Implemented

Since our 2017 audit, the Ministry of Health completed a cost benefit analysis and proposed new IT system alternatives to support identifying inappropriate physician billings for insured services before making payments.

The Ministry's analysis included concerns with the existing IT system, an assessment of business needs, and a gap analysis. The analysis was accepted. As of March 2020, the Ministry has posted a Negotiated Request for Proposal to have a new IT claims processing system built and implemented by 2022.

Newer IT systems are capable of data mining and other large-scale data analysis techniques. With a more sophisticated IT system, the Ministry should be able to better identify inappropriate billings, and adjust amounts before paying physicians.

3.2 Risk-Based Strategy Still Needed

We recommended the Ministry of Health use a comprehensive risk-based strategy to detect inappropriate physician billings for insured services before making payments. (*2017 Report – Volume 1*, p. 76, Recommendation 1; Public Accounts Committee agreement June 12, 2018)

Status—Partially Implemented

The Ministry of Health has not completed a risk-based strategy to detect inappropriate physician billings before making payments.

The Ministry has identified some general risk areas (e.g., need for more education to those submitting billings, limited capabilities of the current IT system), but has not completed detailed work to develop a risk-based strategy.[3] Until this strategy is complete, the Ministry does not have a sufficient supporting rationale for how alternatives will increase investigations, how much inappropriate payment detection may occur, and if the cost of the alternative is warranted.

The Ministry's pre-verification process to check the validity of fee-for-service billings remains simplistic. It continues to require manual intervention. The Ministry's claims processing IT system is rules-based using edit checks. It results in labour-intensive assessment processes to check the validity of billings in every two-week payment cycle.

Since our 2017 audit, the Ministry has identified new risks related to inappropriate payments and has implemented additional edit checks/review points that alert staff to investigate certain physician billings in its pre-verification process.

Use of a new risk-based IT system would allow the Ministry to assess significant amounts of data to identify suspicious activity quickly and with less manual intervention.

Having a comprehensive risk-based strategy to detect inappropriate physician billings before payment would minimize the costs of service to government and reduce the amount of effort needed to assess and collect inappropriate payments back from physicians.

3.3 Criteria for Referral to JMPRC Completed and Used

We recommended the Ministry of Health develop criteria to determine which physicians to refer to the Joint Medical Professional Review Committee for investigation of appropriateness of billing for insured services. (*2017 Report – Volume 1*, p. 77, Recommendation 3; Public Accounts Committee agreement June 12, 2018)

Status—Implemented

In November 2019, the Ministry of Health revised the criteria to determine which potential physician over-billing cases to refer to the Joint Medical Professional Review Committee (JMPRC). The revised criteria considers the individual physician's pattern of billing that depart from the physician's peer group.

JMPRC has the authority to investigate physician-billing practices, and determine and order recovery amounts to be paid for inappropriate billings under the fee-for-service arrangement with physicians.[4]

Our research found the new criteria is in line with best practices of other provinces.

During 2018-19, the Ministry referred nine cases to the JMPRC. For the three cases we tested, the Ministry used its new criteria, and appropriately evaluated the cases referred.

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[3] The Ministry has recently implemented some additional online education tools for physician billings and has clarified billing criteria in the fee-for-service arrangement.
[4] *The Saskatchewan Medical Care Insurance Act* gives the Joint Medical Professional Review Committee the authority to investigate physician-billing practices.

Having defined criteria promotes consistent assessment of physician billings. Using the new criteria and referring cases increases the likelihood that the JMPRC focuses their efforts on more complex, higher risk cases. Using criteria increases the likelihood the Ministry is investigating and referring physicians with the highest risk of inappropriate billing.

3.4 Assessment of Options to Increase Investigations Still Required

> *We recommended the Ministry of Health assess options to conduct more investigations into physician billing practices that it suspects of having inappropriately billed the Government.* (*2017 Report – Volume 1*, p. 79, Recommendation 4; Public Accounts Committee agreement June 12, 2018)

Status—Partially Implemented

As part of the Ministry of Health's work to identify general risk areas, as noted in **Section 3.2**, the Ministry has identified several options to increase the number of investigations into physician billing practices. As of December 2019, it has implemented some of them, and is assessing the viability of others. It recognizes a new IT system is needed to proceed with some of the options.

The Ministry filled the Audit Officer position in 2017. This position continues to conduct and refine post-payment investigations of certain routine physician billing codes. The Audit Officer keeps a log of the work (e.g., looking for high volumes of transactions in certain service codes) to aid in the routine audits, but has not formally assessed the potential value of using new analytics.

In addition, the Audit Officer has created and is running routine data analytics on physician payments. These analytics identify when a physician has billed for services and/or received payments that are outside of the normal pattern of practice of the physician's peer group (i.e., specialty area). If billings or payments fall outside of normal practice, the Ministry may investigate further, and request the physician provide documentation to support their billings, to determine if there were inappropriate billings and payments.

As a result of these investigations, the Ministry has recovered payments made to physicians for inappropriate billings of insured services as summarized in **Figure 1**. The recoveries have increased since 2017.

Figure 1—Summary of Ministry Audit Recoveries

Fiscal Year	Recovery
2019-20	$ 425,883
2018-19	$ 458,103
2017-18	$ 222,383

Source: Adapted from information provided by the Ministry of Health.

We found the JMPRC operated in a similar fashion to the 2017 audit. As shown in **Figure 2**, the JMPRC continues to meet eight or nine times a year to conduct committee business, including completing one new investigation at each meeting and reviewing updates on 25-30 ongoing cases.

Figure 2—Number of Meetings Held and Investigations Completed by the JPMRC

Fiscal Year	Number of Meetings	Completed Investigations
2019-2020	9	8
2018-2019	9	7
2017-2018	8	6

Source: Adapted from information provided by the Ministry of Health.

Figure 3 shows the total amount that the JMPRC ordered physicians to repay in the past three years. While these amounts are higher than what we found during our 2017 audit ($1.2 million for 2016-17), the amount of annual recoveries ordered is less than 1 percent of the total fee-for-service payments for the same period.[5]

Figure 3—Amount of Recovery Ordered by the JMPRC

Fiscal Year	Number of Physicians with Recoveries Ordered	Amount of Recovery Ordered
2019-2020	8	$ 1,783,770
2018-2019	7	$ 1,598,881
2017-2018	6	$ 1,789,853

Source: Adapted from information provided by the Ministry of Health.

By having more ways to conduct investigations into physician billing practices, the Ministry may identify and recover more inappropriate billings. In addition, this would reinforce with physicians the importance of having appropriate fee-for-service billing practices.

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[5] $1.78 million recovery ordered compared to $500+ million paid annually under the fee-for-service arrangement.

Chapter 18
Highways and Infrastructure—Road Safety Concerns on Existing Highways

1.0 MAIN POINTS

By November 2019, the Ministry of Highways and Infrastructure had improved its processes to address safety concerns raised on existing provincial highways by implementing the last recommendation we originally made in 2015.

The Ministry continued to report to senior management Safety Improvement Program (SIP) projects completed over the last five years costing more than $1 million. The Ministry expanded its reporting to include projects that did not prove to reduce collisions (e.g., installation of an electronic radar sign).

The reports provided an evaluation of whether SIP helps reduce the frequency and severity of highway collisions.

2.0 INTRODUCTION

The Ministry is responsible for managing the Province's 26,184 kilometres of highways, including maintaining safe road conditions as described in *The Highways and Transportation Act, 1997*.[1]

Our *2015 Report – Volume 2*, Chapter 35 concluded, for the period from September 1, 2014 to August 31, 2015, the Ministry had effective processes to address safety concerns raised on existing provincial highways other than the matters reflected in four recommendations.[2] Our *2018 Report – Volume 1*, Chapter 22 concluded the Ministry implemented three of those four recommendations.[3]

This chapter describes our second follow-up of management's actions on the remaining recommendation about giving senior management periodic reports whether the Safety Improvement Program helped reduce the frequency and severity of collisions.

To conduct this follow-up audit, 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 recommendation, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit.

We interviewed Ministry staff responsible and reviewed documentation supporting the Safety Improvement Program.

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[1] *The Ministry of Highways and Infrastructure Annual Report for 2018-19*, p. 3.
[2] The original report regarding these recommendations can be found at auditor.sk.ca/publications/public-reports. We reported the original audit work in *2015 Report – Volume 2*, Chapter 35, pp. 205 - 218.
[3] *2018 Report – Volume 1*, Chapter 22, pp. 259-261.

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 November 30, 2019, and the Ministry's actions up to that date.

3.1 Periodic Reports on Road Safety Effectiveness Improved

We recommended that the Ministry of Highways and Infrastructure give senior management periodic reports on whether its road safety improvement program helped reduce the frequency and severity of collisions. (*2015 Report – Volume 2*, p. 216, Recommendation 4; Public Accounts Committee agreement September 15, 2016)

Status – Implemented

By November 2019, the Ministry had increased the types of Safety Improvement Program (SIP) projects and related collision data in its annual reports to senior management.

Based on its May 2018 assessment, the Ministry decided to add reporting on unproven SIP projects (e.g., installing an electronic radar sign in a high collision corridor) to the data previously reported to senior management. By adding unproven SIP projects to senior management reporting, the Ministry doubled the number of projects being reported on. This addition helps senior management assess if the unproven projects are effective in reducing the frequency and severity of collisions.

Previously, the Ministry only reported collision data on SIP projects that exceeded $1 million or had a high public profile. It continues to report this information.

We found senior management received sufficient information annually to help them assess the effectiveness of SIP. See **Figure 1** for types of information reported to senior management in July 2019.

Figure 1—Content of July 2019 Safety Improvement Report to Senior Management

For each project:
➢ Yearly collision statistics (number of collisions and number of collisions where there were injuries or fatalities) of the highway area before and after the improvement had been implemented
➢ An analysis of the statistics
➢ A conclusion on the effectiveness of the safety improvement

Source: Adapted from Ministry of Highways and Infrastructure data.

Chapter 19
Labour Relations and Workplace Safety—Strategies to Reduce Injury Rates

1.0 MAIN POINTS

By February 2020, the Ministry of Labour Relations and Workplace Safety was issuing its summary offence tickets under occupational health and safety legislation consistent with its policy. Prompt issuance of summary offence tickets reinforces the importance to employers of addressing identified violations to help reduce workplace injuries.

2.0 INTRODUCTION

2.1 Background

Fatalities cause irreversible and immeasurable harm to those affected. Injuries result in time lost that affects the injured workers, their employers, and is a cost to society.

The Ministry's mandate is to promote, support and enforce safe work practices and employment standards to ensure healthy, safe and productive workplaces.[1] *The Saskatchewan Employment Act* governs the responsibilities of the Ministry related to occupational health and safety.

As noted in its *2019–20 Annual Plan*, the Ministry has a goal to reduce the total provincial injury rate by 50 percent by March 31, 2020.[2] As **Figure 1** shows, the total injury rate per 100 full-time workers has decreased from 6.30 in 2015 to 4.95 in 2019.

Figure 1—Total Injury Rate per 100 Full-Time Workers in Saskatchewan[A]
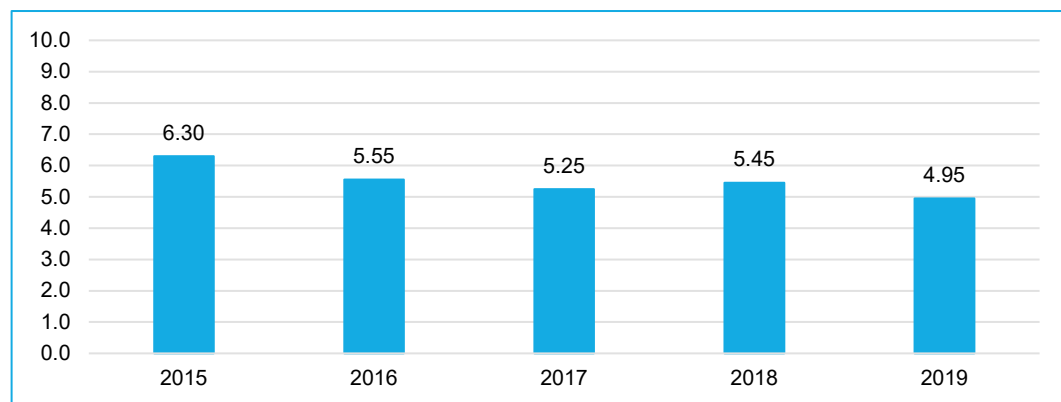
Source: Adapted from *Ministry of Labour Relations and Workplace Safety Annual Report for 2018–19*, p. 5. (2015-2018 rates) and www.wcbsask.com/saskatchewans-workplace-total-injury-rate-decreases-in-2019/ (2019 rate) (20 March 2020).
[A] Annual injury rate is for January 1 to December 31.

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[1] *Ministry of Labour Relations and Workplace Safety Plan for 2019–20*, p. 3.
[2] In its *2015–16 Annual Plan*, the Ministry set a goal to reduce the provincial workplace injury rate by 50 percent by 2020 (i.e., reduce the total workplace injury rate to 4.32 per 100 full-time workers by 2020). In its *2019–20 Annual Plan*, the Ministry set a performance measure of 4.6 per 100 full-time workers for this goal.

High workplace injury rates may negatively affect Saskatchewan's reputation as a desirable place to work, as well as negatively affect Saskatchewan's economy through increased health and social costs. Lower workplace injury rates (along with lower total days lost) reduces the cost to businesses through lower WCB premiums. Effective processes, including reducing the number of workplaces with unsafe practices that place workers at risk, will help reduce workplace injuries.

2.2 Focus of Follow-Up Audit

This chapter describes our follow-up audit of management's actions on the recommendation we made in 2018.

Our *2018 Report – Volume 1*, Chapter 6, concluded that, for the 15-month period ended November 15, 2017, the Ministry had, other than the area reflected in the following recommendation, effective processes to implement strategies to reduce provincial workplace injury rates to 4.32 per 100 full-time workers by 2020, as set out in the Ministry's Annual Plan.[3] We recommended the Ministry issue its summary offence tickets under occupational health and safety legislation consistent with its policy.

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 toward meeting our recommendations, we used the relevant criteria from the original audit. Ministry management agreed with the criteria in the original audit.

To carry out our follow-up audit, we interviewed Ministry staff, and reviewed Ministry policies and information provided to management. For summary offence tickets issued by the Ministry, we analyzed the time taken to issue tickets to determine if the Ministry was issuing tickets consistent with its policy.

3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to it, the status of the recommendation at February 14, 2020, and the Ministry's actions up to that date.

3.1 Summary Offence Tickets Issued Within Specified Timeframe

> ***We recommended that the Ministry of Labour Relations and Workplace Safety issue its summary offence tickets under occupational health and safety legislation consistent with its policy.*** (*2018 Report – Volume 1*, p. 84, Recommendation 1; Public Accounts Committee agreement October 10, 2018)

Status—Implemented

The Ministry issued summary offence tickets under occupational health and safety legislation consistent with its policy.

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[3] The original report regarding this recommendation can be found at auditor.sk.ca/publications/public-reports. We reported the original audit work in *2018 Report – Volume 1* (Chapter 6, pp. 73-86).

In June 2018, the Ministry provided its peace officers with training to help ensure officers issue tickets consistent with its Summary Offence Policy.

In February 2019, the Ministry updated its policy to require peace officers to issue tickets within 60 business days of the date of the offence (previously within 20 business days).

We found requiring issuance of tickets within 60 days is quicker than the requirement of *The Summary Offences Procedure Act, 1990* of issuing within six months of the offence.[4] In addition, 60 days is faster than Alberta, which requires officers to issue tickets within six months.[5] It is slower than Ontario, which requires officers to issue tickets within 30 calendar days.[6]

Our analysis of summary offence tickets issued by the Ministry, between February 1, 2019 and February 6, 2020, found officers issued summary offence tickets consistent with the 60-day timeframe set out in policy. We found the Ministry issued 23 tickets during this timeframe taking 13 business days on average. The longest period from offence to ticket issuance was 25 business days. As a result of these tickets, the Ministry levied fines of $20,750.

Each month, the Ministry monitors the timeliness of issuing summary offence tickets as part of its key performance indicators monitoring.

Prompt issuance of summary offence tickets reinforces the importance to employers of addressing the identified violation.

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[4] *The Summary Offences Procedure Act, 1990*, s. 4(3) (pubsaskdev.blob.core.windows.net/pubsask-prod/1415/S63-1.pdf) (2 April 2020).
[5] *The Provincial Offences Procedure Act* (s. 4) (www.qp.alberta.ca/1266.cfm?page=P34.cfm&leg_type=Acts&isbncln=9780779815814&display=html) (24 February 2020).
[6] *The Provincial Offences Act* (s. 3) (www.ontario.ca/laws/statute/90p33/) (24 February 2020).

Chapter 20
North East School Division No. 200—Increasing Grade 3 Students Reading at Grade Level

1.0 MAIN POINTS

The North East School Division No. 200 implemented the one recommendation remaining from our 2016 audit. Since May 2018, North East appropriately requires that schools use a single tool to assess Grade 3 student reading levels. North East previously evaluated the effectiveness of the tool.

Focused assessments and monitoring of Grade 3 reading levels helps North East efficiently identify students who need additional support or resources.

2.0 INTRODUCTION

This chapter describes our follow-up audit of management's actions on the one remaining recommendation we made in 2016.[1]

2.1 Background

Grade 3 reading levels are considered a leading indicator of future student performance.

North East continues to work towards meeting the Ministry of Education goal of 80 percent of Grade 3 students reading at grade level by 2020.[2] For the 2018-19 school year, North East reports 77.7 percent of Grade 3 students were reading at or above grade level; an improvement of 4.3 percent from the previous year.[3]

North East's work helps to support the improvement in reading levels for approximately 1,400 Kindergarten to Grade 3 students from Nipawin, Tisdale, Hudson Bay, Melfort, and the surrounding area.[4]

2.2 Focus of Follow-Up Audit

Our *2016 Report – Volume 1*, Chapter 11, concluded, for the 12-month period ended December 31, 2015, North East had, other than the five recommendation areas, effective processes to increase the percentage of Grade 3 students reading at grade level to meet the Education Sector Strategic Plan goal of 80 percent by 2020.

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[1] The original report regarding these recommendations can be found at auditor.sk.ca/publications/public-reports. We reported the original audit work in *2016 Report – Volume 1*, Chapter 11. See *2018 Report – Volume 1,* Chapter 23 for the results of the previous follow-up audit.
[2] Ministry of Education, *Education Sector Strategic Plan: Cycle 4* (2019-20) (www.saskatchewan.ca/government/government-structure/ministries/education#annual-reports (20 Mar 2020)).
[3] North East School Division No. 200, *2018-19 Annual Report*, p. 14.
[4] Ibid, p. 6, 34.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate North East's progress toward meeting our recommendations, we used the relevant criteria from the original audit. North East management agreed with the criteria in the original audit.

To complete our follow-up audit, we discussed actions taken with management and reviewed documents and analysis prepared by North East.

3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation, including the date on which the Standing Committee on Public Accounts agreed to it, its status at March 6, 2020, and North East's actions up to that date.

3.1 Assessment Tool in Use Evaluated

> *We recommended that North East School Division No. 200 periodically evaluate the effectiveness of the tools it uses to assess student reading levels.* (*2016 Report – Volume 1*, p. 124, Recommendation 4; Public Accounts Committee agreement September 14, 2016)
>
> **Status**—Intent of recommendation implemented

North East requires schools use a single tool to assess students' reading levels—a tool which North East has evaluated.

As of May 2018, North East requires teachers to assess student reading levels using a Diagnostic Levelled Reading assessment tool, and no longer requires the use of other tools (e.g., a tool previously used to assess student reading comprehension strategies).

In 2016-2017, North East formally evaluated the tool it requires schools continue to use to assess the reading levels of Grade 3 students. The Ministry of Education allows school divisions to use this tool (as one of the Diagnostic Levelled Reading assessments) to assess Grade 3 reading levels.[5]

As of March 2020, because the Ministry continues to support the chosen tool, North East has determined there is no need to revisit its 2016-17 evaluation. We agree.

Requiring teachers to use only one assessment tool helps to ensure they and students use their time efficiently and only spend time on assessments that contribute to the Division's monitoring of reading levels and identification of students who need additional support or resources.

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[5] The Diagnostic Levelled Reading assessment measures fluency and comprehension (within the text [e.g., retell events, main idea, details, character setting, problem solving] and beyond the text [e.g., inferencing, connections, opinions]).

Chapter 21
Prairie Valley School Division No. 208—Monitoring Progress of Home-based Learners

1.0   MAIN POINTS

In Saskatchewan, home-based educators have the responsibility for educating their children, and the right to direct their children's education from their home. School Divisions are responsible for registering and monitoring home-based education programs by assessing program compliance with the law and related policies, and assessing the progress of learners.

By January 2020, Prairie Valley School Division No. 208 significantly improved its processes to monitor home-based education programs. It addressed all eight recommendations from our 2018 audit. Key improvements included the following.

The Division revised its forms and templates to help educators provide all required information for their home-based education programs. It effectively registered home-based education programs, and assessed the education plans and annual progress reports provided by educators. Following its assessments, the Division consistently gave educators timely feedback on learners' annual progress reports.

In addition, to encourage educators to comply with home-based education documentation requirements, the Division implemented a practice of reimbursing educators for eligible expenses only after it received and assessed learners' annual progress reports.

Effective monitoring of home-based education programs helps ensure they assist home-based learners in making sufficient educational progress for their age and ability, and providing them with a quality education.

2.0   INTRODUCTION

2.1   Background

Prairie Valley School Division is responsible for monitoring home-based education programs for almost 180 home-based learners. Home-based learners are students between the ages of six and eighteen years enrolled in home-based education programs initiated by and under the direction of a parent or guardian to provide instruction at home.[1] This chapter uses the terms learner and student interchangeably.

In Saskatchewan, home-based educators (e.g., parents) have both the responsibility for educating their children, and the right to direct their children's education from their home.[2] Saskatchewan boards of education (school divisions) are responsible for monitoring the progress of home-based learners.[3]

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[1] *The Education Act, 1995*, section 2.
[2] Ministry of Education, *Saskatchewan Home-based Education: Policy and Procedures Manual 2016-17*, p. 1.
[3] Ibid., p. 2.

The Ministry of Education's manual—*Saskatchewan Home-based Education: Policy and Procedures Manual*—sets out policies and procedures for operating and monitoring home-based education programs in Saskatchewan. It includes detailed expectations of school divisions and home-based educators. For example, a home-based educator must administer their children's home-based education programs, and give their school division specific documentation (e.g., program registration, written education plans, annual student progress reports within prescribed timeframes) to enable the school division's monitoring.

2.2 Focus of Follow-Up Audit

This chapter describes our first follow-up audit of management's actions on the recommendations we made in 2018.

Our *2018 Report – Volume 1*, Chapter 7, concluded that, for the 12-month period ended January 31, 2018, Prairie Valley School Division No. 208 did not have effective processes to monitor the educational progress of home-based learners.[4] We made eight recommendations.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Division's progress toward meeting our recommendations, we used the relevant criteria from the original audit. Division management agreed with the criteria in the original audit.

We examined the Division's policies and procedures for monitoring the educational progress of home-based learners. We interviewed relevant staff responsible for monitoring home-based education programs. We examined documentation for a sample of home-based learners to assess the operating effectiveness of the Division's processes to monitor the educational progress of home-based learners.

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 January 31, 2020, and the Division's actions up to that date.

3.1 Templates and Forms Aligned with Requirements

> ***We recommended Prairie Valley School Division No. 208 revise its home-based education templates, forms, and checklists to better align with the Ministry of Education's policy requirements.*** (*2018 Report – Volume 1*, p. 94, Recommendation 1; Public Accounts Committee agreement September 25, 2019)

> **Status**—Implemented

Since January 2018, the Division appropriately revised its home-based education templates, forms, and checklists to align with the Ministry of Education's policy and legislative requirements.

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[4] The original report regarding these recommendations can be found at auditor.sk.ca/publications/public-reports. We reported the original audit work in *2018 Report – Volume 1* (Chapter 7, pp. 87-101).

In June 2018, the Division revised various templates, forms and checklists staff and home-based educators use in home-based education programs. The Division made the following key revisions to its templates:

➢ Adjusted its registration form to include all information (e.g., name, gender, last school attended, start date of the home-based education program) set out by the Ministry.

➢ Revised the template for home-based education plans to require home-based educators to include a minimum of three broad goals for each of the four areas of study (i.e., language arts, science, social studies, and mathematics) set out by the Ministry of Education. It expects these goals to be consistent with the *Goals of Education for Saskatchewan*—see **Section 4.0**.

➢ Updated various templates home-based educators can use when submitting learners' annual progress reports, to assist educators in providing the Division with all required information upon completion of the home-based education program. Templates updated included those for the periodic log of activities performed throughout a school year, summative record, and samples of work.[5]

➢ Amended the verification form staff use to assess education plans and the educational progress of learners. The Division uses this form to assess the consistency of a learner's education plan with the *Goals of Education for Saskatchewan* and the appropriateness of the plan and progress report in relation to the learner's age and ability.

The Division clearly communicated its revised templates, along with examples of completed education plans and annual progress reports, to home-based educators. In addition to posting information on the Division website, staff sent emails to home-based educators following the end of the 2017-18 and 2018-19 school years to remind educators about changes to the Division's templates. This provided educators with a reasonable amount of time to use the new templates for the upcoming school year.

In addition, the Division provided educators with an overview of the template changes during two parent information sessions in November 2018.

Having templates and forms that align with the Ministry's requirements helps educators provide all required information for their home-based education programs and assists the Division when assessing the programs.

3.2 Written Confirmation of Registration Provided Timely

> ***We recommended Prairie Valley School Division No. 208 give home-based educators written confirmation of program registration within the required time.*** (*2018 Report – Volume 1*, p. 97, Recommendation 3; Public Accounts Committee agreement September 25, 2019)
>
> **Status**—Implemented

The Division provided home-based educators with written confirmation of program registration within a reasonable timeframe.

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[5] A summative record is a record of the educational progress of a home-based learner in relation to a written education plan. It is a statement of a learner's academic achievement at the end of a unit, project, course, program or school year.

As set out by the Ministry, home-based educators must submit a registration form, including an education plan for each home-based learner, to the Division by August 15 of each year. Once the Division is satisfied that a program meets the requirements set out by the Ministry, the Division must provide educators with written notice of program registration within 30 days of receiving the registration form.

For 15 home-based learners tested, we found:

➤ For 12 students, the Division provided educators with timely written confirmation of registration.

➤ For each of three students, while the Division did not provide written confirmation of registration, it took appropriate steps to communicate with educators about missing or incomplete registration requirements (e.g., registration form) prior to verbally accepting the education plans. In addition, the Division consulted with and obtained guidance from Ministry staff as necessary when addressing the registration of these students.

Confirmation of registration informs educators that their home-based education programs meet related legal and policy requirements, and they can proceed with delivering their programs. Prompt confirmation of registration reduces the risk of home-based learners receiving education programs that are inconsistent with the *Goals of Education for Saskatchewan* or inappropriate for their age and ability.

3.3 Division Effectively Assessing Education Plans and Progress Reports

We recommended Prairie Valley School Division No. 208 maintain correspondence with home-based educators about the registration, monitoring, and renewal of home-based education programs. (*2018 Report – Volume 1*, p. 97, Recommendation 4; Public Accounts Committee agreement September 25, 2019)

Status—Implemented

We recommended Prairie Valley School Division No. 208 obtain a better understanding of the extent of school division authority to monitor home-based education. (*2018 Report – Volume 1,* p. 98, Recommendation 5; Public Accounts Committee agreement September 25, 2019)

Status—Implemented

We recommended Prairie Valley School Division No. 208 actively assess whether home-based education plans and annual student progress reports meet the requirements established by legislation and the Ministry of Education when registering programs and monitoring learner educational progress. (*2018 Report – Volume 1*, p. 99, Recommendation 6; Public Accounts Committee agreement September 25, 2019)

Status—Implemented

We recommended Prairie Valley School Division No. 208 promptly give educators feedback for all home-based learners following review of learners' annual progress reports. (*2018 Report – Volume 1*, p. 99, Recommendation 7; Public Accounts Committee agreement September 25, 2019)

Status—Implemented

The Division exercises its authority to monitor home-based education when assessing education plans and progress reports provided by educators. It provides educators with feedback on learners' annual progress reports in a timely manner and maintains all correspondence with educators.

Since our 2018 audit, we found the Division increased the rigour of its review of learners' education plans and progress reports when evaluating whether they meet legislative and Ministry requirements. We found the Division increased its understanding of its role in monitoring home-based education programs. For example, staff attended a home-based education webinar provided by the Ministry, and routinely consulted with Ministry staff to seek clarification of the Division's authority and role as deemed necessary (e.g., when assessing information provided by educators).

We found the Division suitably offers assistance to educators in regards to developing education plans and progress reports. The Division hosted two parent information nights in each of the 2018-19 and 2019-20 school years, and invited educators to request individual meetings with Division staff, as needed.

For each of 15 home-based learners' files for the 2018-19 school year tested, we found the Division:

➢ Actively assessed whether the education plans and annual progress reports complied with the requirements established by legislation and the Ministry, and appropriately followed up instances needing corrective action or guidance. In the 15 files tested, the Division found five education plans and six annual progress reports did not meet all of the requirements (e.g., insufficient goals within the education plan, incomplete progress reports). In these instances, the Division gave the responsible educators additional guidance (e.g., examples of appropriate goals for an education plan) to help them comply.

➢ Following its assessment of the annual progress reports, it gave feedback to educators within two weeks of receipt of progress reports.

➢ Maintained all correspondence with the educators in the respective learners' files.

In addition, we found the Division began, in December 2018, providing the Board with semi-annual updates about the status and progress of receipt and assessment of home-based education plans and progress reports.

With an improved understanding of the extent of its authority to monitor home-based education, the Division is better able to effectively monitor the progress of learners—reducing the risk of learners not attaining sufficient educational progress for their age and ability.

3.4 Division Appropriately Renews Home-based Education Programs

> **We recommended Prairie Valley School Division No. 208 only renew the registration of a home-based education program after it receives all required documentation from the home-based educator and confirms that the program complies with the law and related policies.** (*2018 Report – Volume 1*, p. 96, Recommendation 2; Public Accounts Committee agreement September 25, 2019)

Status—Implemented

The Division established a clear process to renew only those home-based education programs that meet requirements for the previous school year.

In June 2018, the Division clearly communicated with all educators (via email) it would not renew home-based education programs until educators had met the requirements for the previous school year (i.e., Division received, evaluated, and approved the annual progress reports). The Division provided similar communications to educators on an individual basis, where necessary, when evaluating annual progress reports for the 2018-19 school year. The Division's home-based education policy clearly indicated that educators must provide the Division with annual progress reports for all learners by June 15th of each year.

For each of 15 home-based learners' files for the 2018-19 school year tested, we found the Division only renewed the related home-based education programs for 2019-20 when it was satisfied with the students' progress for 2018-19 and educators had provided appropriate education plans for 2019-20.

When it assesses the educational progress of learners in the current school year before renewing programs for the next year, the Division can better hold home-based educators accountable for the education of home-based learners.

3.5 Incentive to Improve Home-based Educators' Compliance with Requirements Implemented

> **We recommended Prairie Valley School Division No. 208 consider the use of incentives to encourage educators to comply with all home-based education documentation requirements.** (*2018 Report – Volume 1*, p. 99, Recommendation 8; Public Accounts Committee agreement September 25, 2019)

Status—Implemented

To encourage educators to comply with home-based education documentation requirements, the Division implemented a practice of reimbursing educators for eligible expenses only after it received and assessed learners' annual progress reports.

Following the 2017-18 school year, the Division notified home-based educators it would only provide reimbursement for eligible expenses associated with home-based education

programs after it received and assessed annual progress reports.[6] It reiterated this practice at the parent information sessions in 2018-19, as well as at the end of 2018-19 school year (via emails to educators).

In late 2019, the Division analyzed the practices nine other Saskatchewan school divisions used to encourage educators to comply with home-based education documentation requirements. It found only four other school divisions used monetary incentives—all of which related to withholding reimbursements until educators submitted progress reports. Based on its analysis, the Division decided to maintain its recent practice of reimbursing educators after receiving and assessing annual progress reports.

For 11 of 12 families represented in 15 home-based learners' files we tested, the Division followed its practice to reimburse families only after it received and assessed the learner's annual progress reports. One family tested did not submit a request to the Division for reimbursement of eligible expenses.

Implementation of incentives to encourage educators to comply with all home-based education requirements can foster educators' compliance—reducing the level of resources needed to follow up with educators on missing or insufficient documentation.

4.0 GOALS OF EDUCATION FOR SASKATCHEWAN

Goals of education in Saskatchewan should direct efforts to develop the potential of all students in the province. Education should affirm the worth of each individual and lay the foundation for learning throughout life. Students benefit from exposure to learning in a variety of situations. Attainment of the goals is a venture the school shares with the student, the home, the church, and the community. Although the degree of school responsibility will vary from community to community, the school has some responsibility for each goal. A body of knowledge and a range of skills and attitudes are necessary to function in a changing world. It is intended, then, that education will enable Saskatchewan students to do the following to the best of their abilities:

BASIC SKILLS
1. Read, write, and compute.
2. Acquire information and meaning through observing, listening, reading and experiencing.
3. Process information through intellectual and technological means.
4. Solve problems by applying basic principles and processes of the sciences, arts, and humanities.
5. Communicate ideas through written and spoken language, mathematical symbols, and aesthetic expression.

LIFE-LONG LEARNING
1. Seek and value learning experiences.
2. Act as self-reliant learners.
3. Base actions on the knowledge that it is necessary to learn throughout life.

UNDERSTANDING AND RELATING TO OTHERS
1. Act on the belief that each individual is worthwhile.
2. Base actions on the recognition that people differ in their values, behaviours, and life styles.
3. Interact and feel comfortable with others who are different in race, religion, status, or personal attributes.
4. Develop a sense of responsibility toward others.

SPIRITUAL DEVELOPMENT
1. Seek an understanding of the purpose and worth of human existence.
2. Develop a knowledge of God.
3. Respect family, religion, and culture in a pluralistic society.

CAREER AND CONSUMER DECISIONS
1. Develop an awareness of career opportunities.
2. Develop interests and abilities in relation to vocational expectations.
3. Adapt to shifts in employment patterns and technology.
4. Make informed consumer decisions.

MEMBERSHIP IN SOCIETY
1. Assume responsibility for their own actions.
2. Work with others to achieve individual and group goals.
3. Participate in the democratic processes of government and perform the duties of citizenship.
4. Respect the rights and property of others.
5. Act with honesty, integrity, compassion, and fairness.
6. Develop a sense of national pride and acknowledge the need for international understanding.
7. Work toward greater social justice.
8. Assume responsibility for dependent persons in a manner consistent with their needs.
9. Respect law and authority.
10. Exercise the right of dissent responsibly.

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[6] The Division reimburses home-based educators for approved actual expenses up to a maximum of $500 per year ($250 for kindergarten students).

SELF CONCEPT DEVELOPMENT	GROWING WITH CHANGE
1. Perceive themselves in a positive way. 2. Appreciate their own abilities and limitations. 3. Set and work toward personal goals. 4. Assess praise and criticism realistically. 5. Present themselves with confidence. **POSITIVE LIFE STYLE** 1. Practice appropriate personal hygiene, engage in sufficient physical activity, and maintain a nutritionally balanced diet. 2. Avoid harmful use of alcohol and other drugs. 3. Cultivate interests that may be the basis for personal development and leisure pursuits. 4. Recognize the importance of productive activity. 5. Display initiative and pursue tasks diligently. 6. Maintain a safe and healthful community. 7. Respect and seek to enhance the environment. 8. Appreciate beauty in its many natural and constructed forms. 9. Express themselves creatively.	1. Work toward immediate and long-term goals 2. Base actions on an understanding that change is a natural process in society. 3. Select workable alternatives in response to changing conditions. 4. Develop confidence in making decisions that involve risk.

Source: Ministry of Education, *Saskatchewan Home-based Education: Policy and Procedures Manual*, p. 62.

Chapter 22
Regina School Division No. 4—Promoting Positive Student Behaviour

1.0 MAIN POINTS

Regina School Division No. 4 has improved its processes to promote positive student behaviour.

During the 2018–19 school year, the Division systematically collected, analyzed and reported detailed information on attendance. It also systematically collected, and reported to its Board data on behaviour incidents and student suspensions. Analyzing data about attendance and student behaviour enables the Division to determine if its initiatives are making a positive difference.

The Division maintains guidance for schools regarding documentation of steps taken to support positive student behaviour including attendance. It documented key discussions, decisions, and steps taken to support student attendance in accordance with Division guidance. Keeping documentation of actions taken to address attendance issues helps provide a consistent course of action and monitor steps taken to promote regular student attendance.

By September 2019, the Division tracked updates to its administrative procedures resulting from its annual review process. Periodically reviewing administrative procedures helps ensure their continuing relevance and applicability.

2.0 INTRODUCTION

Student behaviour influences the extent and quality of education students receive. Positive student behaviour contributes to a safe and accepting learning environment, which is essential for student achievement and well-being.[1] The success of students can have a significant impact on our society and economy. Poor behaviour can contribute to students leaving school before graduating from Grade 12 or without obtaining marks that could assist them in obtaining further education or finding employment.[2]

The Regina School Division No. 4 is one of the largest public school divisions in Saskatchewan with about 23,000 students in 44 elementary schools and eight high schools.[3] Division enrolments continue to grow annually enhanced by economic growth, increased immigration, and record birthrates in the City of Regina.[4]

This chapter describes our second follow-up of management's actions on the recommendations we made in 2016.

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[1] www.edu.gov.on.ca/eng/safeschools/saferSchools.html (19 December 2019).
[2] Auditor General of British Columbia, *Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing*, (2001), p. 19.
[3] *Regina School Division No. 4 of Saskatchewan Annual Report 2018–19*, p. 7.
[4] Ibid., p. 35.

In 2016, we assessed the Division's processes for promoting positive student behaviour. Our *2016 Report – Volume 1*, Chapter 13 concluded that for the 12-month period ended November 30, 2015, Regina School Division No. 4 had, other than in the areas of our recommendations, effective processes to promote positive student behaviour at school. We made five recommendations. By March 2018, the Division had implemented two of our recommendations and partially implemented the other three.[5]

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Division's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Division's management agreed with the criteria in the original audit.

To perform our follow-up audit, we discussed actions taken with Division management and school principals. We reviewed agendas and minutes of the Division's Administrative Council Executive, information the Division reported to its Board, and public documents. For a sample of students, we examined documentation maintained by staff to monitor attendance and support students in improving attendance.

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 March 10, 2020, and the Division's actions up to that date.

3.1 Reporting on Overall Success of Student Behaviour Initiatives

> ***We recommended that Regina School Division No. 4 establish a process to track and report to its Board of Education the overall success of its initiatives to promote positive student behaviour.*** (*2016 Report – Volume 1*, p. 162, Recommendation 5; Public Accounts Committee agreement September 14, 2016)

Status—Implemented

The Division systematically collects, analyzes and reports detailed information on attendance. The Division also systematically collects, and reports to its Board, data on behaviour incidents and student suspensions.

Each school year, the Division evaluates the success of its initiatives to promote attendance through year-over-year comparisons (e.g., changes in attendance rates, number of suspensions). During the 2018–19 school year, the Division reported information to its Board on the overall success of its initiatives to promote positive student behaviour.[6]

Analyzing data about attendance and student behaviour enables the Division to determine if its initiatives are making a positive difference.

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[5] *2018 Report – Volume 1*, Chapter 25, Regina School Division No. 4—Promoting Positive Student Behaviour, auditor.sk.ca/publications/public-reports.
[6] Examples of Division initiatives include Attendance Matters campaign, recognition for good attendance, and Violent Threat Risk Assessment Protocol.

3.2 Division Monitors and Supports Student Attendance

> ***We recommended that Regina School Division No. 4 require consistent and accessible documentation of key discussions, decisions, and steps taken to support positive student behaviour.*** (*2016 Report – Volume 1*, p. 160, Recommendation 4; Public Accounts Committee agreement September 14, 2016)

Status—Intent of Recommendation Met

Since March 2018 (timing of our last follow-up audit), the Division better and more consistently documents steps taken to support student attendance consistent with its guidance.

The Division uses a tiered intervention process to support students with behaviour and attendance issues. At each tier, interventions become more intensive, and involve more professionals (e.g., school psychologist, guidance counsellor). The Division gives staff guidance on required documentation to keep in the student supports IT system.

In addition to the tiered intervention process, for its high schools, the Division employs a High School Attendance Strategy to improve student attendance. The strategy sets out protocols for responding to attendance issues, such as maintaining documentation of contact and communications with parents or guardians on attendance issues in the Division's attendance tracking system.

For files of 30 high school students we tested, school staff maintained support for actions taken to support student attendance (e.g., phone calls to student's residence, meetings with parents or guardians) in the attendance tracking system and student supports IT system.

For 30 files of elementary school students we tested, school staff sufficiently documented, where required by Division guidance, key discussions, decisions, and steps taken to support the student's attendance in the student supports IT system.

Keeping documentation of actions taken to address attendance issues helps provide a consistent course of action and monitor steps taken to promote regular student attendance.

3.3 Administrative Procedures Reviewed Regularly

> ***We recommended Regina School Division No. 4 review and update policies (administrative procedures) on a regular basis as its policy expects.*** (*2016 Report – Volume 1*, p. 155, Recommendation 1; Public Accounts Committee agreement September 14, 2016)

Status—Implemented

By September 2019, the Division conducted an annual review of its administrative procedures, which included administrative procedures related to student behaviour.

The Division tracks when it last updated its administrative procedures, including highlighting those procedures that it has not updated for many years (i.e., more than five years, and more than 10 years). The Division aims to review its administrative procedures on a five-year cycle; approximately 40 procedures annually.

Periodically reviewing administrative procedures helps ensure their continuing relevance and applicability.

Chapter 23
Saskatchewan Government Insurance—Confirming Only Qualified Drivers Remain Licensed

1.0 MAIN POINTS

By November 2019, Saskatchewan Government Insurance (SGI) continued to work on implementing one outstanding recommendation we reported in 2016.

SGI entered information promptly into its AutoFund IT system consistent with its procedures for the vehicle impoundments, criminal code convictions, and roadside suspensions we tested.

Staff are not always entering driver information about out-of-province summary offence tickets into the AutoFund IT system within the expected timeframes. SGI has clear, formal guidance on timeframes to record driver information. Delays in entering traffic offence information can delay the commencement of SGI's disciplinary process for unsafe drivers.

2.0 INTRODUCTION

2.1 Background

The Traffic Safety Act makes SGI responsible for issuing licences to eligible drivers, and confirming that only qualified drivers remain licensed to operate motor vehicles. It may suspend or revoke licences from individuals whose habits or conduct make their operation of a motor vehicle a source of danger to the public. Alternatively, it may sanction them (e.g., require the completion of a defensive driving course).

SGI, on behalf of the Saskatchewan Auto Fund, registers vehicles, licenses drivers, and provides related services to approximately 800 thousand drivers and approximately 1.2 million vehicles and trailers in Saskatchewan.[1] Enforcement (e.g., policing) of traffic safety laws is the responsibility of law enforcement—not SGI.

2.2 Focus of Follow-Up Audit

This chapter describes our second follow-up of management's actions on the recommendations we reported in 2016. Our *2016 Report – Volume 1*, Chapter 15, concluded, for the 12-month period ended December 31, 2015, SGI had effective processes to confirm only qualified drivers remain licensed to operate motor vehicles, except for the five areas in which we made recommendations. [2] By January 31, 2018, SGI implemented four recommendations and partially implemented one. [3]

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[1] 2018–19 Saskatchewan Auto Fund Annual Report, p. 8.
[2] The original report regarding these recommendations can be found at auditor.sk.ca/publications/public-reports. We reported the original auditor work in our *2016 Report – Volume 1*, Chapter 15 (pp. 181-199).
[3] We reported our previous follow up on SGI's actions on recommendations in our 2018 Report – Volume 1, Chapter 27 (pp. 281-285).

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate SGI's progress toward meeting our recommendations, we used the relevant criteria from the original audit. SGI management agreed with the criteria in the original audit.

To carry out our follow-up audit, we interviewed SGI staff and examined guidance provided to staff. We assessed whether SGI followed its guidance for entering driver information into its computer system.

3.0   STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Crown and Central Agencies agreed to the recommendation, the status of the recommendation at November 30, 2019, and SGI's actions up to that date.

3.1   Written Guidance for Updating Driver Information Not Always Followed

We recommended Saskatchewan Government Insurance establish written guidance outlining expected timeframes for entry of driver information into the computer system used to administer driver's licences. (*2016 Report – Volume 1*; p. 188, Recommendation 1; Standing Committee on Crown and Central Agencies agreement December 1, 2016)

Status – Implemented for criminal code convictions, vehicle impoundments, and roadside suspensions. Partially Implemented for out-of-province summary offence tickets.

Sometimes, staff are entering information about drivers and traffic offences occurring out-of-province into its computer system later than SGI's guidance expects.

SGI uses an IT system to track and maintain key information about drivers (i.e., the AutoFund IT system). As reported in our *2018 Report – Volume 1*, Chapter 27, follow-up audit, SGI updated its Driver Programs Procedure Manual to give staff clear, formal guidance on timeframes to record information in the AutoFund IT system. See expected timing in **Figure 1**.

Figure 1—Expected Timing of Data Entry into AutoFund IT System

Driver information	Expected frequency of data entry from original audit	Expected frequency of data entry at November 30, 2019, per SGI's Procedure Manual
Criminal Code Conviction (includes from other provinces)	3 days	5 days
Out-of-Province Summary Offence Tickets	As time permitted	14 days
Vehicle Impoundments	3 days	3 days
Roadside Suspensions (includes from other provinces)	3 days	3 days

Source: Developed by the Provincial Auditor's Office based on SGI records.

In the nine vehicle impoundment tickets, five criminal code convictions, and three roadside suspensions we tested, SGI entered the information promptly into its AutoFund IT system consistent with its procedures.

However, SGI did not enter driver information into its AutoFund IT system consistent with its procedure manual expectations for out-of-province summary offence tickets. For 13 out-of-province summary offence tickets we tested, staff entered two tickets later than the 14-day timeframe outlined in the procedure manual.

SGI received more than 11,000 out-of-province tickets for the period January 1, 2019 to November 15, 2019.

SGI gives staff more time to enter out-of-province summary office tickets because it considers in- and out-of-province summary offence tickets (e.g., speeding tickets) as low risk. This is because not all summary offence tickets have demerit points associated with them. In addition, drivers need to accumulate a specific amount of demerit points before SGI's Driver Improvement Program requires an actionable item such as a driver's licence suspension or completion of a driver education course.

Delays in entering traffic offence information can delay the commencement of SGI's disciplinary process for unsafe drivers.

Chapter 24
Saskatchewan Health Authority—Administering Medication in Weyburn and Estevan Hospitals

1.0 MAIN POINTS

The Saskatchewan Health Authority is responsible for administering medication to its patients in Weyburn and Estevan hospitals.

As of November 2019, the Authority implemented our last outstanding recommendation about staff in these hospitals consistently documenting key information about patients (e.g., patient weight) to support decisions about medication prescribed in hospitals.

2.0 INTRODUCTION

This chapter describes our follow-up of management's actions on a recommendation we originally made in 2013.

In 2013, we assessed processes the Sun Country Regional Health Authority (amalgamated into the Saskatchewan Health Authority in 2017) used to manage and administer medications in its two district hospitals—Weyburn General Hospital and St. Joseph's Hospital in Estevan.[1] We made five recommendations for improvement. By December 31, 2017, the Saskatchewan Health Authority significantly improved its management and administration of medications at the Weyburn General and Estevan hospitals by implementing four of the five recommendations.[2]

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Authority's progress toward meeting our recommendations, we used the relevant criteria from the original audit. The Authority's management agreed with the criteria in the original audit.

To perform our follow-up audit on the outstanding recommendation, we discussed with management actions taken, reviewed current policies, tested a sample of 30 patient files, and consulted with a pharmacist.

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 November 30, 2019, and the Saskatchewan Health Authority's actions up to that date.

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[1] *2013 Report – Volume 2*, Chapter 31. auditor.sk.ca/publications/public_reports.
[2] *2018 Report – Volume 1*, Chapter 30. auditor.sk.ca/publications/public_reports.

3.1 Patient Medication Profiles Recorded and Reviewed

We recommended Sun Country Regional Health Authority consistently complete patient medication profiles by documenting patients' weight.

(*2013 Report – Volume 2*, p. 244, Recommendation 4; Public Accounts Committee agreement January 15, 2015)

Status—Implemented

The Authority consistently records and reviews patient medication profiles before administering medication to patients within its Weyburn and Estevan hospitals. A medication profile includes a patient's name, gender, age, known allergies, and a comprehensive list of medications taken in the past.

The Authority's work standard *Best Possible Medication History* requires hospital staff to document the height and weight of patients to support a patient's medication profile.

Patient weight, while important, is not the sole determinant in administering appropriate medication doses to patients. Many medications have a fixed dosage amount dependent on whether the patient is an adult (age dependent versus weight dependent).

In addition, the Authority requires the hospital pharmacist to review the dosage of medications physicians prescribe in a hospital prior to the hospital administering medications to a patient. This second check ensures the medication and dosage make sense given each patient's history and status.

Up to November 2018, through its medication reconciliation audits, Authority staff in Weyburn and Estevan hospitals checked whether staff recorded a patient's weight. In these medication reconciliation audits, staff tested a sample of files, and used a detailed audit template. Its audit results found staff at these hospitals properly recorded patient weight between 70% and 100% of the time (on average 90% of the time). The Authority discontinued checking whether staff in these hospitals recorded patient weights because of the high staff compliance rate.

For 22 of 30 patient files we tested for files selected from both hospitals (for patients admitted since fall 2018), staff clearly recorded patient weight. For each of the eight files without a patient weight record, the file contained sufficient information about profile factors (e.g., age, patient condition) to enable the hospital pharmacist to adequately review the patient's medication dosage amount.

For all 30 patient files we tested, every file contained evidence of a pharmacist reviewing prescribed medication dosages prior to their administration.

Chapter 25
Saskatchewan Health Authority—Efficient Use of MRIs in Regina

1.0 MAIN POINTS

By January 2020, the Saskatchewan Health Authority implemented three and made progress on the other four of the seven recommendations we made in 2017 about the efficient use of magnetic resonance imaging (MRI) services in Regina.

The Authority developed work standards to have staff track the actual completion dates of each stage of MRI services and reasons for rescheduling MRI appointments in its IT system. The Authority also implemented an audit process to validate the accuracy of data in that system.

In addition, the Authority began to regularly analyze MRI volume data on a weekly and monthly basis to identify significant patient waits for MRI services, but more work remains.

The Authority needs to analyze the dates of the different stages of MRI services that it now tracks to determine causes and ways to address significant delays.

The Authority did not yet formally assess the quality of MRI interpretations radiologists provide; however, the Authority was in the process of developing a peer review program to do so.

The Authority appropriately monitored the selection and volume of MRI scans sent to contracted licensed private operators, but had not yet developed a process to monitor the timeliness and quality of MRI scans performed by private MRI operators.

Once the Authority implements processes to assess the timeliness and quality of all MRI scans, it needs to determine the nature and timing of additional information senior management and the Board will need to receive to better monitor MRI service delivery.

Having timely and quality MRI service delivery alleviates patient stress, avoids unnecessary referrals, and reduces costs.[1] It also facilitates timely and appropriate diagnosis or treatment to help improve patient outcomes.

2.0 INTRODUCTION

2.1 Background

Under *The Provincial Health Authority Act*, the Saskatchewan Health Authority is responsible for the planning, organization, delivery, and evaluation of the health services that it provides. This includes provision of MRI services.

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[1] www.ncbi.nlm.nih.gov/pmc/articles/PMC2576308/ (24 March 2020).

Efficient use of MRI services can support timely diagnosis and monitoring of injuries and disease. Effective MRI services involves physicians appropriately using MRIs as diagnostic tools, patients receiving quality MRI scans within an appropriate timeframe, and physicians obtaining the reliable interpretations of the scans within a reasonable timeframe.

The Authority has seven MRI scanners in five Saskatchewan hospitals located in Moose Jaw Dr. F.H. Wigmore Regional Hospital, Regina General Hospital (two), Saskatoon City Hospital, Royal University Hospital (two), and St. Paul's Hospital in Saskatoon.[2]

In addition, it has contracted two licensed private imaging operators to supplement hospital-based MRI services in Regina.[3]

Figure 1 shows the number of patient visits and MRI scans performed at each location–Regina, Regina licensed private operators, Saskatoon, and Moose Jaw in the 2018–19 fiscal year.

Figure 1—Number of Patient Visits and MRI Scans Performed at Each Location in 2018–19

	Regina	Regina Licensed Private Operators	Regina Total	Saskatoon	Moose Jaw
Number of Patient Visits	10,292	4,575	**14,867**	17,978	2,021
Number of Exams	13,499	5,692	**19,191**	30,414	2,743

Source: Adapted from information provided by the Saskatchewan Health Authority.

Also, *The Patient Choice Medical Imaging Act* gives residents the option of personally paying for MRI services through a licensed private operator. The Act requires private operators to provide a free MRI scan to an individual on the public MRI wait list for each scan personally paid for by residents (i.e., one-for-one model).

2.2   Focus of Follow-Up Audit

This audit follows up on seven recommendations we made in our *2017 Report – Volume 1*, Chapter 10 about the former Regina Qu'Appelle Regional Health Authority's processes for the efficient use of MRIs.[4] We concluded that for the period from February 1, 2016 to January 31, 2017, Regina Qu'Appelle had effective processes other than areas identified in our seven recommendations.[5]

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Authority's progress toward meeting our recommendations, we used the relevant criteria from the original audit. The Authority's management agreed with the criteria in the original audit.

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[2] Patients in Lloydminster can receive MRI services at the community-based scanner provided through a contract between the Saskatchewan Health Authority, Alberta Health Services, and Lloydminster Medical Imaging.
[3] www.saskatchewan.ca/residents/health/accessing-health-care-services/medical-imaging/procedures/magnetic-resonance-imaging-exam (3 March 2020).
[4] The former Regina Qu'Appelle Regional Health Authority became part of the Saskatchewan Health Authority in December 2017.
[5] auditor.sk.ca/pub/publications/public_reports/2017/Volume_1/10_RQRHA%20_MRI.pdf (20 April 2020).

To complete our follow-up audit, we interviewed relevant Authority staff, examined the Authority's policies and procedures, IT system, reports, and other data related to MRI services. We examined the scheduling and completion process for a sample of MRI scans completed at the Regina General Hospital and by the contracted MRI private operators in Regina.

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 January 31, 2020, and the Authority's actions up to that date.

3.1 Better Tracking of Data at Each Stage of MRI Services

We recommended the Saskatchewan Health Authority track actual dates of each stage of MRI services and reasons for rescheduling MRI appointments to help it determine the causes of significant waits of patients for MRI services. (*2017 Report – Volume 1*, p. 141, Recommendation 2; Public Accounts Committee agreement June 13, 2018)

Status—Implemented

We recommended the Saskatchewan Health Authority validate the accuracy of MRI services data in its Radiology Information System. (*2017 Report – Volume 1*, p. 141, Recommendation 3; Public Accounts Committee agreement June 13, 2018)

Status—Implemented

The Authority tracks actual dates of each stage of MRI services and reasons for rescheduling in its IT system called the Radiology Information System (RIS). It also implemented an audit process to validate the accuracy of data in RIS.

The Authority uses RIS to track key information on its MRI service delivery. For example, for each MRI scan, RIS tracks the following dates:

➢ Received the physician's requisition

➢ Booked the patient

➢ Any reschedules of booked scan

➢ Scan completed

In 2017, the Authority developed several work standards to guide its staff to track additional information about each step of providing an MRI in RIS. For example, the Authority requires staff to record the following in RIS:

➢ Date request sent to radiologist for protocolling[6]

➢ Date radiologist returns protocolling

➢ Date request sent to licensed private operators

➢ Reasons for rescheduling of MRI scans

For each of 15 completed MRI scans we tested, staff properly recorded in RIS all of the key dates. In the three cases we tested that required rescheduling, staff recorded the reasons. For example, one patient was scheduled to have an MRI done at night. The patient did not feel comfortable driving at night, and requested the MRI to be rescheduled.

Beginning fall 2019, the Authority also implemented an audit process to check the accuracy of MRI requisitions in RIS (e.g., correct patient details, correct date MRI request received). Staff complete the audits daily and report the results to management weekly. Each of 15 MRI scans we tested had accurate information about the MRI requisition recorded in RIS.

Having additional and accurate information in RIS allows the Authority to determine causes of significant patient waits for MRI services and develop targeted strategies to address the causes of MRI service delays.

3.2   Authority Working on Regularly Analyzing MRI Services Data

> *We recommended the Saskatchewan Health Authority regularly analyze MRI data to determine causes of significant waits of patients for MRI services.* (*2017 Report – Volume 1*, p. 140, Recommendation 1; Public Accounts Committee agreement June 13, 2018)
>
> **Status**—Partially Implemented

The Authority has begun to regularly analyze data to determine significant patient waits for MRI services, but more work remains.

The Authority uses data from its IT system called Radiology Information System (RIS) to closely monitor completion of MRI scans. The Authority produces weekly and monthly reports on volumes of MRI scans completed, as well as wait times for MRI scans (see **Section 3.6** for more details on reports). These reports help medical imaging staff to quickly identify any current issues to address (e.g., decrease of weekly numbers of MRI scans due to staff vacancies).[7]

The Authority tracks wait lists for cardiology MRIs and breast MRIs separately as both have special procedures (e.g., a specialized radiologist must be present for a cardiology MRI; there are three specialized radiologists in Regina). We found, as at February 17, 2020, patients who need cardiology MRIs and breast MRIs were waiting the longest; an average of 67 days for cardiology MRIs, and 33 days for breast MRIs.

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[6] Protocolling is assessing the request for a MRI scan to determine optimal type of imaging required.
[7] Medical Imaging staff include supervisors, managers, directors, and an executive director.

The Authority is aware demand exceeds Regina's capacity to perform MRI scans. It estimates the demand for MRI services will grow 4 percent annually.

Consistent with previous years, the Authority did not meet demand for MRI scans in 2019 in Regina (see **Figure 2**), which resulted in patients waiting more days than the MRI guidelines suggest. The MRI wait-time guidelines include four priority levels as follows:

➢ Level 1 (emergency) MRI should be done within 24 hours

➢ Level 2 (urgent) within 2–7 days

➢ Level 3 (semi-urgent) within 8–30 days

➢ Level 4 (non-urgent) within 31–90 days

Figure 2—Number of New MRI Requests (Demand) and MRI Requests Removed in Regina[A]
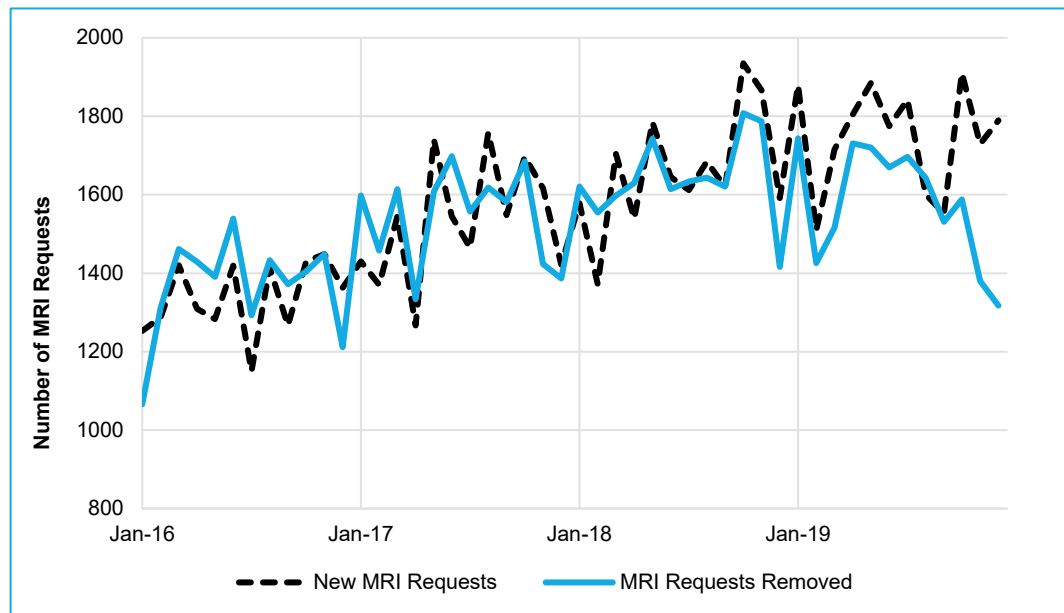
Source: Information provided by the Saskatchewan Health Authority.
[A] MRI Requests Removed includes completed MRI requests and cancelled MRI requests (e.g., patient moved, patient privately paid for MRI).

At December 31, 2019, Regina had 3,237 patients waiting for MRI scans.[8] Of those:

➢ 54 percent of patients (1,741) had not waited for more than 7 days for an MRI in Regina

➢ 96 percent of patients (3,123) were classified as semi-urgent or non-urgent

➢ However, 5 percent of patients (143) had been waiting for more than 90 days (the longest wait-time guideline)

See **Figure 3** for number of patients waiting to be scheduled by priority level.

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[8] At December 20, 2016, Regina had 2,809 patients waiting for MRI scans. December 20, 2016 was the timing of information provided in our original audit.

Figure 3—Number of Patients Waiting to be Scheduled for a Regina MRI by Priority Level, December 31, 2019

MRI Priority Level	More than 7 days	More than 30 days	More than 90 days
Level 2 (Urgent)	5	9	0
Level 3 (Semi-Urgent)	482	345	66
Level 4 (Non-Urgent)	241	271	77
Total number of patients	**728**	**625**	**143**

Source: Adapted from information provided by the Saskatchewan Health Authority.

The Authority is working on developing detailed reports to help staff analyze its data about MRI services. It plans to analyze the time it takes to complete different stages of an MRI service to determine causes of MRI service delays (e.g., the length of time it takes to protocol an MRI request and then to book an MRI scan).

Systematic analysis of data on MRI service delivery can help with identification of root causes for delays and opportunities to enhance efficiency.

3.3   Quality of Radiologist Interpretations Not Yet Assessed

We recommended the Saskatchewan Health Authority formally and systematically assess the quality of MRI services that radiologists provide.

(*2017 Report – Volume 1*, p. 143, Recommendation 4; Public Accounts Committee agreement June 13, 2018)

Status—Partially Implemented

The Authority does not yet formally and systematically assess the quality of MRI services radiologists provide, but work is underway.

In June 2019, the Authority began working with eHealth to develop an IT system to help assess the quality of radiologist interpretations of MRI scans. It plans to use this system to have formal peer reviews of the scans performed. For example, the system would allow a second radiologist to review protocolling decisions, and confirm the interpretation of an image of the original radiologist. The Authority plans to implement this new IT system in 2020–21.

Without formally and systematically assessing the quality of MRI services that radiologists provide, the Authority does not know if radiologists are providing reliable MRI services. Accurate interpretation of MRI scans can be crucial to proper diagnosis and treatment plans for patients.

3.4   Selection and Volumes of MRI Scans Sent to Contracted Operators Monitored

We recommended the Saskatchewan Health Authority regularly monitor the selection and volume of MRI scans sent to private MRI operators.

(*2017 Report – Volume 1*, p. 144, Recommendation 5; Public Accounts Committee agreement June 13, 2018)

Status—Implemented

The Authority actively monitors the selection and volume of MRI scans sent to licensed private MRI operators, and the volume of MRI scans operators complete each week.

The Authority has contracts with two private MRI operators for a combined capacity of 5,580 MRI scans per year.

In 2017, the Authority developed work standards for its technicians to determine which MRI scans to send to private operators (e.g., semi-urgent and non-urgent MRI requests, MRI requests for claustrophobic patients).

Private operators do about 30 percent of MRIs in Regina. Approximately 72 percent of the MRI scans sent to the private operators are classified as level 3 (semi-urgent), 23 percent as level 4 (non-urgent), and 4 percent as level 2 (urgent).

For 15 MRI scans sent to private operators we tested, each scan sent met the criteria established in the work standards (e.g., each were semi-urgent or non-urgent scans).

We found, as shown in **Figure 4** over the last five years, the Authority fully utilized contracted MRI capacity other than the 2016–17 fiscal year, and for the first nine months of 2019–20.

Figure 4—MRI Capacity and MRI Scans at Contracted MRI Licensed Private Operators

	2015–16	2016–17	2017–18	2018–19	April 2019–December 2019 (9 months)
Contracted capacity	5,580	5,580	5,580	5,580	4,185[A]
MRI scans	5,840	4,924	6,080	5,692	4,102
% of scans meeting contracted capacity	105%	88%	109%	102%	98%

Source: Adapted from information provided by the Saskatchewan Health Authority.
[A] Contracted capacity prorated over nine months.

In addition, between April and December 2019, private operators provided 1,591 MRI scans under the one-for-one model (for each privately paid MRI scan, the private operator provides a second scan of similar complexity to a patient on the public wait list at no cost to the patient or the Authority).[9]

The Authority maintains a separate booking list for those patients who are eligible to have a scan done by a private operator under the one-for-one model. Once private operators complete the scan, they inform the Authority when the scan was completed and staff update RIS. For 10 scans completed under the one-for-one model we tested, RIS was updated within a reasonable time (i.e., within nine days) to record when the second scan was provided.

Active monitoring promotes the Authority selecting the appropriate type and number of scans to send to private operators. Using private operators helps the Authority to complete additional scans it could not otherwise.

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[9] The one-for-one model came into force on February 29, 2016. Between March and December 2016, the time of our original audit, licensed private operators provided 1,192 MRI scans under the one-for-one model.

3.5 Better Monitoring of Quality and Timeliness of MRI Services Provided by Private Operators Needed

We recommended the Saskatchewan Health Authority regularly monitor the quality and timeliness of MRI services that contracted private MRI operators provide. (*2017 Report – Volume 1*, p. 144, Recommendation 6; Public Accounts Committee agreement June 13, 2018)

Status—Partially Implemented

The Authority does not sufficiently monitor the quality and timeliness of MRI services contracted licensed private operators provide.

The Authority requires these operators to follow the wait-time guidelines for public MRI scans. Under the one-for-one model, the private operator is to schedule the second scan within 14 days after completing the privately paid scan. As described in **Section 3.1**, the Authority tracks the MRI requisitions and the date they are sent to private operators in RIS, as well as when the private operator books patients for MRI scans.

However, the Authority does not analyze the time it takes private operators to complete MRI scans.

For all five public MRI scans we tested, the time that each private operator took was within the wait-time guidelines (e.g., between eight to 30 days for a semi-urgent MRI scan). They took, on average, 11 days to complete the requested MRI scan (time taken ranged from nine to 18 days).

However, for three of ten scans under the one-for-one model we tested, a private operator took longer than the 14 day requirement. In the three cases, we found it took 17, 24, and 42 days to complete the scan. The private operator did not provide the Authority with reasons for the delays. We did not see evidence of the Authority requesting reasons from the operator.

Lack of timely MRI scans performed at private operators may indicate a concern with their prioritization methods or capacity. This impacts how long patients are waiting for MRI services.

The Authority does not monitor the quality of MRI scans completed by private operators. As described in **Section 3.3**, the Authority is in the process of implementing a formal peer review system to help assess the quality of MRI services; this includes MRI services contracted licensed private operators provide.

3.6 Reporting on Timeliness of MRI Services Received

We recommended the Board of the Saskatchewan Health Authority receive periodic reports on the timeliness and quality of MRI services, including actions taken to address identified deficiencies. (*2017 Report – Volume 1*, p. 146, Recommendation 7; Public Accounts Committee agreement June 13, 2018)

Status—Partially Implemented

The Board and senior management receive periodic reports on the timeliness of MRI services. They do not yet receive periodic reports on the quality of MRI services.

Each year, the Board receives, as part of the Authority's Business Plan, the number of MRI visits in the province. In February 2020, it also started receiving quarterly updates on timely access to diagnostic services, including MRI services. The report included the number of MRI cases in the province waiting longer than 90 days at month end for the period of April 2015 to December 2019.

In fall 2019, senior management began receiving more information on the Authority's MRI services. For example, management receives weekly reports on volumes of MRI scans for each site broken down by:

➢ Patient counts (e.g., Regina General Hospital, Royal University Hospital, contracted licensed private operators) with a comparison to the weekly target rate

➢ Number of MRI procedures by priority level

➢ Number of MRI procedures by patient type (e.g., day surgery, emergency, inpatient, outpatient)

Each month, management also receives a waitlist analysis report. It includes the number of patients waiting for an MRI by priority level, as well as a breakdown of patients waiting for different types of MRIs (i.e., pediatric, breast and cardiac). The report also notes the date of the longest waiting MRI for each level and type.

Beginning January 2020, management started receiving a quarterly summary and analysis of MRI services in the province. It includes an assessment of licensed private operator volumes, inpatient and outpatient volumes, waitlist management, and wait times. We found this report was also shared with senior management.

As noted in **Section 3.3**, the Authority does not yet assess the quality of MRI services. Once a MRI quality management process is developed, senior management and the Board expect to determine the nature and timing of information required on the quality of MRI services provided.

Chapter 26
Saskatchewan Health Authority—Maintaining Medical Equipment in Healthcare Facilities in Melfort and Surrounding Area

1.0 MAIN POINTS

By November 2019, the Saskatchewan Health Authority improved its processes to maintain medical equipment consistent with required manufacturer standards. This equipment is located within healthcare facilities in Melfort and surrounding area. Maintained medical equipment includes intravenous pumps, ventilators, and cardiac monitors.

Maintaining medical equipment consistent with manufacturers' requirements decreases the risk of equipment working improperly or not safely when needed.

2.0 INTRODUCTION

2.1 Background

Medical equipment is essential to diagnose and treat patients. Medical equipment requires preventative maintenance commonly set by manufacturers.

Under *The Provincial Health Authority Act*, the Saskatchewan Health Authority is responsible for its patients' overall quality of care. This includes supplying properly functioning medical equipment to provide safe, patient-centred care.

2.2 Focus of Follow-Up Audit

This chapter describes our fourth follow-up of management's actions on a recommendation we first made in 2010 about processes to maintain medical equipment within healthcare facilities in Melfort and surrounding area.[1]

At December 31, 2017, the time of our last follow-up, the Authority had not fully implemented the recommendation—it had not maintained all equipment in accordance with the required standards.[2]

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Authority's progress toward meeting our recommendations, we used the relevant criteria from the original audit. The Authority's management agreed with the criteria in the original audit.

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[1] Our *2010 Report – Volume 2*, Chapter 11C, concluded that for the year ended March 31, 2010, the former Kelsey Trail Regional Health Authority did not have adequate processes to maintain its medical equipment. We made seven recommendations. Find the original report regarding these recommendations at auditor.sk.ca/publications/public-reports. We reported the original audit work in *2010 Report – Volume 2*, Chapter 11C, pp. 179–186.

[2] *2018 Report – Volume 1*, Chapter 28, pp. 287–289. auditor.sk.ca/publications/public-reports.

To complete the audit, we discussed progress management made in meeting our recommendation and examined key policies. We also tested a sample of medical equipment to determine whether the Authority performed maintenance in a timely way and in accordance with required standards.

3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to it, the status of the recommendation at November 30, 2019, and the Authority's actions up to that date.

3.1 Medical Equipment Maintained According to Manufacturer Requirements

> *We recommended Kelsey Trail Regional Health Authority maintain all equipment in accordance with the required standards.* (*2010 Report – Volume 2*, p. 183, Recommendation 2; Public Accounts Committee agreement January 19, 2011)

Status—Implemented

The Authority maintained medical equipment within healthcare facilities located in Melfort and surrounding area in accordance with manufacturers' requirements (standards). Maintenance schedules set out in its IT maintenance system aligned with manufacturers' maintenance requirements.

At November 2019, staff within healthcare facilities in Melfort and surrounding area continue to use the former Kelsey Trail Regional Health Authority's Risk-Based Equipment Management Program Policy to maintain medical equipment located within these facilities.[3] The policy requires maintenance to occur according to manufacturers' requirements. It expects staff to document maintenance frequency, parts required, and tasks to complete for each item requiring maintenance. Staff use the former Kelsey Trail Regional Health Authority's maintenance IT system to document this information.

For 30 pieces of medical equipment tested, we found staff completed maintenance within a reasonable period and in accordance with manufacturers' requirements.

Properly maintaining medical equipment in accordance with manufacturers' requirements decreases the risk of equipment working improperly or not safely when needed.

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[3] The Authority is in the process of developing a provincial set of policies for a risk-based preventative maintenance program.

Chapter 27
Saskatchewan Health Authority—Medication Management in Long-Term Care Facilities in Kindersley and Surrounding Area

1.0 MAIN POINTS

The Saskatchewan Health Authority is responsible for establishing and enforcing policies and procedures so long-term care residents get the right medication, at the right dosage, when required.

By December 2019, the Authority improved several processes for managing medication plans for long-term care residents in facilities located in Kindersley and surrounding area. It fully implemented five of seven recommendations we first made in 2014.

The Authority improved documentation in resident files by including quarterly medication reviews, prescription changes, and nurses' notes. This documentation decreases the risk of patients receiving incorrect medications, dosages, or frequency.

The Authority also established processes to identify trends and issues related to medication management. It summarizes medication incident reports centrally for facility managers to identify trends in medication incidents and create targeted training to correct the incidents. In addition, the Authority has initiated a process to assess the appropriateness of antipsychotic prescriptions given to residents.

The Authority still needs to document informed consent from long-term care residents or their designated decision-makers for the use of medication as a restraint or when changes to high-risk medications are made. Decision makers or residents should be aware if medication is used as a restraint or is changed, as medication can significantly impact a resident's quality of life.

2.0 INTRODUCTION

As of December 31, 2019, the Saskatchewan Health Authority had 477 long-term care beds in 14 long-term care facilities in Kindersley and surrounding area.

We assessed the Authority's processes related to medication management in long-term care facilities located in Kindersley and surrounding area in 2014. Our *2014 Report – Volume 2*, Chapter 35 concluded that the Authority did not have effective processes to manage medication plans for residents in those long-term care facilities.[1] We made 17 recommendations. By August 31, 2017, the Authority implemented nine of these 17 recommendations. In addition, we determined one recommendation was no longer relevant.[2]

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[1] The original report regarding these recommendations can be found at auditor.sk.ca/publications/public-reports. We reported the original audit work in *2014 Report – Volume 2*, Chapter 35.
[2] Our follow-up audit report can be found at auditor.sk.ca/public-reports. We reported the audit work in *2017 Report – Volume 2*, Chapter 37.

This chapter includes our second follow-up audit on the seven outstanding recommendations.

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Authority's progress towards meeting the seven outstanding recommendations, we used the relevant criteria from the original audit. The Authority's management agreed with the criteria in the original audit.

To complete the audit, we visited three long-term care facilities in Kindersley—surrounding area, tested a sample of resident files, and reviewed both established policies and reports about managing medications. We also discussed processes and results 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 December 31, 2019, and the Saskatchewan Health Authority's actions up to that date.

3.1 Medication Management Policies Followed

We recommended the Saskatchewan 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,* p. 245, Recommendation 6; Public Accounts Committee agreement September 17, 2015)

Status—Implemented

We recommended the Saskatchewan Health Authority follow its established policies and procedures for medication changes for its long-term care residents. (*2014 Report – Volume 2,* p. 250, Recommendation 11; Public Accounts Committee agreement September 17, 2015)

Status—Implemented

We recommended the Saskatchewan 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,* p. 248, Recommendation 10; Public Accounts Committee agreement September 17, 2015)

Status—Implemented

The Saskatchewan Health Authority utilized a multi-disciplinary team approach to complete quarterly reviews of medications of residents in long-term care facilities located in Kindersley and surrounding area. The Authority also made significant improvements in documenting medication-related activities in resident files since our last follow-up audit in 2017.

The Authority expects resident files to include information on quarterly medication reviews, medication administration records, prescription changes, and notes from the nurses.

Each of the 31 resident files we tested contained quarterly medication reviews signed by the appropriate healthcare personnel. For 90 percent of those files, the Authority appropriately documented medication-related activities in the files.

Quarterly medication reviews involve the pharmacy providing a list of a resident's prescriptions, the resident's physician reviewing the list, and the physician and the nurse signing the medication review and sending it back to the pharmacy.

Medication reviews reduce the risk of potential adverse events such as drug complications and over-medicating.

3.2   Written Informed Consent Required

We recommended the Saskatchewan 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,* p. 251, Recommendation 13; Public Accounts Committee agreement September 17, 2015)

Status—Not Implemented

We recommended the Saskatchewan 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,* p. 220, Recommendation 12; Public Accounts Committee agreement September 17, 2015)

Status—Not Implemented

The Saskatchewan Health Authority did not consistently follow its policy to document informed consent from long-term care residents or their designated decision-makers for the use of medication as a restraint or for changes in high-risk medications.[3]

The Authority's policies in Kindersley and surrounding area require documented informed consent from the resident or their decision-maker when medication is used as a chemical restraint, and when a change of dosage of a high-risk medication occurs.

We found 47 percent of the 17 resident files tested where medication was used as a restraint did not have informed consent on file; while 31 percent of the 13 resident files tested with changes to high-risk medications did not have documentation to support that decisions-makers or residents were informed.

The absence of documented informed consent increases the risk that a resident or their designated decision-maker may not be aware of the effects of the medication and the impact it may have on quality of life for the resident.

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[3] High-risk medications are defined as medications that are included on the AGS Beers Criteria, listing medications at higher risk for potential inappropriate use in older adults.

3.3 Completing Medication Management Trend and Issues Analysis

> **We recommended the Saskatchewan 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,* p. 242, Recommendation 2; Public Accounts Committee agreement September 17, 2015)

Status—Implemented

> **We recommended the Saskatchewan Health Authority collect and analyze information to improve medication plans for long-term care residents.** (*2014 Report – Volume 2,* p. 254, Recommendation 17; Public Accounts Committee agreement September 17, 2015)

Status—Implemented

The Saskatchewan Health Authority established processes to identify trends and issues related to medication management in long-term care facilities located in Kindersley and surrounding area, and analyze appropriateness of antipsychotic medications to improve medication plans.

Facility managers in Kindersley and surrounding area send medication incident reports to a centralized email for compiling. On a monthly basis, all facility managers receive the compilation for review and identify trends in medication incidents (e.g., errors). The facility managers determine trends and deliver targeted training to staff to reduce medication incidents.

For example, the Authority identified trends in fentanyl patch incidents where extra patches were found on residents. Based on the identified trend, it delivered training to staff. Ten fentanyl patch incidents were reported in 2017-18. After training, two incidents were reported.

The Authority also initiated a manual process in 2018 to track and evaluate the appropriateness of the use of antipsychotics on residents. Facility staff tracked and assessed which residents were on an antipsychotic, why they were on the medication, and any alternative measures to potentially eliminate the medication where there was no diagnosis (e.g., mental health disorder). In 2018-19, the Authority assessed about 70 residents on antipsychotics each quarter.

Furthermore, in 2019, the Authority introduced a new IT system in long-term care facilities. The system tracks resident's medication plans including instances where a resident is taking antipsychotics. The system will require a quarterly assessment when a resident receives an antipsychotic without a diagnosis. Management expects the assessment functionality to be in place by June 30, 2020. In the meantime, long-term care facilities in Kindersley and surrounding area continue to use quarterly medication reviews to assess the appropriateness of medication plans.

Chapter 28
Saskatchewan Health Authority—Minimizing Employee Absenteeism

1.0 MAIN POINTS

Excessive employee absenteeism prevents the Saskatchewan Health Authority from delivering cost-effective healthcare services.

Sick leave accounts for the bulk of the Authority's employee absenteeism. In 2018-19, the Authority experienced actual sick time per employee of about 82 hours (10.25 sick days) on a province-wide basis.

Since the 2017 audit, the Authority was transitioning to its provincial structure and determining its resourcing needs for its employee attendance support program. In 2020-21, the Authority planned to implement a new electronic case management system to better support attendance management.

By November 2019, the Authority had implemented checklists for managers in Kindersley and surrounding area to use in meetings with employees who have excessive absenteeism. The Authority still needed to:

➤ Identify the role human resources should play in addressing employee absenteeism

➤ Consistently document discussions and actions with employees who have excessive absenteeism

➤ Analyze significant causes of employee absenteeism, and report how it is addressing those causes

Effectively managing absenteeism contributes to quality service delivery to the public, minimizes costs, and supports the well-being of employees.

2.0 INTRODUCTION

This chapter describes our first follow-up of management's actions on the recommendations we made in 2017.

Our *2017 Report – Volume 2*, Chapter 25, concluded that for the year ended June 30, 2017, other than for the five recommendations made, the Authority had effective processes to minimize employee absenteeism in Kindersley and surrounding area.[1]

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Authority's progress toward meeting our recommendations, we used the relevant criteria from the original audit. The Authority's management agreed with the criteria in the original audit.

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[1] Our reports are available at auditor.sk.ca/publications/public-reports.

To complete this audit we focused on actions taken to address employee absenteeism in healthcare facilities in Kindersley and surrounding area. We met with Authority management and staff who support managers in this area, discussed progress to date, and sampled files. We also reviewed the Authority's strategies to address absenteeism and reports provided to the Authority's Board of Directors.

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 November 30, 2019, and the Authority's actions up to that date.

3.1 Reassessment of Human Resources Role Ongoing

> ***We recommended the Saskatchewan Health Authority reassess the role of human resources in promoting employee attendance to enable more timely resolution of issues causing employee absenteeism.*** (*2017 Report – Volume 2*, p. 187, Recommendation 1; Public Accounts Committee agreement February 26, 2019)

Status—Partially Implemented

The Authority is in the early stages of expanding the role of human resources staff in promoting employee attendance.

Since the 2017 audit, the Authority has been determining its resourcing needs for its employee attendance support program. The Authority hired a new Director of Accommodations and Attendance Support in October 2018.

At November 2019, the Authority also continued to employ one Ability Management Coordinator (the same number as at the time of our original audit) who supports managers with employee absenteeism issues in healthcare facilities in Kindersley and surrounding area. When the Coordinator took a leave of absence in 2018, the Coordinator's duties were not completed for a portion of the leave.

The Coordinator primarily takes a coordination and support role. The Coordinator continues to provide monthly reports to managers on employees whose sick time exceeded the average. The Coordinator manually generates the list of employees exceeding the established sick leave threshold, which is cumbersome and time-consuming.

Authority management indicated it planned to implement a new electronic case management system in 2020-21 that would generate better reports to promote improved monitoring of employee absenteeism, and reduce the administrative effort required by coordinators.

The Coordinator also monitors that attendance management meetings occur with employees who have excessive absenteeism.

We found the Coordinator has limited capacity to provide timely support to all managers (e.g., join attendance support meetings and play a larger role in case management), given the large number of employees with excessive absenteeism. At October 31, 2019, approximately 480 employees (out of about 1900 employees in Kindersley and surrounding area) exceeded the sick leave target of 64 hours per full-time equivalent (FTE).

The Authority has a sick leave target of 64 hours per FTE, which has remained the same since 2015. This target determines the number of employees with excessive absenteeism. Authority management indicated it would be relooking at the sick leave target to better align with other western Canadian healthcare organizations. The Authority found other western Canadian healthcare organization averaged in 2017-18 paid sick leave of 86.9 hours per FTE.

Involving human resources personnel is a way to reduce the workload for managers responsible for managing staff attendance. Human resources personnel can provide more timely absenteeism management particularly when a large number of employees have excessive absenteeism. However, the capacity of human resources personnel must be reasonable to provide necessary support. The key is for the Authority to find an approach to improve employee attendance at work because excessive employee absenteeism is costly.

3.2   Standard Checklists Developed for Employee Meetings

> ***We recommended the Saskatchewan Health Authority implement standard detailed checklists to aid in conducting and documenting meetings with employees who have excessive absenteeism.*** (*2017 Report – Volume 2*, p. 188, Recommendation 2; Public Accounts Committee agreement February 26, 2019)

Status—Implemented

The Authority developed standard detailed checklists to aid managers in Kindersley and surrounding area in conducting meetings with employees with excessive absenteeism. The Authority is considering expanding the use of these (or similar) checklists across the entire Authority.

Starting February 2018, the Authority established three checklists to assist facility managers in Kindersley and surrounding area during meetings with employees who have excessive absenteeism. One checklist guides managers during meetings when only the manager and employee are present, while the other two checklists are for use during meetings with staff, union representatives, and management. At the end of the meeting, both the manager and employee are to sign and date the document showing the meeting occurred.

We found the checklists clearly outline discussion items such as, issues leading to the absence and resources available to the individual (e.g., the Employee Family Assistance Program). The checklists also provide the option to establish an action plan, as well as a target date for completion of the action plan. We found the checklists provide sufficient detail to aid managers in conducting meetings with employees.

Having documentation (e.g., checklists) provides the basis of justification for future actions, including suspensions and terminations (if warranted), and facilitates supervision.

3.3 Checklists Not Used for Employee Meetings

We recommended the Saskatchewan Health Authority monitor that those responsible for employee attendance management document discussions and actions with employees who have excessive absenteeism. (*2017 Report – Volume 2*, p. 188, Recommendation 3; Public Accounts Committee agreement February 26, 2019)

Status—Partially Implemented

Managers in healthcare facilities in Kindersley and surrounding area are not consistently documenting meetings with employees who have excessive absenteeism.

We note the Ability Management Coordinator for Kindersley and surrounding area is responsible for monitoring whether managers hold meetings with employees who have excessive absenteeism, but has a large workload given the large number of staff in the area exceeding the sick leave target of 64 hours per FTE. The Coordinator is responsible for preparing excessive employee absenteeism reports, distributing the reports to managers, and monitoring the results of the meetings (i.e., whether meeting checklists and action plans are utilized). We found the Coordinator maintained a tracking sheet for monitoring actions taken by managers.

For each of the seven employees in the Kindersley and surrounding area with excessive absenteeism tested, the related manager did not complete a meeting checklist (or alternate form of documentation) to document discussions with or actions taken to address the absence. The Coordinator indicated certain of these employees did not have a completed checklist or discussion documentation because a meeting did not occur. The Coordinator also noted the Authority did not always have such a manager in place.

Without proper records, managers cannot show if and how they were addressing the reasons for identified absences of employees with excessive absenteeism. The new electronic case management system should promote more efficient monitoring of employees with excessive absenteeism and actions taken. Monitoring whether supervisory managers take appropriate and timely steps to address excessive employee absenteeism can help determine if they have adequate support in their supervisory role. It can also assist in understanding and addressing the causes for employee absenteeism.

3.4 Better Absenteeism Analysis and Reporting Required

We recommended the Saskatchewan Health Authority analyze significant causes of its employees' absenteeism and implement targeted strategies to address them. (*2017 Report – Volume 2*, p. 190, Recommendation 4; Public Accounts Committee agreement February 26, 2019)

Status—Not Implemented

We recommended the Saskatchewan Health Authority give the Board periodic reports on the progress of attendance management strategies in reducing employee absenteeism and related costs. (*2017 Report – Volume 2*, p. 190, Recommendation 5; Public Accounts Committee agreement February 26, 2019)

Status—Not Implemented

Analysis and reporting on employee absenteeism remains virtually unchanged since our original 2017 audit.

The Authority continues to assess and work to address sick time per FTE. At March 31, 2019, the Authority's average sick time hours per FTE was approximately 82 hours per FTE (84 hours per FTE at time of original 2017 audit). As noted in **Section 3.1**, the Authority continues to use an outdated sick leave target of 64 hours per FTE.

The manual system in place does not collect sufficient data to complete adequate analysis. The Authority has not yet gathered more information or performed analysis to enable periodic reports of its actions and progress on addressing the causes of employee absenteeism. In 2020-21, the Authority expects to implement a new electronic case management system to better support attendance management (e.g., improved tracking of those with excessive absenteeism and actions taken to address them, and better reporting to identify where further work is needed).

A Board report provided in August 2019 indicated the Authority experienced an increase in sick time usage compared to the prior year. It did not contain analysis or details.

Other Board reports reviewed did not include reasons for not meeting the sick leave target or progress of any attendance management strategies.

Collecting necessary data and analyzing causes of absences would assist in the development of strategies to reduce employee absenteeism. Reporting of key causes and strategies would help the Board understand whether the Authority is effectively reducing employee absenteeism, and whether changes are necessary. Excessive absenteeism increases costs to replace workers (e.g., overtime pay for other employees) and administrative costs of managing absenteeism.

Chapter 29
Saskatchewan Health Authority—Overseeing Contracted Special-Care Homes in Saskatoon and Surrounding Area

1.0 MAIN POINTS

The Saskatchewan Health Authority uses private operators of special-care homes to provide 24-hour care to those Saskatchewan residents who can no longer care for themselves.

By November 2019, the Authority had made some progress in addressing recommendations made in 2017 about overseeing 16 contracted special-care homes in Saskatoon and surrounding area. However, significant work remains.

The Authority along with the Ministry of Health and private operators of special-care homes clarified accountability relationships between all three parties. In 2019, the Authority started working with private operators to develop a new template contract. The Authority plans to finalize the template by March 31, 2020, and start work on signing new contracts with the 16 special-care homes in Saskatoon and surrounding area. It expects new contracts may be signed over several years as current contracts expire.

At November 2019, the Authority was waiting for the Ministry of Health to complete its revision to the Ministry's *Program Guidelines for Special-care Homes* before it takes additional steps to improve its oversight of contracted special care homes. Necessary steps include determining how best to: define the quality of services the Authority expects homes to provide, assess each home's compliance with those expectations and the Ministry's Guidelines, and address identified non-compliance to mitigate risks to residents within homes.

Not having a process to assess whether homes provide quality care and taking timely actions when necessary puts the residents of special-care homes at risk of not receiving quality services.

2.0 INTRODUCTION

2.1 Background

The Saskatchewan Health Authority contracts with private sector operators for services at 16 homes in Saskatoon and surrounding area (see **Figure 1**). In 2018-19, the Authority had contracts with these 16 home operators for a total cost of $96.6 million.

Figure 1—Special-care Homes Contracted in Saskatoon and Surrounding Area in 2018-19

Special Care Home Name	Location	Long-Term Care Beds
Central Haven Special-care Home (Sherbrooke Community Society Inc.)	Saskatoon	60
Circle Drive Special-care Home Inc.	Saskatoon	53
Extendicare Special-care Home (Preston Nursing Home, Saskatoon of Extendicare (Canada) Inc.)	Saskatoon	82
Langham Care Home	Langham	17
Lutheran Sunset Home of Saskatoon	Saskatoon	129
Oliver Lodge	Saskatoon	139
Porteous Lodge (Jubilee Residences Inc.)	Saskatoon	99
Samaritan Place	Saskatoon	100
Saskatoon Convalescent Home	Saskatoon	59
Sherbrooke Community Centre (Sherbrooke Community Society Inc.)	Saskatoon	255
Spruce Manor Special Care Home Incorporated	Dalmeny	36
St. Ann's Home (St. Ann's Senior Citizens Village Corporation)	Saskatoon	80
St. Joseph's Home (Ukrainian Sisters of St. Joseph of Saskatoon)	Saskatoon	78
Stensrud Lodge (Jubilee Residences Inc.)	Saskatoon	100
Sunnyside Adventist Care Centre	Saskatoon	97
Warman Mennonite Special-care Home Inc.	Warman	31

Source: Information provided by the Saskatchewan Health Authority.

The Provincial Health Authority Act requires the Saskatchewan Health Authority to enter into written contracts with special-care homes. This Act specifies contracts must cover health services to be provided, funding, performance measures and targets, required reporting, and certain dispute resolution mechanisms.

Homes are to provide health services in accordance with these contracts. In addition, homes must provide health services in compliance with applicable provincial legislation and policies. For example, *The Facility Designation Regulations* require operators of all special-care homes (including those operated by the Authority) to comply with the standards established in the Ministry of Health's *Program Guidelines for Special-care Homes*. The Guidelines set out the minimum care standards and related procedures for operation of homes.

2.2   Focus of Follow-Up Audit

This chapter describes our first follow-up audit of management's actions on the recommendations made in 2017.

Our *2017 Report – Volume 1*, Chapter 12, concluded that, for the 12-month period ended December 31, 2016, the Saskatoon Regional Health Authority (now amalgamated into the Saskatchewan Health Authority) had, other than the areas reflected in our six

recommendations, effective systems to oversee contracted special-care homes compliance with the Ministry of Health's *Program Guidelines for Special-care Homes*.[1]

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate the Saskatchewan Health Authority's progress toward meeting our recommendations, we used the relevant criteria from the original audit. The Authority's management agreed with the criteria in the original audit.

To complete our follow-up audit, we interviewed relevant Authority and Ministry of Health's staff, examined documents such as the draft contract, meeting minutes, and reports related to the oversight of homes.

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 November 30, 2019, and the Saskatchewan Health Authority's actions up to that date.

3.1   Accountability Relationships Clarified, But Not Yet Formalized

> *We recommended the Saskatchewan Health Authority work with the Ministry of Health to clarify the accountability relationship between the Authority, the special-care homes, and the Ministry of Health.* (2017 Report – Volume 1, p. 167, Recommendation 1; Public Accounts Committee agreement February 26, 2019)

Status—Implemented

> *We recommended the Saskatchewan Health Authority enter into contracts with special-care homes that clearly set out expected accountability relationships between itself, the special-care home, and the Ministry of Health.* (2017 Report – Volume 1, p. 168, Recommendation 2; Public Accounts Committee agreement February 26, 2019)

Status—Partially Implemented

The Saskatchewan Health Authority, Ministry of Health, and representatives from special-care homes have clarified accountability between the parties, but have not yet signed new contracts outlining the relationship.

In December 2018, the Authority, Ministry of Health, and special-care home representatives approved an accountability document, which clarifies accountability relationships between the parties (see **Figure 2**).

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[1] Our report can be found at auditor.sk.ca/publications/public-reports.

Figure 2—Accountability Relationship between the Saskatchewan Health Authority, Ministry of Health, and Special-care Homes

Ministry of Health	Saskatchewan Health Authority	Special-care Homes
➢ Accountable to the public ➢ Sets provincial policy and regulations ➢ Builds and maintains relationship with Authority ➢ Determines provincial program parameters ➢ Provides funding to the Authority to subsidize the cost of special-care homes	➢ Sets operational plans and ensures homes comply with provincial and applicable Authority's policies ➢ Operates homes ➢ Funds and maintains relationships with contracted/affiliated homes ➢ Complies with contractual arrangements with the special care home	➢ Comply with provincial and applicable Authority's policies ➢ Accountable relationships with resident, the family and/or Power of Attorney ➢ Accountable to the Authority for all aspects of policy, safety and operations as per the contract

Source: Information provided by the Saskatchewan Health Authority.

Since December 2018, the Authority and special-care home representatives formed a Principles and Services Agreement Steering Committee to revise the existing contract template. Committee membership is equally split between the Authority staff and special-care homes' representatives.

The Committee first met in February 2019 to develop a template contract and strengthen collaboration and co-operation between special-care home operators and the Authority. It met bi-monthly in 2019 to work on a new template contract. The template contract includes the following provisions in relation to the accountability relationship:

➢ As participants in Saskatchewan's provincial health system, the Authority and special-care homes are accountable for the delivery of quality health services in Saskatchewan

➢ Special-care homes agree to be accountable to the Authority for the provision of the services in the manner required under applicable laws and by the Agreement

➢ The Authority and special-care homes are accountable for quality and strategic outcomes while ensuring financial controls are in place

➢ The Authority is accountable to the Minister of Health in respect of health services

As of November 2019, the Authority had not finalized the template contract. The Authority's management indicated the targeted timeline for completion is March 31, 2020. Once completed, the Authority expects to start signing new contracts with special-care home operators. As of November 2019, homes continued to operate under old contracts.

When the accountability relationship between the Ministry, the Authority, and each special-care home is not clearly outlined in the contract, it can cause confusion for home operators. For example, home operators may take direction from or provide reports to the wrong agency (i.e., the Ministry versus the Authority).

3.2 Quality of Services Partially Clarified in the Draft Template Contract

We recommended the Saskatchewan Health Authority work with the Ministry of Health to confirm performance measures that it requires contracted special-care homes to report on to help them assess each home's compliance with the Ministry of Health's Program Guidelines for Special-care Homes and improve quality of resident care. (2017 Report – Volume 1, p. 170, Recommendation 3; Public Accounts Committee agreement February 26, 2019)

Status—Partially Implemented

We recommended the Saskatchewan Health Authority clearly define service expectations related to quality of care, and include targets for related key performance measures and all key reporting requirements in its contracts with special-care homes. (2017 Report – Volume 1, p. 171, Recommendation 4; Public Accounts Committee agreement February 26, 2019)

Status—Partially Implemented

The Saskatchewan Health Authority clearly expects homes to provide quality care and follow the Ministry's *Program Guidelines for Special-care Homes* (Guidelines). However, it has not redefined performance measures or service expectations on which it expects special-care homes to follow.

The Authority is waiting for the Ministry to finish revising the Guidelines so the Authority may use this work to determine how to assess homes' compliance with them. The Ministry told us it intends to complete the revision in 2020. The Authority plans to use the Principles and Services Agreement Steering Committee's working group, established in 2019, to develop enhanced performance measures, targets, and reporting requirements for special-care homes.

As of November 2019, we found the new template contract includes the same performance measures and targets as in use during our 2017 audit (see **Figure 3**).

Special-care homes continue to report results on the quality of care performance measures directly to the Authority, which then shares them with the Ministry of Health. The Canadian Institute for Health Information also receives and publishes data on the first seven performance measures in **Figure 3**.[2]

The Ministry's Guidelines set out expected care practices (e.g., feeding methods, hygiene, medication reviews, therapies provided, pain management) in the homes. As we reported in our 2017 audit, the performance measures in **Figure 3** provide little insight into how homes meet the expected care practices in the Ministry's Guidelines.

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[2] Canadian Institute for Health Information is an independent, not-for-profit organization that provides essential information on Canada's health system and the health of Canadians. www.cihi.ca/en (09 March 2020)

Having performance measures and service expectations that clearly link the key aspects of quality of care could help homes to better understand the quality of care expected of them.

Figure 3—Performance Measures and Reporting Requirements for Special-care Homes

	Performance Measure	2019-20 Target Percentage of Residents	Frequency of Reporting
1.	Residents in Daily Restraints	Not to exceed 8%	Quarterly
2.	Potentially Inappropriate Antipsychotic Use without Diagnosis	Not to exceed 21%	Quarterly
3.	Residents who fell in the last 30 days	Not to exceed 10.5%	Quarterly
4.	Pressure Ulcers – with newly occurring stage 2–4 pressure ulcers (sores resulting from being in a set position for long periods of time)	Not to exceed 2%	Quarterly
5.	Pressure Ulcers – whose stage 2–4 pressure ulcers worsened	Not to exceed 2%	Quarterly
6.	Pain, Pain Worsened	Not to exceed 7%	Quarterly
7.	Bladder Continence Worsened	Not to exceed 7%	Quarterly
8.	Critical Incidents Reporting		Upon occurrence
9.	Outbreak Reporting		Upon occurrence
10.	Staff Injuries		Annually
11.	Protection for Health Care Workers		Upon occurrence
12.	Financial Reporting		Annually

Source: Saskatchewan Health Authority draft Schedule E and Schedule F of the draft template contract.

3.3   Inspections and Prompt Actions to Address Issues Still Needed

We recommended the Saskatchewan Health Authority periodically inspect special-care homes to assess if they comply with key areas of the Ministry of Health's Program Guidelines for Special-care Homes. (2017 Report – Volume 1, p. 176, Recommendation 5; Public Accounts Committee agreement February 26, 2019*)*

Status—Not Implemented

We recommended the Saskatchewan Health Authority take prompt action when it finds non-compliance with key measures that assess special-care homes compliance with the Ministry of Health's Program Guidelines for Special-care Homes. (2017 Report – Volume 1, p. 177, Recommendation 6; Public Accounts Committee agreement February 26, 2019*)*

Status—Not Implemented

The Saskatchewan Health Authority is not yet inspecting special-care homes' compliance with the *Program Guidelines for Special-care Homes*. The Authority has not modified the ways it addresses non-compliance with performance measures and homes continue to have issues meeting performance targets (since our 2017 audit).

At November 2019, the Authority continued its practice of annual visits to special-care homes to meet with management, and residents and their families to discuss any issues or concerns. The Authority tracks these concerns, and works with the home to address them.

Unlike other jurisdictions, such as British Columbia, Alberta and Ontario, the Authority does not periodically inspect special-care homes in key areas. We found other provinces use inspections to assess if the homes meet established physical facility and care standards (e.g., creation and use of care plans, adequacy of nutrition, use of restraints).

The Authority officials also discuss with each home, it's performance measures and results (see **Figure 4**). The Authority assigns project coordinators to support the homes. The project coordinators help homes not achieving performance targets develop action plans to address the underlying root causes.

Figure 4—Number of Special-care Homes in Saskatoon and Surrounding Area Meeting and Not Meeting Performance Targets (see Figure 3) for April 1, 2019–June 30, 2019

1 - Daily Physical Restraints
2 - Antipsychotics Without a Diagnosis of Psychosis
3 - Fell in the last 30-days
4 - Pain Worsened
5 - Newly Occurring Stage 2 to 4 Pressure Ulcer
6 - Stage 2 to 4 Pressure Ulcer Worsened
7 - Bladder Continence Worsened
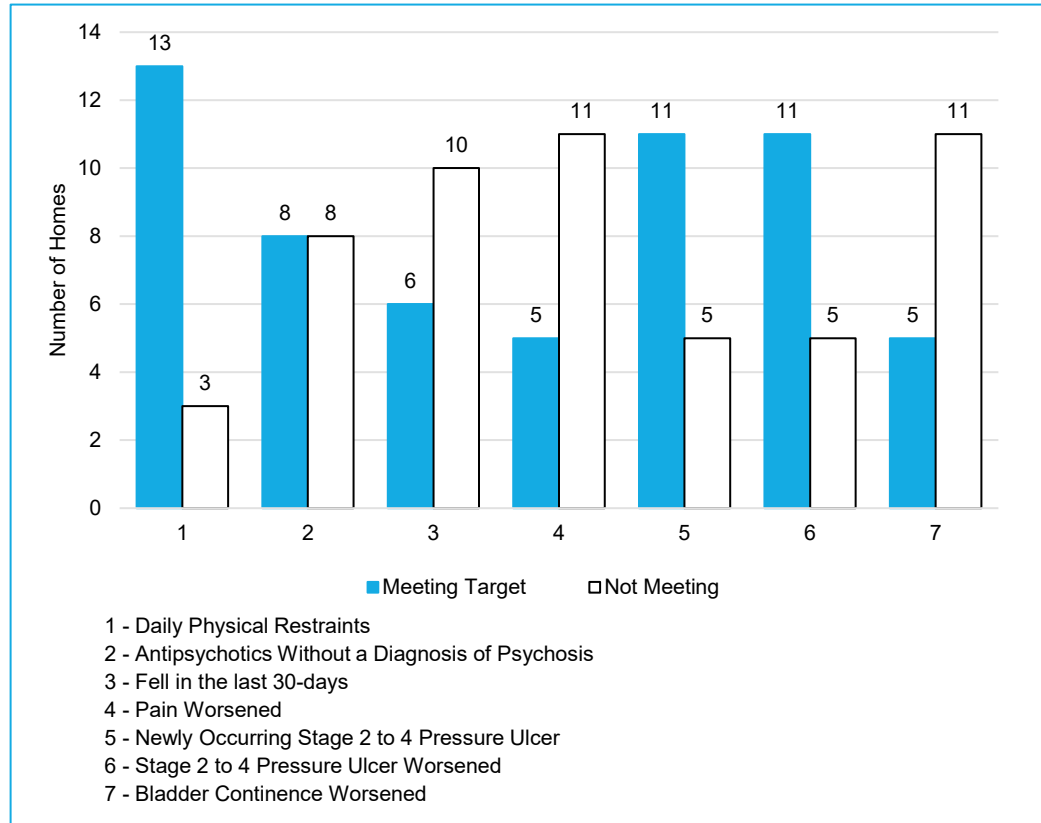
Source: Information provided by the Saskatchewan Health Authority.

Similar to the 2017 audit, homes in Saskatchewan continue to not meet performance measure targets.

Our analysis found each contracted home in Saskatoon and surrounding area did not meet at least one of the seven performance targets for April 1, 2019 to June 30, 2019. For example, as shown in **Figure 4**, over half of the homes (i.e., 11 of 16) had more residents whose pain and bladder continence worsened; half the homes (i.e., 8 of 16) had residents

on antipsychotic drugs without a diagnosis of psychosis; almost 65 percent of homes (i.e., 10 of 16) had more residents than expected fall within the last 30 days. However, 13 of the 16 special-care homes achieved the target that minimizes use of daily physical restraints.

Not being successful in identifying and addressing non-compliance with expected quality of care performance targets can results in poor services provided to residents of the special-care homes, which may negatively impact their quality of life.

Chapter 30
Saskatchewan Housing Corporation—Maintaining Housing Units

1.0 MAIN POINTS

The Saskatchewan Housing Corporation (SHC) owns approximately 18,100 housing units across the province. It rents these units to individuals with access or affordability issues to help promote self-sufficiency and independence.

By February 2020, SHC implemented the two outstanding recommendations originally made in our 2012 audit of SHC's processes for maintaining its housing units.

SHC is working to align projected housing needs with having the right amount of housing units in the right communities. It has plans to prioritize maintenance activities for housing units based on housing unit condition to maintain them to a fair condition rating level.

Also, SHC regularly gives senior management sufficiently robust written reports about the maintenance of its housing units. These reports outline housing unit maintenance activities (i.e., planned, unplanned, completed, cancelled, in progress, and not started) during the year. In addition, it regularly provides the Board with information about the financial impact of maintenance.

2.0 INTRODUCTION

Under *The Saskatchewan Housing Corporation Act*, SHC is responsible for all matters related to affordable housing including the responsibility to own and maintain rental housing. The Act allows SHC to create public housing authorities to administer, operate and maintain its housing. Public housing authorities must comply with SHC's policies in carrying out their duties.

In 2019, SHC spent $51.0 million (2018: $49.2 million) on maintenance and renovation—38 percent (2018: 37 percent) of its total expenses for the year.[1]

This chapter describes our third follow-up of management's actions on the recommendations we made in our *2012 Report – Volume 1*, Chapter 24. The 2012 audit assessed SHC's processes to maintain its housing units. We made four recommendations. The 2014 follow-up audit found all four recommendations outstanding.[2] By 2017, SHC implemented two out of the four recommendations.[3]

To conduct the audit we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate SHC's progress

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[1] Saskatchewan Housing Corporation 2019 audited financial statements, p. 19.
[2] *2014 Report – Volume 1*, Chapter 26, Saskatchewan Housing Corporation – Maintaining Housing Units. auditor.sk.ca/publications/public-reports
[3] *2017 Report – Volume 2*, Chapter 43, Saskatchewan Housing Corporation – Maintaining Housing Units. auditor.sk.ca/publications/public-reports

towards meeting our recommendations, we used the relevant criteria from the original audit. SHC's management agreed with the criteria in the original audit.

To complete this audit, we reviewed SHC's asset management IT system, its written strategy to complete a long-term maintenance plan, and maintenance reports provided to senior management and the Board.

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 February 29, 2020, and SHC's actions up to that date.

3.1   Prioritizing Housing Maintenance for the Longer Term

We recommended the Saskatchewan Housing Corporation develop a corporate maintenance plan for the medium to long term timeframe.
(*2012 Report – Volume 1*, p. 203, Recommendation 3; Public Accounts Committee agreement June 17, 2014)

Status—Implemented

SHC is using a 2019 projection report about housing needs as the foundation for finalizing a detailed medium- to long-term strategy about maintaining its housing units. As of February 2020, it had collected information (e.g., condition of units, housing needs) necessary to develop this detailed strategy, and had a clear written plan on key steps it expects to undertake.

Since 2017, SHC keeps information about the condition of each of its housing units. In addition, it aims to meet a Facilities Condition Index (FCI) for building portfolios overall of 10 percent—in fair condition by industry standards.[4] At March 2020, its overall FCI was 15.8 percent—in poor condition; an increase from its overall FCI of 12.1 percent at July 2017.

In 2019, SHC hired a consultant to project and report on the affordable housing needs in Saskatchewan communities over the next fifteen years. At February 2020, it is using this 2019 projection report to determine which housing properties to keep and maintain, or sell. It is also using the report, along with the condition of the properties, to set maintenance priorities for the long term.

Also, in 2019, management provided the Board with a written plan on completing a detailed long-term strategy on maintaining the housing units SHC plans to keep. We found the plan sets out detailed milestones and target dates. The Board expects to receive and approve the long-term strategy in 2021.

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[4] 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. FCI is the amount of deferred maintenance divided by the current replacement value.

Having a medium to long-term maintenance strategy helps control the costs of maintenance and ensure housing units are maintained at the level expected. Doing the right maintenance activity at the right time decreases the risk that housing units may not be suitable for tenants, or provide safe and secure housing. In addition, completing timely maintenance can decrease the extent and cost of future repairs.

3.2 Maintenance Reporting Provided to Senior Management and the Board

We recommended 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*, p. 203, Recommendation 4; Public Accounts Committee agreement June 17, 2014)

Status—Implemented

SHC provides appropriate reporting on housing maintenance activities to senior management and the Board.

Senior management receives quarterly financial reporting comparing actual planned and unplanned maintenance spending to budget by region.[5]

Also, in October 2019, senior management received a report that SHC expects to prepare annually. The report showed maintenance projects planned, completed, cancelled, in progress, and not started during the year. Where maintenance activities were cancelled, the report contained explanations about why and what was done with budgeted funds instead.

The Board receives reporting on maintenance through its annual review of the SHC budget and quarterly financial reporting. The annual budget provides the Board with three maintenance-funding options, and shows the impact on the overall FCI for each option. Quarterly financial reporting compares estimated to actual spending on maintenance and renovation.

Providing regular reports to senior management and the Board facilitates discussions regarding implications of delayed maintenance and actions to be considered regarding future maintenance activities.

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[5] For reporting purposes, SHC categorizes housing by geographical location (i.e., Regina, Saskatoon, Southeast, Western).

Chapter 31
Saskatchewan Water Corporation—Purchasing Goods and Services

1.0 MAIN POINTS

In 2018-19, Saskatchewan Water Corporation purchased $45.7 million of goods and services.

By December 2019, SaskWater had, since our original audit in 2018, improved its processes to purchase goods or services. Key improvements include requiring staff to confirm compliance with the conflict-of-interest policy annually, updating its contract templates, clarifying its procurement policy about use of the sole source method of procurement, and giving its Board periodic information about its use of the sole sourcing method.

However, more work remains. SaskWater still needs to have its staff consistently follow its procurement policies. This includes having staff consistently document reasons for selecting non-competitive procurement methods, and obtain approval of purchase orders before committing to buy or receiving goods. Consistent adherence to procurement policies helps ensure SaskWater obtains best value when purchasing.

Also, SaskWater needs to develop a process to track purchases made through sole source procurements. Without this process, there is a risk that reports on sole sourcing procurements provided to the Board may not be complete.

SaskWater needs to track supplier performance. This would assist SaskWater in selecting suppliers for future procurements.

Strong processes to buy goods and services supports transparency, fairness, and achievement of best value in purchasing activities.

2.0 INTRODUCTION

2.1 Background

Under *The Saskatchewan Water Corporation Act*, the Board of Directors is responsible for managing the business and affairs of SaskWater.[1] This includes overseeing the purchase of necessary goods and services.

Each year, SaskWater purchases a variety of goods and services including professional services, materials and supplies, and repairs and maintenance. **Figure 1** shows SaskWater's purchases of goods and services from 2017 to 2019. The yearly amount it purchases fluctuates depending on the extent to which it is expanding or maintaining the

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[1] *The Saskatchewan Water Corporation Act*, s. 4 and 13.

infrastructure used to deliver its water and wastewater services (e.g., wastewater facilities, pipelines).

Figure 1—SaskWater Purchases from 2016 to 2019

	2016-17	2017-18	2018-19
	(in millions)		
Capital items and projects	$24.1	$24.1	$24.4
Operations, maintenance and administration	$11.0	$10.3	$10.4
Bulk Water purchasesA	$9.0	$10.4	$10.9
Total	**$44.1**	**$44.8**	**$45.7**

Source: Adapted from SaskWater *Annual Report 2017-18* and *Annual Report 2018-19*
A SaskWater purchases bulk water from municipalities, such as the City of Saskatoon, and provides this water primarily to other municipalities that do not have their own supply of drinking water.

SaskWater has disseminated the authority to make purchases across the Corporation with over 100 of its staff involved in purchasing goods and services. Its Business Development and Corporate Services Division is responsible for making purchases related to administration (e.g., office supplies, insurance, audit services and IT services). The two units of its Operations and Engineering Division are responsible for making purchases related to infrastructure and maintenance. The Engineering unit is responsible for making purchases related to capital projects (e.g., infrastructure projects); this includes purchases with values over $100,000. The Operations unit is responsible for making purchases related to maintenance activities (e.g., repairing water infrastructure).

SaskWater must use purchasing processes that are transparent, fair, and achieve best value. Not having adequate purchasing processes increases the risk of not receiving best value in procurements.

2.2 Focus of Follow-Up Audit

This chapter describes our first follow-up audit of management's actions on the recommendations we made in 2018.

In 2018, we assessed Saskatchewan Water Corporation's processes to purchase goods or services for the 12-month period ended December 31, 2017. Our *2018 Report – Volume 1*, Chapter 10, concluded SaskWater had, except for the seven recommendations made, effective processes to purchase goods or services over $25,000.[2]

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate SaskWater's progress toward meeting our recommendations, we used the relevant criteria from the original audit. SaskWater's management agreed with the criteria in the original audit.

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[2] We reported the original audit work in *2018 Report – Volume 1*, Chapter 10, pg. 146-155. auditor.sk.ca/publications/public-reports.

We interviewed SaskWater staff involved in the procurement process, and reviewed board reports, contract templates, and purchase support.

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 December 31, 2019, and SaskWater's actions up to that date.

3.1 Staff Complied with Conflict-of-Interest Policy

We recommended Saskatchewan Water Corporation require staff involved in purchasing goods and services to confirm, each year in writing, compliance with its conflict-of-interest policy. (*2018 Report – Volume 1*, p. 150, Recommendation 4; Standing Committee on Crown and Central Agencies agreement September 17, 2019)

Status—Implemented

Effective November 2018, SaskWater requires all of its staff to confirm compliance with the conflict-of-interest policy annually.

For the 12 employees we tested, each had recently (i.e., within the last twelve months) signed an annual conflict-of-interest declaration, and SaskWater had adequately mitigated any identified conflicts.

Periodic confirmation reduces the risk of staff forgetting to identify or disclose conflicts, and allows staff to make purchase decisions that treat all potential suppliers equitably and fairly.

3.2 Clear Direction on Use of Sole Sourcing Procurements Given

We recommended Saskatchewan Water Corporation clarify its procurement policy to set out when it is appropriate to use the sole sourcing method of procurement. (*2018 Report – Volume 1*, p. 149, Recommendation 1; Standing Committee on Crown and Central Agencies agreement September 17, 2019)

Status—Implemented

SaskWater clarified its procurement policy to set out when it is appropriate to sole source transactions, which decreases the risk that staff make inappropriate procurements.

The revised procurement policy includes a new section on exemptions from the procurement policy.

We found the revised policy sufficiently addresses when it is appropriate for staff to use the sole sourcing method of procurement (e.g., where it can be demonstrated that only one

supplier is able to meet the requirements of the procurement, emergency situations). It includes an appropriate definition of what can be classified as an emergency situation.[3]

In September 2019, SaskWater communicated this change, via email, to all staff involved with the procurement of goods and services.

Having a clear policy about the use of sole sourcing method of procurement decreases the risk of staff making inappropriate procurements, and not obtaining best value.

3.3   Procurement Policies Not Always Followed

> ***We recommended Saskatchewan Water Corporation follow established procurement policies when approving the purchase of goods and services.***
> (*2018 Report – Volume 1*, p. 152, Recommendation 6; Standing Committee on Crown and Central Agencies agreement September 17, 2019)

> **Status**—Partially Implemented

SaskWater was not always following its procurement policies. Its policies require its staff to obtain approval of purchases in accordance with its delegation of authority schedule.

For three of the 15 purchases we tested, staff did not obtain approval of the purchase order before SaskWater committed to the purchase (i.e., approved purchase order after ordering the item or receiving the invoice or the goods). For one instance, staff approved the purchase order 27 days after SaskWater had ordered the item.

Approving the purchase order after making the commitment to buy the goods or receiving the goods increases the risk of making inappropriate purchases or using inappropriate procurement methods. This also impedes the ability of individuals to approve and monitor the purchasing process.

> ***We recommended Saskatchewan Water Corporation require staff to include documented rationale for selecting non-competitive procurement methods for purchases of $25,000 on purchase orders submitted for approval.***
> (*2018 Report – Volume 1*, p. 149, Recommendation 2; Standing Committee on Crown and Central Agencies agreement September 17, 2019)

> **Status**—Partially Implemented

SaskWater requires staff to include documented rationale for selecting non-competitive procurement methods, but staff were not always following this guidance.

SaskWater policy for sole sourced procurements states that the rationale for why the sole sourcing is appropriate must be included with the approval memo for the procurement.

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[3] The Chartered Institute of Procurement and Supply defines single source as purposely choosing a single supplier even though others are available (e.g., small purchases, emergency purchases). Sole source is when only one supplier for the required item is available. SaskWater uses the term sole source to include both situations. www.cips.org/en/knowledge/procurement-topics-and-skills/strategy-policy/models-sc-sourcing--procurement-costs/single-sourcing-vs-sole-sourcing/ (25 March 2020).

In June of 2019, management sent all staff involved with procurement an email about key procurement processes (e.g., to obtain the Vice President's prior approval of non-competitive procurement methods, and to document rationale as to why staff want to use a sole source purchase).

For four of the six sole sourcing procurement items we tested, staff did not document the rationale for sole sourcing with the approval of the purchase. For two of the four items, management provided us reasonable rationale supporting the sole sourcing after the purchase. Also, for two of the four items identified without documentation at the time of purchase, staff made these purchases after SaskWater sent the June 2019 email.

Without documentation and approval of sole sourcing before a purchase is made, the risk of inappropriate sole sourcing procurement increases which may result in SaskWater paying more than necessary for purchases. Appropriate documentation and approval of sole source procurements supports transparency and fairness in the procurement process.

3.4 Quarterly Reports on Sole Source Purchases not Always Complete

We recommended Saskatchewan Water Corporation require its staff to report regularly on purchases using sole sourcing to senior management and the Board. (*2018 Report – Volume 1*, p. 150, Recommendation 3; Standing Committee on Crown and Central Agencies agreement September 17, 2019)

Status—Partially Implemented

Effective April 2019, SaskWater set out a process to provide its Board with quarterly reports on sole sourced procurements, including rationale for sole sourcing the procurement. However, it did not report all sole source procurements to the Board.

For two of the three quarterly reports we tested, the reports did not include two sole sourced items that SaskWater procured during those quarters. Management included those two missed items in a subsequent report to the Board after we brought it to their attention in January of 2020.

Providing complete and regular reporting of sole sourced procurements informs the Board of the level of use of sole sourcing, and provides information about SaskWater's compliance with its procurement policy.

3.5 Legal Review of Contract Templates Completed

We recommended Saskatchewan Water Corporation have periodic legal reviews of its contract templates for purchases. (*2018 Report – Volume 1*, p. 151, Recommendation 5; Standing Committee on Crown and Central Agencies agreement September 17, 2019)

Status—Implemented

In September 2019, SaskWater updated its contract templates (e.g. professional services, invitation to tender, consulting) after a legal firm reviewed them. Management notes that they plan to have a legal firm review the contract templates every five years.

The three contracts we tested after September 2019 used the new templates.

By using input from a legal firm, SaskWater helps ensure the template contracts are legally sound and mitigate business risks from contracts (e.g., changes in contract law, trades requirements).

3.6   Tracking of Supplier Performance Required

We recommended Saskatchewan Water Corporation track performance problems with suppliers in a way that this information is available to staff making purchasing decisions. (*2018 Report – Volume 1*, p. 155, Recommendation 7; Standing Committee on Crown and Central Agencies agreement September 17, 2019)

Status—Not Implemented

SaskWater does not track the performance of suppliers in past contracts.

SaskWater told us it uses past experience when evaluating vendors for contracts. However, this comes from personal knowledge of the individual evaluating the suppliers for a contract and depends on the individual's knowledge of the supplier.

SaskWater does not have a tracking system available for all staff to use when making purchasing decisions. It plans to implement new software by 2022 with this capability. Without this tracking, there is increased risk that SaskWater will use a supplier with known performance problems and is contrary to the best values approach.

Chapter 32
Tourism Saskatchewan—Managing the Use of Social Media

1.0 MAIN POINTS

By December 2019, Tourism Saskatchewan had implemented the final recommendation of the five initially made in our 2015 audit related to its processes to manage the use of social media.

Tourism Saskatchewan has mitigated potential risks associated with the use of social media. It finalized and incorporated a risk assessment into its policies. Having comprehensive social media policies will help ensure Tourism Saskatchewan address risks that arise when using social media.

2.0 INTRODUCTION

Tourism Saskatchewan is responsible for developing and promoting tourism in Saskatchewan. Its mandate includes marketing, visitor services, education and training, and product and industry development. It uses social media channels extensively to fulfill its mandate. A Board of Directors, appointed by the Government of Saskatchewan, governs Tourism Saskatchewan.

This chapter describes our second follow-up of management's actions on a recommendation we made in our *2015 Report – Volume 1*, Chapter 41. We concluded that, for the 12-month period ended May 31, 2015, Tourism Saskatchewan had effective processes to manage its use of social media except in the areas of the five recommendations.[1] By January 2018, it had implemented four of the five recommendations.[2]

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate Tourism Saskatchewan's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Tourism Saskatchewan agreed with the criteria in the original audit.

To perform this follow-up audit, we discussed actions taken with management and reviewed the relevant documentation (e.g., Tourism Saskatchewan social media policy).

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[1] The original report regarding these five recommendations can be found at auditor.sk.ca/publications/public-reports *2015 Report – Volume 2* (Chapter 41, pp 293-304).
[2] The first follow up report regarding these five recommendations can be found at auditor.sk.ca/publications/public-reports *2018 Report – Volume 1* (Chapter 32, pp 303-306).

3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to it, the status of the recommendation at December 31, 2019, and Tourism Saskatchewan's actions up to that date.

3.1 Approved Social Media Policies in Place

We recommended that Tourism Saskatchewan approve comprehensive social media policies. (*2015 Report – Volume 2*, p. 293, Recommendation 2; Public Accounts Committee agreement January 11, 2017)

Status – Implemented

As of December 2019, Tourism Saskatchewan had finalized its risk assessment for social media, and used this assessment to update its social media policy and procedures.

The updated policy and procedures provide clear actions for staff to take to address risks associated with the use of external social media (e.g., Facebook, Twitter). For example, they set out actions staff should take in the case of compromised social media accounts, or inappropriate postings to accounts.

Having a comprehensive social media policy and supporting procedures increases the likelihood of addressing identified risks associated with posting on social media.

Appendix 1
Agencies Subject to Examination under *The Provincial Auditor Act* and Status of Audits

The Office of the Provincial Auditor'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 the 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 December 31, 2019 along with its 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 May 15, 2020. It also indicates whether we are reporting, 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 ᴬ	Status on May 15, 2020 ᴮ	Matters Reported/ Related Report(s) ᶜ
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	No
Ministries and Secretariats:			
Ministry of Advanced Education	March 31	Complete	Yes/2019 – V2 & 2020 – V1
Ministry of Agriculture	March 31	Complete	Yes/2019 – V2
Ministry of Central Services	March 31	Complete	Yes/2019 – V2
Ministry of Corrections and Policing	March 31	Complete	Yes/2019 – V2
Ministry of Education	March 31	Complete	Yes/2019 – V2 & 2020 – V1
Ministry of Energy and Resources	March 31	Complete	No
Ministry of Environment	March 31	Complete	Yes/2019 – V2
Ministry of Finance	March 31	Complete	Yes/2019 – V2
Ministry of Government Relations	March 31	Complete	Yes/2019 – V2
Ministry of Health	March 31	Complete	Yes/2019 – V2 & 2020 – V1
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2020 – V1
Ministry of Immigration and Career Training	March 31	Complete	No
Ministry of Justice and Attorney General	March 31	Complete	Yes/2019 – V2
Ministry of Labour Relations and Workplace Safety	March 31	Complete	Yes/2020 – V1
Ministry of Parks, Culture and Sport	March 31	Complete	Yes/2019 – V2
Ministry of Social Services	March 31	Complete	Yes/2019 – V2 & 2020 – V1

Agency	Fiscal Year-End ^A	Status on May 15, 2020 ^B	Matters Reported/ Related Report(s) ^C
Ministry of Trade and Export Development	March 31	Complete	No
Executive Council	March 31	Complete	Yes/2019 – V2
Public Service Commission	March 31	Complete	Yes/2019 – V2 & 2020 – V1
Crown Agencies:			
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
All Nations' Healing Hospital Inc.	March 31	Note 4	
Bethany Pioneer Village Inc.	March 31	Note 4	
Border-Line Housing Company (1975) Inc.	March 31	Note 4	
Carlton Trail College	June 30	Complete	Yes/2019 – V2
Century Plaza Condominium Corporation	March 31	Complete	No
Chinook School Division No. 211	August 31	Complete	Yes/2019 – V2
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Complete	No
Circle Drive Special Care Home Inc.	March 31	Note 4	
Community Initiatives Fund	March 31	Complete	No
Conseil des Écoles Fransaskoises 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
Cupar and District Nursing Home Inc.	March 31	Note 4	
Duck Lake and District Nursing Home Inc.	March 31	Note 4	
eHealth Saskatchewan	March 31	Complete	Yes/2019 – V2 & 2020 – V1
Financial and Consumer Affairs Authority of Saskatchewan	March 31	Complete	Yes/2020 – V1
Foyer St. Joseph Nursing Home Inc.	March 31	Note 4	
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
Health Shared Services Saskatchewan (3sHealth)	March 31	Complete	Yes/2020 – V1
Holy Family Roman Catholic Separate School Division No. 140	August 31	Complete	No
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Complete	No
Horizon School Division No. 205	August 31	Complete	Yes/2020 – V1
Île-à-la Crosse School Division No. 112	August 31	Complete	No
Innovation Saskatchewan	March 31	Complete	No
Jubilee Residences Inc.	March 31	Note 4	
Lakeview Pioneer Lodge Inc.	March 31	Note 4	

Agency	Fiscal Year-End [A]	Status on May 15, 2020 [B]	Matters Reported/ Related Report(s) [C]
Law Reform Commission of Saskatchewan	March 31	Complete	No
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Complete	No
Living Sky School Division No. 202	August 31	Complete	No
Lloydminster Public School Division No. 99	August 31	Complete	Yes/2020 – V1
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Complete	No
Lumsden & District Heritage Home Inc.	March 31	Note 4	
Lutheran Sunset Home of Saskatoon	March 31	Note 4	
Mennonite Nursing Homes Incorporated	March 31	Note 4	
Métis Development Fund	December 31	Complete	No
Mont St. Joseph Home Inc.	March 31	Note 4	
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	Yes/2020 – V1
North West College	June 30	Complete	No
Northern Lights School Division No. 113	August 31	Complete	Yes/2020 – V1
Northlands College	June 30	Complete	No
Northwest School Division No. 203	August 31	Complete	Yes/2020 – V1
Oliver Lodge	March 31	Note 4	
Operator Certification Board	March 31	Complete	No
Parkland College	June 30	Complete	No
Prairie Agricultural Machinery Institute	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	Yes/2020 – V1
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Complete	No
Providence Place for Holistic Health Inc.	March 31	Note 4	
Provincial Archives of Saskatchewan	March 31	Complete	No
Provincial Capital Commission	March 31	Complete	Yes/2019 – V2
Qu'Appelle Diocesan Housing Company	March 31	Note 4	
Radville Marian Health Centre Inc.	March 31	Note 4	
Raymore Community Health and Social Centre	March 31	Note 4	
Regina Lutheran Housing Corporation	March 31	Note 4	
Regina Roman Catholic Separate School Division No. 81	August 31	Complete	No
Regina School Division No. 4	August 31	Complete	Yes/2020 – V1
Santa Maria Senior Citizens Home Inc.	March 31	Note 4	
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	Yes/2019 – V2

Agency	Fiscal Year-End A	Status on May 15, 2020 B	Matters Reported/ Related Report(s) C
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 Health Authority	March 31	Complete	Yes/2019 – V2 & 2020 – V1
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2020 – V1
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2019 – V2
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Liquor and Gaming Authority	March 31	Complete	Yes/2019 – V2
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation	March 31	Complete	No
Saskatchewan Polytechnic	June 30	Complete	Yes/2019 – V2
Saskatchewan Public Safety Agency	March 31	Note 6	
Saskatchewan Research Council	March 31	Complete	Yes/2020 – V1
Saskatchewan Rivers School Division No. 119	August 31	Complete	No
Saskatoon Convalescent Home	March 31	Note 4	
Saskatoon School Division No. 13	August 31	Complete	No
SaskBuilds Corporation	March 31	Complete	Yes/2019 – V2
Sherbrooke Community Society Inc.	March 31	Note 4	
SLGA Holding Inc.	March 31	Complete	No
SLGA Retail Inc.	March 31	Complete	No
Societe Joseph Breton Inc.	March 31	Note 4	
South East Cornerstone School Division No. 209	August 31	Complete	No
Southeast College	June 30	Complete	No
Spruce Manor Special Care Home Inc.	March 31	Note 4	
St. Ann's Senior Citizens Village Corporation	March 31	Note 4	
St. Anthony's Hospital	March 31	Note 4	
St. Joseph's Home for the Aged	March 31	Note 4	
St. Joseph's Hospital (Grey Nuns) Gravelbourg	March 31	Note 4	
St. Joseph's Hospital of Estevan	March 31	Note 4	
St. Joseph's Integrated Health Centre Macklin	March 31	Note 4	
St. Paul Lutheran Home of Melville	March 31	Note 4	
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Complete	Yes/2019 – V2
St. Paul's (Grey Nuns) of Saskatoon	March 31	Note 1	
St. Peter's Hospital	March 31	Note 4	
Strasbourg and District Health Centre	March 31	Note 4	

Agency	Fiscal Year-End [A]	Status on May 15, 2020 [B]	Matters Reported/ Related Report(s) [C]
Sun West School Division No. 207	August 31	Complete	Yes/2020 – V1
Sunnyside Adventist Care Centre	March 31	Note 4	
TecMark International Commercialization Inc.	March 31	Note 1	
The Salvation Army—William Booth Special Care Home	March 31	Note 4	
Tourism Saskatchewan	March 31	Complete	Yes/2020 – V1
Warman Mennonite Special Care Home Inc.	March 31	Note 4	
Water Appeal Board	March 31	Complete	No
Water Security Agency	March 31	Complete	Yes/2019 – V2 & 2020 – V1
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2019 – V2 & 2020 – V1
CIC Crown Corporations and related agencies:			
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 8	
CIC FTMI Holdings Inc.	March 31	Note 7	
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
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/2019 – V2
Saskatchewan Government Insurance	March 31	Complete	Yes/2020 – V1
Saskatchewan Immigrant Investor Fund Inc.	March 31	Complete	No
Saskatchewan Opportunities Corporation	March 31	Complete	No
Saskatchewan Power Corporation	March 31	Complete	Yes/2019 – V2

Agency	Fiscal Year-End [A]	Status on May 15, 2020 [B]	Matters Reported/ Related Report(s) [C]
Saskatchewan Telecommunications	March 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	March 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	March 31	Note 1	
Saskatchewan Telecommunications International, Inc.	March 31	Complete	No
Saskatchewan Transportation Company	March 31	Note 9	
Saskatchewan Water Corporation	March 31	Complete	Yes/2020 – V1
SaskEnergy Incorporated	March 31	Complete	Yes/2020 – V1
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	
Special purpose and trust funds including pension and benefit plans:			
Capital Pension Plan	March 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
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
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	Delayed	
Health Shared Services Saskatchewan Disability Income Plan – CUPE	December 31	Delayed	
Health Shared Services Saskatchewan Disability Income Plan – General	December 31	Delayed	
Health Shared Services Saskatchewan Disability Income Plan – SEIU	December 31	Delayed	
Health Shared Services Saskatchewan Disability Income Plan – SUN	December 31	Delayed	
Health Shared Services Saskatchewan Group Life Insurance Plan	December 31	Delayed	
Health Shared Services Saskatchewan In-Scope Extended Health/Enhanced Dental Plan	December 31	Delayed	

Agency	Fiscal Year-End [A]	Status on May 15, 2020 [B]	Matters Reported/Related Report(s) [C]
Health Shared Services Saskatchewan Out-of-Scope Extended Health/Enhanced Dental Plan	December 31	Delayed	
Health Shared Services Saskatchewan Out-of-Scope Flexible Health/Spending Plan	December 31	Delayed	
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	Note 3	
Municipal Employees' Pension Commission	December 31	Complete	No
Northern Municipal Trust Account	December 31	Delayed	Yes/2020 – V1
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	Delayed	Yes/2019 – V2
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 Guardian and Trustee of Saskatchewan	March 31	Complete	Yes/2020 – V1
Public Service Superannuation Plan	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 [A]	Status on May 15, 2020 [B]	Matters Reported/ Related Report(s) [C]
Saskatchewan Power Corporation Supplementary Superannuation Plan	December 31	Complete	No
Saskatchewan Professional Teachers Regulatory Board	August 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 Technology Fund	March 31	Note 5	
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	December 31	Delayed	Yes/2019 – 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	Complete	Yes/2019 – V2
Water Security Agency Retirement Allowance Plan	March 31	Complete	No
Offices of the Legislative Assembly:			
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 and Public Interest Disclosure Commissioner, Office of the	March 31	Complete	No
Other Agencies:			
Pension Plan for the Academic and Administrative Employees of the University of Regina	December 31	Complete	No
Pension Plan for the Eligible Employees at the University of Saskatchewan	December 31	Delayed	No
Technical Safety Authority of Saskatchewan	June 30	Complete	No

Agency	Fiscal Year-End [A]	Status on May 15, 2020 [B]	Matters Reported/ Related Report(s) [C]
University of Regina	April 30	Complete	Yes/2019 – V2
University of Regina Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	

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:   Healthcare Affiliates—the first period-end of involvement by our Office will be March 31, 2020.

Note 5:   This Entity was created December 5, 2018. The first period-end audited will be March 31, 2020.

Note 6:   This Entity began active operations in 2019-20.

Note 7:   This Entity was dissolved effective January 14, 2019

Note 8:   This Entity was dissolved effective February 20, 2019

Note 9:   This Entity was dissolved effective March 31, 2019

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[A]   Fiscal Year-end   Year of last completed integrated audit

      March 31   2019
      April 30   2019
      May 31   2019
      June 30   2019
      August 31   2019
      September 30   2019
      December 31   2019

[B]   "Complete"—the audit was complete.

      "Delayed"—the audit was delayed.

[C]   "No" - no significant issues were reported.

"Yes/2019 – V2" – significant issues are reported in our *2019 Report – Volume 2*.

"Yes/2020 – V1" – significant issues are reported in our *2020 Report – Volume 1*.

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 31, 2019 and December 31, 2019.

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.[1,2] 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 2019-20 – Volume 1* will include the Office's independent auditor's report on the Government's Summary Financial Statements for the year ended March 31, 2020.

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[1] For a copy of this report, see our website at 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.
[2] 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, 2019 and December 31, 2019. As noted below, sometimes the Office varies the extent of its participation.

The table groups agencies and corporations by: school divisions; other Crown agencies, special purpose and trust funds; 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
School Divisions				
Chinook School Division No. 211	Stark & Marsh CPA LLP	August 31	Yes	Yes
Christ the Teacher Roman Catholic Separate School Division No. 212	Baker Tilly SK LLP	August 31	See ^A	Yes
Conseil des Écoles Fransaskoises No. 310	Deloitte LLP	August 31	See ^A	Yes
Creighton School Division No. 111	Kendall & Pandya	August 31	See ^A	Yes
Good Spirit School Division No. 204	Miller Moar Grodecki Kreklewich & Chorney	August 31	See ^A	Yes
Holy Family Roman Catholic Separate School Division No. 140	Cogent Chartered Professional Accountants LLP	August 31	See ^A	Yes
Holy Trinity Roman Catholic Separate School Division No. 22	Virtus Group LLP	August 31	See ^A	Yes
Horizon School Division No. 205	MNP LLP	August 31	Yes	Yes
Île-à-la Crosse School Division No. 112	Vantage Chartered Professional Accountants	August 31	See ^A	Yes
Light of Christ Roman Catholic Separate School Division No. 16	Vantage Chartered Professional Accountants	August 31	See ^A	Yes
Living Sky School Division No. 202	Holm Raiche Oberg P.C. Ltd. Chartered Professional Accounts	August 31	See ^A	Yes
Lloydminster Public School Division No. 99	Wilkinson Livingston Stevens LLP	August 31	See ^A	Yes
Lloydminster Roman Catholic Separate School Division No. 89	MNP LLP	August 31	See ^A	Yes
North East School Division No. 200	Virtus Group LLP	August 31	See ^A	Yes

Name of Agency	Appointed Auditor	Year-End Date	PAS* Participated in Audit	Financial Statements are Reliable
Northern Lights School Division No. 113	Deloitte LLP	August 31	See [A]	Yes
Northwest School Division No. 203	Grant Thornton LLP	August 31	Yes	Yes
Prairie South School Division No. 210	Stark & Marsh CPA LLP	August 31	See [A]	Yes
Prairie Spirit School Division No. 206	MNP LLP	August 31	Yes	Yes
Prairie Valley School Division No. 208	MNP LLP	August 31	See [A]	Yes
Prince Albert Roman Catholic Separate School Division No. 6	Deloitte LLP	August 31	See [A]	Yes
Regina Roman Catholic Separate School Division No. 81	Dudley & Company LLP	August 31	See [A]	Yes
Regina School Division No. 4	MNP LLP	August 31	Yes	Yes
Saskatchewan Rivers School Division No. 119	Deloitte LLP	August 31	Yes	Yes
Saskatoon School Division No. 13	Deloitte LLP	August 31	Yes	Yes
South East Cornerstone School Division No. 209	Virtus Group LLP	August 31	See [A]	Yes
St. Paul's Roman Catholic Separate School Division No. 20	MNP LLP	August 31	Yes	Yes
Sun West School Division No. 207	Close Hauta Bertoia Blanchette Chartered Professional Accountants	August 31	Yes	Yes
Other Crown Agencies, Special Purpose and Trust Funds				
Métis Development Fund	Deloitte LLP	December 31	Yes	Yes
Municipal Employees' Pension Commission	KPMG LLP	December 31	Yes	Yes
Municipal Financing Corporation of Saskatchewan	Dudley & Company LLP	December 31	Yes	Yes
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	KPMG LLP	December 31	Yes	Yes
Pension Plan for the Non-Teaching Employees of the Saskatoon School Division No. 13	Deloitte LLP	December 31	Yes	Delayed
Saskatchewan Housing Corporation	KPMG LLP	December 31	Yes	Yes
Saskatchewan Pension Plan	KPMG LLP	December 31	Yes	Yes
Saskatchewan Professional Teachers Regulatory Board	Virtus Group LLP	August 31	Yes	Yes
Saskatchewan Research Council Employees' Pension Plan	Deloitte LLP	December 31	Yes	Yes
Workers' Compensation Board	KPMG LLP	December 31	Yes	Yes

Name of Agency	Appointed Auditor	Year-End Date	PAS* Participated in Audit	Financial Statements are Reliable
CIC, its Subsidiary Crown Corporations & Other Related Entities				
Coachman Insurance Company	KPMG LLP	December 31	Yes	Yes
Power Corporation Superannuation Plan	Deloitte LLP	December 31	Yes	Yes
Saskatchewan Government Insurance Superannuation Plan	KPMG LLP	December 31	Yes	Yes
SGI Canada Insurance Services Ltd.	KPMG LLP	December 31	Yes	Yes

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*   PAS—Provincial Auditor of Saskatchewan

A   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.

Appendix 3
Samples of Opinions Formed in Annual Audits of Ministries, Crown Agencies, and Crown-controlled Corporations

The scope of the Office of the Provincial Auditor's audit work includes the Government as a whole, sectors or programs of the Government, and individual government agencies (see **Appendix 1**). *The Provincial Auditor Act* requires the Office to use generally accepted assurance standards published by CPA Canada to carry out its audits (e.g., integrated, performance, follow-up).

Individual government agencies are subject to annual integrated audits. In general, annual integrated audits examine the effectiveness of financial-related controls, compliance with financial-related authorities, and the reliability of financial statements (for agencies who prepare them).

The following are samples of audit opinions formed as part of the annual integrated audits.

1. Effectiveness of Internal Controls (Financial-Related)

We have undertaken a reasonable assurance engagement of [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.

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 internal controls related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of internal controls based on our audit.

We used the control framework included in COSO's *Internal Control—Integrated Framework* to make our judgments about the effectiveness of [Agency]'s internal controls.[1] We did not audit certain aspects of internal controls concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements (CSAE) 3001, *Direct Engagements*. This standard requires that we plan and perform this engagement to obtain reasonable assurance as to the effectiveness of [Agency]'s internal controls related to the objectives stated above. The nature, timing, and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the effectiveness of internal controls. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with this standard will always detect a material misstatement when it exists.

Our audit on the effectiveness of [Agency]'s internal controls 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

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[1] The Committee of Sponsoring Organizations of the Treadway Commission. *Internal Control—Integrated Framework.* (www.aicpastore.com/content/media/producer_content/generic_template_content/Illustrative_Tools.jsp) (17 October 2019).

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.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, subject to the limitations noted above, [Agency]'s internal controls were operating effectively, in all material respects, to meet the objectives stated above as of [Year End] based on COSO's *Internal Control—Integrated Framework*.

[If control is not effective in all material respects, describe the risk or significant deficiency, and indicate which objective is affected. The report should state whether the deficiency resulted from the absence of control procedures or the degree of compliance with them.]

This report is provided solely for the purpose of assisting the Provincial Auditor in discharging her responsibilities, and for preparing her annual report to the Legislative Assembly of Saskatchewan, and is not to be referred to or distributed to any person who is not a member of management or the Board of [Agency], its supervising agencies or the Office of the Provincial Auditor, and should not be used for any other purpose. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

We have complied with the ethical requirements of the Chartered Professional Accountants of Saskatchewan—*Rules of Professional Conduct*, founded on fundamental principles of integrity, objectivity, professional competency and due care, confidentiality, and professional behaviour.

We apply the *Canadian Standard on Quality Control 1* issued by CPA Canada and, accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

2.   Compliance with Legislative Authorities

We have undertaken a reasonable assurance engagement of [Agency]'s compliance with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing, and investment activities during the year ended [Year End]:

(List all legislative and related authorities covered by this report. This list must include all governing authorities).

Compliance with the provisions of the stated legislative and related authorities is the responsibility of management of [Agency]. Management is also responsible for such internal control as management determines necessary to enable the [Agency]'s compliance with the specified requirements.

Our responsibility is to express a reasonable assurance opinion on [Agency]'s compliance based on the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements (CSAE) 3531 *Direct Engagements to Report on Compliance*. This standard requires that we plan and perform this engagement to obtain reasonable assurance whether [Agency] complied with the criteria established by the legislation and related authorities referred to above, in all significant respects. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about the entity's compliance with the specified requirements. The nature, timing, and extent of procedures selected depends on our professional judgment, including an assessment of the risks of significant non-compliance, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with this standard will always detect a material misstatement when it exists.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, for the year ended [Year End], [Agency] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities.

We do not provide a legal opinion on the [Agency]'s compliance with the aforementioned legislative and related authorities.

(The report should provide adequate explanation with respect to any reservation contained in the opinion together with, if relevant and practicable, the monetary effect.)

This report is provided solely for the purpose of assisting the Provincial Auditor in discharging her responsibilities, and for preparing her annual report to the Legislative Assembly of Saskatchewan, and is not to be referred to or distributed to any person who is not a member of management or the Board of [Agency], its supervising agencies or the Office of the Provincial Auditor, and should not be used for any other purpose. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such third parties. We accept no responsibility

for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

We have complied with the ethical requirements of the Chartered Professional Accountants of Saskatchewan—*Rules of Professional Conduct*, founded on fundamental principles of integrity, objectivity, professional competency and due care, confidentiality, and professional behaviour.

We apply the *Canadian Standard on Quality Control 1* issued by CPA Canada and, accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

3. Reliability of Financial Statements

This opinion is formed for government agencies preparing financial statements. Ministries do not prepare financial statements.

Opinion

We have audited the financial statements of [Agency], which comprise [the statement of financial position] as at [Year End[s]], and the [statement of operations and accumulated surplus], [statement of remeasurement gains and losses], [statement of changes in net financial assets] and [statement of cash flows] for the year[s] then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of [Agency] as at [Year End[s]], and [insert appropriate wording to describe financial results] for the year[s] then ended in accordance with [insert name of the acceptable financial reporting framework].

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of [Agency] in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[Insert the following paragraphs if you expect to receive <u>all</u> or <u>some</u> of the other information (i.e., annual report that includes financial statements) prior to the date of the auditor's report and the auditor does not expect to identify a material misstatement of the other information. If you do <u>not expect to receive</u> other information prior to the date of the auditor's report, then there are no reporting requirements. The Other Information section can be removed from the auditor's report.]

Other Information

Management is responsible for the other information. The other information comprises the information included in [X report], but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or any knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [insert the name of the 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.

In preparing the financial statements, management is responsible for assessing [Agency's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the [Agency] or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the [Agency's] financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

➢ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

➢ Obtain an understanding of internal control relevant to the audit 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 [Agency's] internal control.

➢ Evaluate the appropriateness of accounting policies used, the reasonableness of accounting estimates, and related disclosures made by management.

➢ Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the [Agency's] ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the [Agency] to cease to continue as a going concern.

➢ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.