

Chapter 12

Saskatchewan Health Authority

1.0 MAIN POINTS

The Saskatchewan Health Authority's 2019-20 financial statements are reliable. In 2019-20, the Authority complied with the authorities governing its activities related to financial reporting and safeguarding public resources.

During 2019-20, the Authority implemented a conflict of interest policy covering permitted vendor-sponsored travel and began validating suppliers before adding them into its financial system.

To strengthen its financial controls, the Authority needs to:

- Sign an adequate service level agreement with its key IT service provider—eHealth Saskatchewan. Without an adequate agreement, the Authority risks not being able to effectively monitor the quality and timeliness of IT services delivered by eHealth, or know its critical IT systems and data are secure and will be restored in a reasonable timeframe in the event of a disaster.
- Separate incompatible duties related to paying suppliers, paying staff, and processing journal entries. Without adequate segregation of duties, the Authority faces a higher risk of fraud and of undetected errors in its financial information.

2.0 INTRODUCTION

2.1 Background

The Provincial Health Authority Act makes the Saskatchewan Health Authority responsible for planning, organizing, delivering, and evaluating health services within the province of Saskatchewan. The Authority's Board is responsible for administering its affairs and conducting the business of the Authority.

The Authority's mission is to improve health and well-being in Saskatchewan, every day, for everyone. The Authority uses many affiliates and health care organizations to help deliver health services in the province.

2.2 Financial Overview

As set out in **Figure 1** below, in 2019-20, the Authority had revenue and expenses of \$4.38 billion and \$4.32 billion respectively, resulting in a surplus of \$65 million. During the year, the Authority received almost 90% of its revenue from the Ministry of Health. The Authority held assets of \$2.2 billion, including capital assets of \$1.8 billion at March 31, 2020.

**Figure 1—Revenue and Expense of Saskatchewan Health Authority**

	Actual 2019-20	Actual 2018-19
Revenue	(in millions)	
Ministry of Health—General Revenue Fund	\$ 3,887	\$ 3,678
Other Revenue	494	461
Total Revenue	\$ 4,381	\$ 4,139
Expense		
Salaries and benefits	2,650	2,555
Medical remuneration and benefits	387	356
Grants to ambulance services, health care organizations, and affiliates	328	324
Medical and surgical supplies	150	146
Amortization	125	134
Other expenses	676	652
Total Expense	\$ 4,316	\$ 4,167
Annual Surplus (Deficit)	\$ 65	\$ (28)

Source: Adapted from Saskatchewan Health Authority audited financial statements for the year ended March 31, 2020.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2020, we found, in all material respects:

- **The Authority had reliable financial statements**
- **The Authority had effective rules and procedures to safeguard public resources except as noted below**
- **The Authority complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Provincial Health Authority Act
The Provincial Health Authority Administration Regulations
The Special-care Homes Rates Regulations, 2011
The Medical Laboratory Licensing Act, 1994
The Trustee Act, 2009
The Health Labour Relations Reorganization (Commissioner) Regulations

The Health Administration Act
The Housing & Special-care Homes Regulations
The Narcotic Control Regulations (Canada)
The Executive Government Administration Act
The Financial Administration Act, 1993
 Orders in Council issued pursuant to the above legislation

We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 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 Saskatchewan Health Authority's controls.

As the Authority's primary expenses are salaries and benefits, and goods and services, our audit included testing processes for preparing and processing payroll, and ordering, paying for, and receiving goods and services. We examined processes to safeguard financial-related IT systems and data. We assessed the reasonableness of key estimates recorded in the financial statements (e.g., accumulated sick leave liability). We assessed the reasonableness of information disclosed about the Authority's pension plan.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 IT Service Level Agreement Required

We recommended the Saskatchewan Health Authority sign an adequate service level agreement with eHealth Saskatchewan to enable monitoring of the quality and timeliness of eHealth's provision of IT services. (2018 Report – Volume 2, p. 80, Recommendation 1, Public Accounts Committee has not yet considered this recommendation as of November 2, 2020)

Status—Not Implemented

The operating agreement between the Authority and eHealth, signed in 2017, is not adequate in that it does not enable appropriate monitoring of the quality and timeliness of IT services.

The Authority moved the majority of its IT systems into eHealth's data centre in 2017-18. Disaster recovery plans have not been completed or tested for critical IT systems and data (e.g., lab systems, hospital admissions systems).

Adequate service level agreements make it clear what type of service must be provided, when, and at what cost. They outline in detail services to be provided (e.g., help desk services, server maintenance, frequency of applying patches), service availability requirements (e.g., the percentage of time networks will be available), and service delivery targets (e.g., period for creating and removing user accounts). In addition, they identify security and disaster recovery requirements and set out options available in the event something goes wrong (e.g., data security breach, IT system outage). Agreements also provide a basis for common understanding and monitoring of performance.

Without an adequate service level agreement, there is a risk that the Authority cannot effectively monitor whether eHealth is meeting the Authority's IT needs. Furthermore, not having completed or tested disaster recovery plans increases the risk the Authority may be unable to restore, within reasonable time, its critical IT systems and data in the event of a disaster.^{1,2} This may adversely impact the Authority's ability to deliver health care services.

4.2 Separation of Incompatible Duties Needed

We recommended the Saskatchewan Health Authority separate incompatible duties. (2019 Report – Volume 2, p. 86, Recommendation 3, Public Accounts Committee has not yet considered this recommendation as of November 2, 2020)

Status—Not Implemented

The Authority does not adequately segregate incompatible duties related to paying suppliers, paying staff, and using journal entries to record financial transactions.

¹ As reported in Chapter 3 in our 2020 Report – Volume 2, eHealth did not have a complete and tested disaster and recovery plan at March 31, 2020.

² eHealth Saskatchewan had a ransomware attack in January 2020 that made a number of Authority IT systems unavailable for extended periods.



The Authority uses journal entries extensively to record payroll, capital asset additions and disposals, and cash receipts.

Figure 2 summarizes findings related to inadequate segregation of incompatible duties in the areas of payments, payroll, and journal entries. Our findings were similar to those in the prior year.

Figure 2—Summary of Audit Findings Related to Inadequate Segregation of Incompatible Duties

Results of Testing in 2019-20	Related Risk
Payments	
For each of six sole-sourced contracts we tested, the same individual approved the contract and the related payments. We found the contract and payment amounts aligned with the Authority's specified rates.	Not assigning more than one person to complete certain tasks such as approval of the initiation of the purchase, receipt of goods and services, and payment approval increases the risk of inappropriate purchases.
Our testing of IT controls over user access identified one staff member with the ability to both initiate and approve electronic fund transfers.	Not segregating initiation and approval of transfers increases the risk of making inappropriate transfers and not detecting errors or mistakes.
Our testing identified certain staff with the ability to both enter new suppliers into the financial system and approve invoices for payment, as well as other financial transactions.	Not segregating the ability to make vendor changes from the ability to approve invoices increases the risk of making payments to fictitious suppliers and not detecting errors or mistakes.
Our testing identified numerous staff located throughout the province with the authority to change information about vendors in financial systems. Changes to vendor information cannot be identified when made.	The Authority partially mitigated this risk through its new due diligence process to confirm the validity of suppliers before adding or updating them in the financial system. It implemented this new process in 2019-20 (see Section 4.3).
Payroll	
Our testing continued to find employees with the ability to approve their own pay increments in the payroll system. We confirmed none of these employees approved their own pay increase during the year.	Not appropriately segregating payroll processing increases the risk of fraud and not detecting errors.
Our testing found two instances where employees approved their own timecard.	
Journal Entries	
Our testing of journal entries found various accounting systems located across the former health regions do not segregate access for the preparation and approval of journal entries.	Lack of independent review and approval increases the risk of unauthorized or inaccurate entries to accounting records resulting in financial information errors.
For journal entries we tested, in five of the 12 former regions, numerous entries were not approved by someone independent of the person who prepared it. The Authority does not require its staff to independently review and approve journal entries.	The Authority expects to have independent review and approval of journal entries with the implementation of the new Administrative Information Management System (AIMS) in 2020.

Not involving more than one individual in making purchases, paying employees, and processing journal entries increases the risk of undetected fraud or errors.

The Authority anticipates its implementation of the Administrative Information Management System (AIMS) will address a number of these segregation concerns.

4.3 Supplier Information Validated

We recommended the Saskatchewan Health Authority document its due diligence procedures used to validate suppliers before adding them into its financial system. (2019 Report – Volume 2, p. 84, Recommendation 2, Public Accounts Committee has not yet considered this recommendation as of November 2, 2020)

Status—Implemented

The Authority validates suppliers before adding them into its financial system.

In September 2019, the Authority implemented a new work standard. This standard sets clear procedures for setting up and changing supplier information in its financial system. It requires staff to research and document the validity of a new vendor or changed supplier information before making a purchase.

For four new or changed suppliers we tested, documentation showed staff completed due diligence procedures as expected.

Carrying out sufficient due diligence procedures to confirm the validity of suppliers before adding them into the financial system reduces the risk of making payments to fictitious suppliers.

4.4 Conflict of Interest Policy in Place

We recommended the Saskatchewan Health Authority implement an approved code of conduct policy including permitted vendor-sponsored travel. (2019 Report – Volume 2, p. 83, Recommendation 1, Public Accounts Committee has not yet considered this recommendation as of November 2, 2020)

Status—Implemented

The Authority has an approved conflict of interest policy, which includes sufficient details on permitted vendor-sponsored travel.

In December 2019, the Authority implemented a new conflict of interest policy. This policy clearly sets out the Authority's requirements for the identification, disclosure and handling of actual, potential or perceived conflicts of interest that may arise during the course of clinical and business activities. It requires all managerial (i.e., directors and up) and practitioner staff in leadership positions to complete an annual conflict of interest disclosure form. Any violation of the policy may result in discipline up to and including termination of employment.

For 10 staff we tested who are required to complete the annual form, each had signed forms on file.

The policy does not permit vendor-sponsored travel unless pre-approval is obtained from the Chief Executive Officer or respective executive leadership team member. The Authority approved 37 instances of vendor-sponsored travel during 2019-20.

For three of instances of approved vendor-sponsored travel we tested, the Chief Executive Officer or an executive team member approved travel consistent with the policy.

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

