Chapter 11
Saskatchewan Health Authority

1.0 MAIN POINTS

The Saskatchewan Health Authority's 2020–21 financial statements are reliable. In 2020–21, the Authority complied with the authorities governing its activities related to financial reporting and safeguarding public resources. The Authority had, other than the following areas, effective rules and procedures to safeguard public resources for the year ended March 31, 2021.

In 2020–21, the Authority began drafting a new master services agreement for IT services, but still requires an adequate, signed service level agreement with its main 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 whether its critical IT systems and data are secure and will be restored in a reasonable timeframe in the event of a disaster.

To strengthen its financial controls, the Authority needs to 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 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 Saskatchewan's citizens' health and well-being, every day, for everyone.[1] The Authority uses many affiliates and healthcare organizations to help deliver health services in the province.

2.2 Financial Overview

As set out in **Figure 1** below, in 2020–21, the Authority had revenue and expenses of $4.91 billion and $4.71 billion respectively, resulting in a surplus of $200 million. During the year, the Authority received approximately 90% of its revenue from the Ministry of Health. At March 31, 2021, it held assets of $2.4 billion, including capital assets of $1.8 billion.

---

[1] Saskatchewan Health Authority, *Annual Report to the Legislature 2020–2021*, p. 5.

Figure 1—Revenue and Expenses of the Saskatchewan Health Authority

	Actual 2020–21	Actual 2019–20
	(in millions)	
Revenue		
Ministry of Health—General Revenue Fund	$ 4,488	$ 3,887
Other revenue	422	494
Total Revenue	$ 4,910	$ 4,381
Expenses		
Salaries and benefits	2,824	2,650
Medical remuneration and benefits	529	387
Grants to ambulance services, healthcare organizations, and affiliates	363	328
Medical and surgical supplies	168	150
Amortization	137	125
Other expenses	689	676
Total Expenses	$ 4,710	$ 4,316
Annual Surplus	$ 200	$ 65

Source: Adapted from the Saskatchewan Health Authority audited financial statements for the year ended March 31, 2021.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2021, 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 Authority'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 salaries and benefits are the Authority's primary expense, our audit included testing processes for preparing and processing payroll (including overtime). It also included testing the Authority's processes for ordering, paying for, and receiving goods and services, including numerous purchases made in relation to the COVID-19 pandemic (e.g., pandemic physician payment program and personal protective equipment). It examined processes to safeguard financial-related IT systems and data. It assessed the reasonableness of key estimates recorded in the financial statements (e.g., accumulated sick leave liability). It also assessed the reasonableness of information disclosed about the Authority's pension plan.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 IT Service Level Agreement Progressing

We recommended the Saskatchewan Health Authority sign an adequate service level agreement with eHealth Saskatchewan to enable monitoring of the quality and timeliness of eHealth's provision of IT services. (*2018 Report – Volume 2,* p. 80, Recommendation 1, Public Accounts Committee has not yet considered this recommendation as of October 29, 2021)

Status—Partially Implemented

As at March 2021, the Saskatchewan Health Authority and eHealth continue to manage IT services under an inadequate agreement, but began drafting a new master services agreement for IT services.

The Authority moved the majority of its IT systems into eHealth's data centre in 2017–18, and signed an operating agreement with eHealth in 2017. We find the agreement inadequate in allowing for appropriate monitoring of IT services.[2]

In 2020–21, representatives from eHealth and various health sector clients, including the Authority, formed an integrated IT Advisory Committee. The Committee assists in guiding the strategic priorities for IT services that eHealth is to provide. It met almost monthly throughout 2020–21.

Our review of the draft master services agreement found it did not include provisions for a number of key aspects for the delivery of IT services. The draft agreement did not include provisions about IT change processes, service levels (e.g., response times, system availability), security requirements, and disaster recovery. However, we found it appropriately included details on IT service governance, an IT service catalogue, payments and funding, quarterly reporting, and dispute resolution.

Also at March 2021, eHealth had not completed or tested its disaster recovery plans for certain critical IT systems and data of the Authority (e.g., lab system, hospital admissions system). The Authority depends on these IT systems and data to deliver related services.

---

[2] Adequate service level agreements make clear what type of service to provide, 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 level 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.

Having an inadequate service level agreement increases the risk of the Authority not effectively monitoring whether eHealth meets the Authority's IT needs. Furthermore, not having completed or tested disaster recovery plans for critical IT systems increases the risk the Authority may be unable to restore, within a reasonable time, its critical IT systems and data in the event of a disaster.[3,4] This may adversely impact the Authority's ability to deliver healthcare 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 October 29, 2021)

Status—Partially Implemented

The Saskatchewan Health Authority inadequately segregates incompatible duties related to paying suppliers, paying staff, and using journal entries to record financial transactions. The Authority uses journal entries extensively to record payroll, cash receipts, capital asset additions and disposals.

During 2020–21, the Authority addressed some issues relating to the segregation of incompatible duties for payments. For example, the Authority removed one staff member's ability to both initiate and approve electronic fund transfers. In addition, the Authority segregated the duties of the individuals approving sole-sourced contracts and related payments.

While the Authority made some improvements during 2020–21, our testing identified incompatible duties. As **Figure 2** summarizes, we found inadequate segregation of incompatible duties in areas including, payments, payroll, and journal entries. Our findings were similar to those in the prior year.

Figure 2—Summary of 2020–21 Audit Findings about Inadequate Segregation of Incompatible Duties

Audit Testing Found:	Related Risk
Payments	
Certain staff have the ability to both enter new suppliers into the financial system and approve invoices for payment.	Not segregating the ability to make vendor changes from approving invoices increases the risk of making payments to fictitious suppliers and not detecting errors or mistakes.
Numerous staff located throughout the province are authorized to change information about vendors in financial systems. Changes to vendor information cannot always be identified when made.	Not confirming supplier validity prior to adding or updating them in the financial system increases the risk of making payments to fictitious suppliers.
Although the Authority implemented a vendor-change form policy in 2020–21, staff are not always following the policy. For 12 new or changed suppliers we tested, the vendor-change form was neither approved nor verified as required by the policy.	

---

[3] According to Chapter 3 in our *2021 Report – Volume 2*, eHealth did not have a complete and tested disaster recovery plan at March 31, 2021.
[4] eHealth Saskatchewan experienced a ransomware attack in January 2020 resulting in numerous unavailable Authority IT systems for extended periods.

Audit Testing Found:	Related Risk
Payroll	
Certain employees are able to approve their own pay increments in the payroll system; however, testing did not find instances of employees approving their own pay increase.	Inappropriately segregating payroll processing increases the risk of fraud and not detecting errors.
Certain payroll staff are able to set up new employees in the payroll system rather than assigning responsibility to set up new employees to other human resources personnel.	
One employee was paid overtime without manager approval.	
Journal Entries	
Various accounting systems located in six of the former health regions allow the same individual to prepare and approve journal entries. The Authority does not require its staff to independently review and approve journal entries.	Lack of review and approval independent from preparing journal entries increases the risk of unauthorized or inaccurate entries to accounting records. Inaccurate financial records results in financial information errors.

Inadequately separating incompatible duties increases the risk of not catching errors or identifying situations where expected processes are not followed. In addition, not involving more than one individual in making purchases, paying employees, and processing journal entries increases risks for undetected fraud.

The Authority anticipates its implementation of the new Administrative Information Management System (AIMS) in 2021–22 will address a number of these segregation concerns.