

The Provincial Auditor's Overview

1.0 PREAMBLE

The Office of the Provincial Auditor is the external, independent auditor of the Government. *The Provincial Auditor Act* makes us responsible for auditing the Government of Saskatchewan and approximately 260 agencies. **Appendix 1** lists each agency along with its year-end date, whether matters are reported, and, if so, in which Report.

Our Office's mission to promote accountability and better management of public resources, while preserving our independence, provides legislators and the public with an independent assessment of the Government's use of public resources. We do this through our audit work and publicly reported results, along with our mutual involvement with legislative committees charged with reviewing our Reports.

This *2022 Report – Volume 1* provides legislators and the public critical information on whether the Government issued reliable financial statements, used effective processes to administer programs and services, and complied with governing authorities. It includes the results of examinations of different agencies completed by May 4, 2022 with details on annual integrated and performance audits, as well as our follow-up work on previously issued recommendations by our Office and by the Standing Committees on Public Accounts and Crown and Central Agencies.

Section 2 of this Overview defines annual integrated, performance and follow-up audits, and highlights key findings of each section.

2.0 HIGHLIGHTS OF EACH SECTION

2.1 Annual Integrated Audits

Integrated audits are annual audits of agencies that examine:

- The effectiveness of their financial-related controls (e.g., processes to plan, evaluate, and coordinate 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 (where applicable)

Since our *2021 Report – Volume 2*, our Office, along with appointed auditors (if in place), completed annual integrated audits of 58 different agencies with fiscal year-ends between July and December 2021.¹ These include integrated audits of 3 Crown corporations and agencies, 27 school divisions, and 18 pension and employee benefit plans.

This Section includes only new concerns with IT controls at certain school divisions. Prairie South School Division No. 210 and Northern Lights School Division No. 113 need to

¹ **Appendix 2** lists agencies using an appointed auditor. **Appendix 1** outlines all agencies we examined with fiscal year-ends in 2021.



appropriately restrict user access to their financial systems. Appropriately restricting privileged user access reduces the risk of staff either obtaining inappropriate access or making improper transactions.

Also, 13 school divisions use a key financial IT system—managed by a third-party service provider—with identified system vulnerabilities that exposes them to increased cybersecurity risks. An opportunity exists for the Ministry of Education to work with the impacted school divisions not only to improve the monitoring of the IT system and the service provider, but also to mitigate identified risks and reduce cyber threats.

2.2 Performance Audits

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

This Section of the Report includes the results of six non-financial, performance audits completed since our last Report (*2021 Report – Volume 2*).

Chapter 3: 3sHealth—Managing Disability Claims

What our Office examined:

3sHealth’s management of disability claims for certain healthcare employees. At October 2021, there were about 40,000 healthcare employees from various healthcare organizations among the four disability income plans.

Why our Office examined this area:

A serious injury or illness can mean loss of income and future security, as well as emotional difficulties for an injured employee. The longer employees stay away from work with a disability, the less likely they are to return to employment.

3sHealth having effective processes to manage disability claims can help minimize delays in injured employees receiving appropriate financial support and treatment to improve their mental and physical health, and to return to work. 3sHealth receives about 250 disability benefit applications monthly.

What our Office found: Overall, 3sHealth has effective processes to manage disability claims, but needs to improve in a few areas.

- **Disability claims increasing:** More than 3,600 disability claims between January and October 2021 compared to over 3,200 in 2020
- **Majority of claims accepted:** 128 claims (4%) denied between January and October 2021
- **Appeals on denied claims declining:** 22.7% appealed in 2021 compared to 49.3% appealed in 2019
- 68 appeals on denied claims in 2020, with 35 claim decisions overturned after appeal
- Claim decisions made within eight business days—over 80% of the time
- **80% of appeal decisions made later** than the expected 30 days

3sHealth needs to:

- Submit claim applications to adjudicators in a timely manner (delays ranged from 4–11 days)
- Follow established timelines to complete appeal reviews (i.e., within 30 days) or document reasons for delays
- Centrally track and analyze complaints from disability plan members
- Enhance written reports to senior management and to the Board about disability claim management processes (e.g., reasons 8-day claim decision target missed, whether appeals reviewed within 30 days and if not, why not)

Chapter 7: Saskatchewan Workers' Compensation Board—Administering Psychological Injury Claims

What our Office examined: Workers' Compensation Board's processes to administer compensation claims for psychological injury.

Why our Office examined this area: Psychological or mental health issues are the number one cause of disability in Canada. Psychological injuries are often complex, and, as a claim, generally more difficult to administer and frequently require more judgment than some other injuries.

WCB revised its compensation processes for psychological injuries in 2016 due to changes in its Act that defines rules regarding psychological injury. The number of psychological claims and their costs continue to increase. The duration of psychological injury claims are often longer than for other types of injuries.

What our Office found: WCB communicates requirements necessary to apply for psychological injury compensation benefits and to submit appeals. WCB maintains clear policies and procedures to guide the adjudication of psychological injury claims, except it needs to enhance its guidance in certain areas, and follow its procedures in other areas.

- A **traumatic event** is a single or series of events that arose out of or in the course of employment that may result in psychological injury
- **578 psychological injury claims** received and 238 accepted (41%) in 2021; corrections workers and paramedics have highest amount of accepted claims
- **Claim decisions not always made within 14 business days**
- About 50 appeals for psychological claims in 2021, with six claim decisions overturned after the appeal
- Appeal decisions made within 30 days 80% of the time

Workers' Compensation Board needs to:

- Regularly (every three weeks) communicate with psychological injury claimants
- Make timely (i.e., within 14 business days) psychological injury claim decisions—57% of the claims we tested did not meet the 14-day target
- Complete ongoing quality reviews for psychological injury claim and appeal files



- Set formal guidance on what key information is needed for appeals; what to communicate for appeal outcomes; and what claim information to release to employers for appeals

Effective processes to administer psychological injury claims minimizes delays in injured workers receiving appropriate support to improve their mental health, and return to work.

Chapter 5: Saskatchewan Health Authority—Buying Goods and Services

What our Office examined:

The Saskatchewan Health Authority's direct purchasing of goods and services over \$5,000.

Why our Office examined this area:

Ineffective purchasing processes increase the risk of the Authority not selecting the most suitable supplier or receiving the best value. In addition, unfair, non-transparent, or biased purchases, whether perceived or real, could damage the Authority's reputation.

- Purchases over \$75,000 go through a central purchasing department and get posted on the SaskTenders website
- 75% of public tenders did not have award details posted on SaskTenders as required
- 34 out of 38 sole or single source purchases tested not justified
- Delegation for signing authority not always followed (e.g., contracts, purchase orders)

What our Office found: The Authority needs a more centralized approach to purchasing goods and services to allow for appropriate storing of purchasing documents and to support better monitoring of staff's compliance with its purchasing policy. We found a number of areas where staff did not follow purchasing policies or the Authority could not provide purchasing support documentation.

The Saskatchewan Health Authority needs to:

- Follow its policies when purchasing goods or services over \$5,000 through single or sole source purchasing methods, including when using credit cards.
- When tendering, consistently evaluate suppliers, obtain conflict of interest declarations from staff involved, and properly communicate supplier award decisions.
- Properly authorize the initiation of purchases and the resulting contracts with suppliers.
- Establish a process to assess and track supplier performance.

Chapter 6: Saskatchewan Liquor and Gaming Authority—Regulating Locally Manufactured Craft Alcohol

What our Office examined: Saskatchewan Liquor and Gaming Authority's regulation of the production and sale of locally manufactured craft alcohol.

Why our Office examined this area: Consumers are purchasing craft alcohol products more often with craft alcohol sales nearly doubling in 2020–21 compared to 2017–18. At November 2021, SLGA permitted 64 different craft alcohol producers in the province.

Effective regulation of craft alcohol production reduces the risk of the public consuming unsafe alcohol and alcohol inconsistent with labelling. As the regulator of beverage alcohol, SLGA must also treat craft alcohol producers consistently and fairly while ensuring it receives all and accurate production levy revenue.

- Producer permits expire after three years; four craft alcohol producers operated without a valid permit
- SLGA completed 10 inspections and 24 pre-permit inspections in 12 months (compared to 64 craft alcohol producers in total)
- Lab test results for each alcohol product line required every two years
- At November 2021, at least 43 craft alcohol product lines required lab test results (some nine months late)

What our Office found: SLGA needs to increase its regulatory oversight of craft alcohol producers. SLGA needs to:

- Obtain craft alcohol quality assurance results (lab tests) every two years as expected
- Use a risk-based approach to inspect craft alcohol producers and high-risk manufacturing areas, and to determine inspection frequency; SLGA had not inspected one producer in the past three years
- Renew craft alcohol permits prior to expiry
- Perform reasonability assessments of craft alcohol producers' monthly sales and production information to confirm permit compliance and accurate production levies

Chapter 8: Sun West School Division No. 207— Supporting Students' Completion of Grades 10–12 Distance Education

What our Office examined:

Sun West School Division No. 207's processes to support students to complete Grades 10–12 distance education courses through its Distance Learning Centre. For the 2020–21 school year, the Centre taught over 3,900 courses to more than 2,100 Grades 10–12 students.

Why our Office examined this area:

Provincially, distance-education course registrations substantially increased in 2020–21 due to COVID-19. There were 13,000 Grades 10–12 students on average registered in distance education courses, which doubled (i.e., over 26,000) in 2021.

Sun West has the highest proportion of Grades 10–12 distance-education course registrations compared to the other individual distance education schools in the province. It is an entirely rural school division with no cities within its boundaries located in west central Saskatchewan with 42 schools including 18 Hutterite colony schools, and 24 others located in 19 different communities (e.g., Kindersley, Biggar).



Not having effective processes to support distance education students increases the likelihood of them not completing courses, which in turn may adversely affect graduation rates.

What our Office found: Sun West utilizes supports (e.g., orientation, course expectations, ongoing communication) to help students successfully complete distance education courses, but has a few areas to improve.

Sun West needs to:

- Improve its IT system to help monitor the timeliness of grading coursework to identify those teachers who are critically behind in grading
- Follow its student inactivity phasing process to engage students who are behind in coursework, and to help increase successful course completion
- Implement a course development policy that includes frequency of course reviews and updates
- Establish a course completion-rate target for students learning solely online
- Analyze key information related to distance learning to identify trends, issues and improvements, and provide regular written reports to its Board
- Assess the need for ongoing, focused professional development for teachers educating students in a distance education environment

- Sun West has **2,100 students** in Grades 10–12 distance education courses
- **61% course completion rate** for all Sun West distance education students
- **31 staff** directly involved in online teaching
- Nine students tested did not receive phasing notification emails from teachers for inactivity, and did not complete their online course
- 60% of Sun West distance education students took only online courses (**no course completion target**); 23% took in-person and online (**90% course completion target compared to 76% actual course completion rate**)

Chapter 4: Public Service Commission—Advancing Workplace Diversity and Inclusion in Ministries

What our Office examined:

The Public Service Commission’s processes to advance workplace diversity and inclusion in ministries.

Why our Office examined this area:

The Public Service Commission is the central human resource agency for 17 government ministries—over 11,000 employees work across these ministries. In 2020–21, the Commission had 300 full-time equivalent positions and spent \$33.2 million.

The Commission works closely with all ministries to support workplace diversity and inclusion, which can lead to greater innovation, employee retention and productivity, and ability to meet client needs.

- **Workplace diversity and inclusion** means taking steps to try to represent all people at all levels in the workforce
- Percentage of ministry **employees who report as disabled, Indigenous, or racialized are below the Commission’s benchmarks**
- About 3.5% of ministry employees self-reported as disabled persons and 9.3% as Indigenous (Commission benchmarks are 22.2% and 14.0% respectively)

A 2018 report showed many Canadians continue to experience labour force participation far below other nations, and the gaps show no sign of closing. For example, Indigenous people, disabled people, and racialized people face significant challenges. Leaders who address workplace diversity and inclusion recognize inequities and bias, as well as disrespect and marginalization in the workplace, and strive to eliminate related barriers to both employment and great client service.

What our Office found: The Commission set up a framework for collaborating with ministries to develop and maintain diversity and inclusion policies, goals, and strategies. However, the Commission needs to improve its measuring and tracking of whether ministries meet their established diversity and inclusion goals and, if not meeting, support them in devising strategies and plans to advance diverse and inclusive workplaces.

The Commission needs to:

- Modernize its policies and guidance for ministry managers to include all key diversity and inclusion concepts; its Employment Equity Policy was last revised in August 2000.
- Monitor ministries' inclusion plans and progress reports. The Commission did not require, and therefore did not receive, 13 of 17 ministry diversity and inclusion plans for 2021-22 (nine ministries did not have finalized plans).
- Establish clear indicators, measure and analyze relevant data, and then report progress toward achieving cross-ministerial diversity and inclusion goals.

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.

Our Office systematically assesses the status of outstanding recommendations to determine whether agencies made recommended improvements. We do our first follow-up either two or three years after the initial audit, and every two or three years thereafter until the agency either implements the recommendations or we identify them as no longer relevant.

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

Overall, agencies implemented less recommendations on an overall basis (42%) than our recent Report (*2021 Report – Volume 2*: 55%). The percentage of recommendations not implemented (at 18%) is similar to our past Report (*2021 Report – Volume 2*: 18%). The extent to which agencies implement recommendations demonstrates whether the recommendations reflect areas that are important to improve public sector management, and whether agencies act on them quick enough.

As evident from the table below, some agencies were successful in making substantive improvements in a relatively short period.

SGI implemented all four recommendations made in 2019 related to monitoring automated speed enforcement fines. SaskEnergy also implemented all three recommendations made



in 2020 around keeping existing transmission pipelines operating safely. We were also pleased to see SaskPower fully implemented five of the seven recommendations we first made in 2018 in regards to maintaining above-ground assets used to distribute electricity. SaskPower implemented a broader strategy for managing its distribution assets. Adopting this strategy is changing how employees complete maintenance work and how senior management makes key maintenance decisions.

There are some agencies that have further work to do.

Stemming from our original 2017 audit of MRI services in Regina, the Saskatchewan Health Authority has not yet formally assessed the quality of MRI services that radiologists provide, but is in the process of developing a peer-review program to do so. Such a process will help confirm whether a patient receives an appropriate diagnosis.

Workers' Compensation Board is also undertaking a significant claims transformation process initiative that it expects will result in better coordination of injured workers' return to work. The initiative anticipates increased standardization, communication, and monitoring and should be complete by December 2025.

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}	Status of Recommendations				
		Recommendations	Implemented	Partially Implemented	Not Implemented	No Longer Relevant
Initial Follow-Ups						
Energy and Resources—Auditing Producer Returns for Non-Renewable Resources	2019 V1	5	0	3	2	0
Financial and Consumer Affairs Authority—Regulating Motor Vehicle Dealers to Protect Consumers	2020 V1	4	2	1	1	0
Horizon School Division No. 205—Maintaining Facilities	2020 V1	5	1	4	0	0
Northern Lights School Division No. 113—Purchasing Goods and Services	2021 V1	14	0	8	6	0
SaskPower—Maintaining Above-Ground Assets Used to Distribute Electricity	2018 V2	7	5	2	0	0
Saskatchewan Government Insurance—Monitoring Automated Speed Enforcement Fines	2019 V1	4	4	0	0	0
Saskatchewan Health Authority—Preventing and Controlling Hospital-Acquired Infections in the Regina General and Pasqua Hospitals	2018 V2	4	0	2	2	0
Saskatoon School Division No. 13—Supporting Students with Intensive Needs	2018 V1	11	6	5	0	0
SaskEnergy—Keeping Existing Transmission Pipelines Operating Safely	2020 V1	3	3	0	0	0
Social Services—Monitoring Foster Families	2020 V1	6	2	4	0	0

Chapter Name	Related Report ^{A,B}	Status of Recommendations				
		Recommendations	Implemented	Partially Implemented	Not Implemented	No Longer Relevant
St. Paul's Roman Catholic Separate School Division No. 20—Adapting Technology for Learning in Elementary Schools	2019 V2	6	5	1	0	0
Initial Follow-Ups Subtotal		69	28	30	11	0
% of Initial Follow-Ups Subtotal			41%	43%	16%	0%
Subsequent Follow-Up Audits^C						
Environment—Regulating Landfills	2013 V2 2015 V2 2018 V1 2020 V1	2	2	0	0	0
Health—Detecting Inappropriate Physician Payments	2017 V1 2020 V1	2	0	2	0	0
Modernizing Government Budgeting and Financial Reporting	2013—Special Report 2016 V1 2019 V1	3	1	0	2	0
Saskatchewan Government Insurance—Confirming Only Qualified Drivers Remain Licensed	2016 V1 2018 V1 2020 V1	1	1	0	0	0
Saskatchewan Health Authority—Delivering Accessible and Responsive Ground Ambulance Services in Southwest Saskatchewan	2016 V2 2019 V2	6	5	0	1	0
Saskatchewan Health Authority—Efficient Use of MRIs in Regina	2017 V1 2020 V1	4	1	3	0	0
Saskatchewan Health Authority—Medication Management in Long-Term Care Facilities in Kindersley and Surrounding Area	2014 V2 2017 V2 2020 V1	2	2	0	0	0
Saskatchewan Workers' Compensation Board—Coordinating Injured Workers' Return to Work	2016 V2 2019 V2	6	0	3	3	0
Subsequent Follow-Ups Subtotal		26	12	8	6	0
% of Subsequent Follow-Ups Subtotal			46%	31%	23%	0%
Overall Total		95	40	38	17	0
% of Overall Total			42%	40%	18%	0%

Source: Compiled by the 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 subsequent reports (for subsequent follow-ups).

^C For subsequent follow-ups, the number of recommendations is the number of outstanding recommendations that remained not implemented after the previous follow-up audit.

3.0 ACKNOWLEDGEMENTS

Our Office always appreciates the cooperation from the staff and management of government agencies, along with their appointed auditors, in the completion of the work included in this Report. An extended thanks also to the various experts who shared their knowledge and advice.



We also appreciate the ongoing support of the all-party Standing Committees on Public Accounts and on Crown and Central Agencies, and acknowledge their dedication in helping to hold the Government to account. Our Office remains focused on serving the Legislative Assembly and the people of Saskatchewan.

As Provincial Auditor, I am honoured to lead the Office, and our team of professionals. I am truly proud of their diligence and commitment to quality work. Their unwavering professionalism 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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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 us responsible for auditing the Government of Saskatchewan and over 262 agencies.

Our Office promotes accountability and better management through our audit work and public reports along with our involvement with legislative committees charged with reviewing our Reports. We routinely examine the Government’s administration of its programs and services.

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

Our Office uses Canadian professional auditing standards published by CPA Canada to conduct our 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.

Our Office strives to complete audits of value to legislators and the public. This means selecting audit topics of importance and with higher risk, and sharing the results (whether positive or negative) within a reasonable time. We aim to complete larger and more complex audits within a year of their initiation.

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

