

# The Provincial Auditor's Overview

## 1.0 PREAMBLE

The Office of the Provincial Auditor is the external, independent auditor of the Government. Our Office's mission is to promote accountability and better management of public resources, by providing 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 involvement with the legislative committees charged with reviewing our Reports (i.e., the Standing Committees on Public Accounts and Crown and Central Agencies).

*The Provincial Auditor Act* makes the Office 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.

This *2022 Report – Volume 2* 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 November 4, 2022 with details on annual integrated and performance audits, as well as our follow-up audit 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 *2022 Report – Volume 1*, our Office, along with appointed auditors (if in place), completed annual integrated audits of 163 different agencies with fiscal year-ends between January and June 2022.<sup>1</sup> These include integrated audits of 19 ministries, 100 Crown corporations and agencies, 8 pension and employee benefit plans, and 36 healthcare affiliates.

<sup>1</sup> **Appendix 1** outlines all agencies we examine. **Appendix 2** lists agencies using an appointed auditor.



This section includes concerns at only six government agencies, which means most agencies had effective financial-related controls, complied with financial and governance-related legislative authorities, and prepared reliable financial statements.

The Ministry of Social Services (**Chapter 6**) has further work to do to make sure its clients are paid correct income assistance amounts under the Saskatchewan Income Support (SIS) Program. Verifying client income and educating Ministry staff on payment and overpayment recovery requirements should support clients getting the correct income assistance amounts from SIS.

eHealth Saskatchewan (**Chapter 1**) continued to make progress on testing its IT disaster recovery plans but did not fully complete testing. Fully testing recovery plans assures key IT systems that support critical healthcare services can be successfully restored within a reasonable time when disasters occur (e.g., cyberattacks).

As **Chapter 3** reports, the Prairie Agricultural Machine Institute (PAMI) did not prepare adequate financial statements for audit in 2021–22 and did not table its March 31, 2022 financial statements in accordance with legislative requirements. PAMI management had to correct significant errors in the financial statements; PAMI's final audited financial statements are reliable. PAMI requires effective controls to accurately track revenue from its fee-for-service projects, and review and approve financial information once prepared.

The Saskatchewan Liquor and Gaming Authority (**Chapter 5**) had an adequate policy for protecting credit card information but did not follow it. The Authority inappropriately stored about 125 credit card numbers of liquor retailers and regulatory clients on its network. Not following its policy can result in loss of sensitive information.

## 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 five non-financial, performance audits completed since our last Report (*2022 Report – Volume 1*).

### Chapter 12: Saskatchewan Health Authority—Filling Hard-to-Recruit Healthcare Positions

#### What our Office examined:

The Saskatchewan Health Authority's processes to fill hard-to-recruit positions.

#### Why our Office examined this area:

The Authority's ability to deliver cost-effective healthcare services depends on its ability to attract and retain staff on a long-term basis. To provide Saskatchewan residents with access to health services they need, the Authority must anticipate not only the number and

type of healthcare professionals required to provide those services, but also where those positions are needed most. It must also determine the current staff supply, and use its recruitment and retention programs to fill in the gaps.

**What our Office found:**

The Authority needs to:

- Continually implement and monitor the success of targeted plans to fill hard-to-recruit positions with significant gaps
- Determine the optimal supply of new graduates needed to help address staffing shortfalls
- Assess whether post-secondary training seats purchased out of province and student clinical placements are successful recruitment strategies
- Establish a First Nations and Métis recruitment and retention plan
- Centrally analyze results from staff exit interviews to influence retention strategies

- 31 hard-to-recruit positions at March 2022
- 11 hard-to-recruit positions with **chronic vacancies greater than 5%** (vacant for more than 90 days)
- **2,200 staff shortages expected in hard-to-recruit positions over next five years**, including 840 continuing care assistants, 520 registered nurses, and 180 medical laboratory technicians
- Staffing gaps not identified by healthcare facility location
- **66% of Authority staff survey respondents felt burned out from their work**

If the Saskatchewan Health Authority does not have staff available to deliver needed healthcare services, disruptions occur. Healthcare is an industry in which staffing deficiencies can mean life or death.

**Chapter 8: Corrections, Policing and Public Safety—Inmate Administrative Segregation**

**What our Office examined:**

The Ministry of Corrections, Policing, and Public Safety's processes to administratively segregate inmates in its adult secure-custody correctional centres.

**Why our Office examined this area:**

The Ministry placed 49 inmates on administrative segregation in 2021, with over half due to violent or aggressive behaviour. Effective processes to administratively segregate inmates contributes to the safety and well-being of inmates and staff; however, unnecessary and prolonged segregation may leave vulnerable inmates with irreparable mental and physical health damage.

**What our Office found:**

The Ministry needs to:

- Have appropriate staff authorize administrative segregation placement decisions, and have inmate appeals reviewed by independent adjudicators. We found five placements approved by a correctional officer instead of a correctional centre manager as expected by the Ministry.



- Have quality assurance reviews assess compliance with all key policies, including appropriately documenting daily reviews (i.e., daily meetings with segregated inmates) and adequately completing healthcare assessments. Nurses in correctional centres need to adequately assess inmates' mental and physical ability to cope with administrative segregation.
- Develop an ongoing training plan for correctional centre staff involved in administrative segregation. The Ministry revised its policies in August 2022, yet did not provide training to correctional officers and nursing staff.
- Enhance written reports to senior management and the public about the use of administrative segregation. For example, other jurisdictions report publicly on the number of inmates placed on administrative segregation, the length of stay and some demographic information about inmates.

- Good practice expects inmates to be on administrative segregation **no longer than 15 consecutive days**
- In 2021, the **Ministry had 13 inmates segregated for over 15 days**; one placement for 43 days straight
- Healthcare assessments not completed as required or completed late
- **Minimum 2 hours out of cell leisure time per day expected — unable to confirm as daily reviews not documented.** One inmate spent 24 days on administrative segregation with only 8 daily reviews documented.

## Chapter 9: Finance—Enforcing Provincial Sales Tax (PST) Legislation

### What our Office examined:

The Ministry of Finance's processes to enforce compliance with PST legislation through enforcement activities including educating taxpayers about tax laws, conducting audits, and pursuing taxes owed until collected.

### Why our Office examined this area:

It is important to have the right people paying the right amount of tax. Unpaid taxes (e.g., due to tax evasion or taxpayer error) are more difficult to collect the longer amounts are outstanding.

Taxes collected, such as PST, help pay for critical services such as education, infrastructure, social services and healthcare in Saskatchewan.

### What our Office found:

Finance needs to:

- Analyze key trends in non-compliance with PST legislation to help prioritize enforcement activities. For example, PST audits in 2021–22 identified \$10 million in PST collected by vendors but not reported and paid to Finance (compared to \$3 million in 2020-21). Finance does not analyze how and why this amount is changing, and whether enforcement activities have an impact or whether changes to enforcement activities are needed.

- Over \$2 billion in PST revenue annually, almost 30% of all tax revenues
- Over 70,000 PST vendors (taxpayers) collecting PST in 2022
- **\$283 million unpaid PST at March 31, 2022**
- **\$77 million in PST revenue collected from collection activities in 2021-22**
- In 2021-22, over 1,200 PST audits generated \$47 million in PST revenue

- Enhance its reporting to senior management to better analyze PST enforcement results—if Finance did not achieve expected results, why not and what is the plan to achieve results.
- Document key judgments when selecting taxpayers for PST audits.
- Clearly support the level of risk assigned to PST collection cases. The risk level determines the collection actions taken. Not appropriately pursuing tax owing may result in Finance collecting less tax. There was about \$283 million in unpaid PST at March 31, 2022.
- Set out timeframes for reviewing audits and education activities, and communicating results to taxpayers. Delays can impact the timely receipt of PST owing.

## Chapter 10: Saskatchewan Cancer Agency—Cancer Drug Supply Management

### What our Office examined:

Saskatchewan Cancer Agency's management of its cancer drug supply.

### Why our Office examined this area:

The Cancer Agency spent over \$120 million on cancer drugs in 2021–22. Failing to purchase safe and effective cancer drugs in the right quantities can put patients at risk of not receiving the most appropriate treatment when needed. Ineffective purchasing processes also increases the risk of the Cancer Agency not obtaining best value for cancer drugs, resulting in increased costs to the healthcare system.

### What our Office found:

The Saskatchewan Cancer Agency regularly reviews and updates its cancer drug formulary, analyzes its supply needs for cancer drugs, and delivers cancer treatments to patients closer to home. However, the Cancer Agency needs to:

- Set timeframes for making decisions on drug exception requests that come from physicians. Timely decisions support timely treatment.
- Formally document its processes for getting approved cancer drugs on the drug formulary.
- Show it is obtaining best value when using sole and single source purchasing methods, and when not using group purchasing methods, as group purchasing has benefits from nationally-negotiated prices for cancer drugs.

- Over 180 cancer drugs on the formulary (i.e., approved drug list)
- 175 requests for exception drugs between July 2021 and May 2022
- **Exception drug approvals need to be timely; one decision took 64 days**
- No documented rationale for single and sole source purchases
- Cancer drug waste amounts to less than 1% of total cancer drug expenses



## Chapter 11: Saskatchewan Government Insurance—Licensing Commercial Drivers

### What our Office examined:

We examined Saskatchewan Government Insurance’s (SGI) processes to license commercial (e.g., semi-truck) Class 1 drivers.

### Why our Office examined this area:

Semi-trucks are significantly larger and weigh more than the average private vehicle. They also can haul dangerous goods and oversized loads. These factors increase the risk to other drivers in the event of a collision. Operating semi-trucks requires extra training and skill.

SGI introduced mandatory entry-level training (MELT) for new Class 1 drivers in March 2019.

### What our Office found:

SGI set appropriate licensing requirements and confirmed commercial drivers met those requirements, and appropriately addressed commercial drivers’ non-compliance with requirements and traffic laws. The number of driver violations (tickets) decrease when commercial drivers take MELT and gain years of driving experience.

SGI needs to:

- Periodically evaluate the effectiveness of mandatory entry-level training (MELT)
- Sufficiently confirm its Class 1 road test examiners meet requirements to be examiners

- At May 2022, close to 62,000 commercial Class 1 drivers in Saskatchewan; **about 2,800 commercial drivers have taken MELT**
- **27 certified training schools provide MELT**
- First year commercial drivers who completed MELT had, on average, fewer tickets compared to drivers who did not take MELT
- Medical reports provided based on age of a commercial driver

## 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 13 follow-up audits.

Overall, agencies implemented more recommendations on an overall basis (59%) than our recent Report (*2022 Report – Volume 1*: 42%). The percentage of recommendations not implemented (at 6%) is also lower compared to our past Report (*2022 Report – Volume 1*: 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. We are happy to see agencies acting on our recommendations in a timelier manner, as this means public sector management is improving.

As evident from the table below, some agencies were successful in making improvements in a relatively short period. For example, Saskatchewan Polytechnic (**Chapter 22**) improved its processes to carry out applied research. Sask Polytech earns revenue by providing applied research to governments, corporations, and other third parties. Sask Polytech developed a new database to centralize and track research projects, expanded its measures to assess the success of its applied research, and established written agreements with industry partners requiring research projects.

Further work is needed at some agencies.

As noted in **Chapter 20**, the Saskatchewan Health Authority has more work to do to maintain healthcare facilities in Saskatoon and surrounding areas. Overall, facilities in Saskatoon and surrounding areas are in critical condition, and worsening. The Authority still has to set measurable service objectives to assist in determining which facilities and components are in immediate need of maintenance. Having minimum condition standards enables taking a risk-informed approach to maintenance planning. Further, the Authority is not conducting preventative maintenance activities on a consistent basis or appropriately prioritizing on-demand maintenance requests. This not only increases the risk that key facilities and components remain unrepaired longer than they should, but also that an asset may fail and cause harm to residents, patients, visitors, or staff.

As noted in **Chapter 15**, eHealth Saskatchewan still has to implement adequate configuration settings on all eHealth-managed portable computing devices to prevent exposing the eHealth IT network to viruses and malware. Portable computing devices, like laptops, create paths to IT networks. Sufficiently controlling and monitoring eHealth’s IT network will also help to mitigate the impact of security breaches.

The following table summarizes the results of the 13 follow-up audits. It sets out the status of recommendations by agency, grouped by initial and subsequent follow-ups.

Chapter Name	Related Report <sup>A,B</sup>	Status of Recommendations				
		Recommendations	Implemented	Partially Implemented	Not Implemented	No Longer Relevant
<b>Initial Follow-Ups</b>						
eHealth Saskatchewan—Securing Portable Computing Devices	2020 V1	7	1	5	1	0
Environment—Sustainable Fish Population Management	2019 V2	9	7	1	0	1
Parks, Culture and Sport—Providing Safe Drinking Water in Provincial Parks	2019 V2	7	3	4	0	0
Saskatchewan Health Authority—Analyzing Surgical Biopsies in Regina and Saskatoon Labs	2018 V2	7	4	2	1	0



Chapter Name	Related Report <sup>A,B</sup>	Status of Recommendations				
		Recommendations	Implemented	Partially Implemented	Not Implemented	No Longer Relevant
Saskatchewan Health Authority—Maintaining Healthcare Facilities in Saskatoon and Surrounding Areas	2019 V1	10	2	7	1	0
Saskatchewan Polytechnic—Carrying Out Applied Research	2020 V2	5	5	0	0	0
<b>Initial Follow-Ups Subtotal</b>		<b>45</b>	<b>22</b>	<b>19</b>	<b>3</b>	<b>1</b>
<b>% of Initial Follow-Ups Subtotal</b>			<b>49%</b>	<b>42%</b>	<b>7%</b>	<b>2%</b>
<b>Subsequent Follow-Up Audits <sup>C</sup></b>						
Corrections, Policing and Public Safety—Community Rehabilitation of Adult Offenders	2011 V1 2013 V1 2017 V2 2020 V2	2	2	0	0	0
Corrections, Policing and Public Safety—Providing Primary Medical Care in Adult Secure-Custody Correctional Centres	2018 V1 2020 V2	7	7	0	0	0
Finance—Monitoring the Fuel Tax Exemption Program	2016 V1 2019 V1	4	1	2	1	0
Saskatchewan Impaired Driver Treatment Centre—Delivering the Impaired Driver Treatment Program	2018 V1 2020 V2	1	1	0	0	0
Saskatchewan Public Safety Agency—Coordinating Provincial Emergency Preparedness	2015 V1 2018 V1 2020 V2	1	1	0	0	0
Social Services—Minimizing Employee Absenteeism	2015 V2 2018 V1 2020 V2	2	2	0	0	0
Western Development Museum—Permanently Removing Historical Artifacts	2016 V2 2018 V2 2020 V2	1	1	0	0	0
<b>Subsequent Follow-Ups Subtotal</b>		<b>18</b>	<b>15</b>	<b>2</b>	<b>1</b>	<b>0</b>
<b>% of Subsequent Follow-Ups Subtotal</b>			<b>83%</b>	<b>11%</b>	<b>6%</b>	<b>0</b>
<b>Overall Total</b>		<b>63</b>	<b>37</b>	<b>21</b>	<b>4</b>	<b>1</b>
<b>% of Overall Total</b>			<b>59%</b>	<b>33%</b>	<b>6%</b>	<b>2%</b>

Source: Compiled by the Provincial Auditor of Saskatchewan.

<sup>A</sup> V—means Volume.

<sup>B</sup> 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).

<sup>C</sup> 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 continuously values 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. We are grateful to the many experts who shared their knowledge and advice during the course of our work.



We also appreciate the ongoing support of the all-party Standing Committees on Public Accounts and on Crown and Central Agencies, and acknowledge their commitment 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. Our team's steadfast 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. Through *The Provincial Auditor Act*, the Provincial Auditor, the Office, and staff are independent from the Government. *The Provincial Auditor Act* makes us responsible for auditing the Government of Saskatchewan and approximately 260 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.



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](http://auditor.sk.ca).