

Chapter 4

Saskatchewan Health Authority

1.0 MAIN POINTS

This chapter reports the results of the 2021–22 annual audit of the Saskatchewan Health Authority.

The Authority's 2021–22 financial statements are reliable. In 2021–22, 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, 2022.

At March 2022, the Authority did not have an adequate IT service level agreement in place with its main IT service provider—eHealth Saskatchewan. The Authority and eHealth signed a new master services agreement in May 2022, but continue to work together on finalizing key aspects of the agreement (e.g., security requirements, disaster recovery expectations). Without an adequate agreement, the Authority risks being unable 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 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.

¹ Saskatchewan Health Authority, *Annual Report to the Legislature 2021–22*, p. 5.



2.2 Financial Overview

As set out in **Figure 1** below, in 2021–22, the Authority had revenue and expenses of \$5.02 billion and \$4.98 billion, respectively, resulting in a surplus of \$41 million. During the year, the Authority received approximately 90% of its revenue from the Ministry of Health. At March 31, 2022, it held assets of \$2.4 billion, including capital assets of \$1.8 billion.

Figure 1—Revenue and Expenses of the Saskatchewan Health Authority

	Actual 2021–22	Actual 2020–21
	(in millions)	
Revenue		
Ministry of Health—General Revenue Fund	\$ 4,563	\$ 4,493
Other revenue	454	417
Total Revenue	<u>5,017</u>	<u>4,910</u>
Expenses		
Salaries and benefits	2,968	2,825
Medical remuneration and benefits	486	529
Grants to ambulance services, healthcare organizations, and affiliates	374	363
Medical and surgical supplies	199	168
Amortization	136	137
Other expenses	813	688
Total Expense	<u>\$ 4,976</u>	<u>\$ 4,710</u>
Annual Surplus	<u>\$ 41</u>	<u>\$ 200</u>

Source: Adapted from the Saskatchewan Health Authority audited financial statements for the year ended March 31, 2022.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2022, 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
The Government Service Organization (Provincial Sales Tax) Remission Regulations
 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., 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). The audit 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 agreement March 1, 2022)

Status—Partially Implemented

At March 2022, the Saskatchewan Health Authority and eHealth were nearing completion of a new master services agreement for IT services. The Authority signed the new master services agreement with eHealth in May 2022, and expects to finalize the remaining key aspects of this agreement by March 31, 2023.

The Authority moved the majority of its IT systems into eHealth's data centre in 2017–18, and signed an interim operating agreement with eHealth in 2017. We found the agreement to be inadequate to allow for appropriate monitoring of IT services.

Our review of the draft master services agreement found it includes a number of key aspects for the delivery of IT services, such as IT service governance, payments and funding, quarterly reporting, and dispute resolution.

However, we found the Authority and eHealth continue to work together on finalizing other key aspects of the agreement—disaster recovery, service levels (e.g., response times, system availability), security requirements, and IT change management. **Figure 2** describes the risks associated with these undefined aspects of the master services agreement.

**Figure 2—Risks Associated with Undefined Aspects of Master Services Agreement**

Key Undefined Aspect of IT Service Agreement	Associated Risk
Disaster Recovery	Significant IT applications unavailable when needed, or loss of data in the event of a disaster. At March 2022, eHealth had not completed or tested 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 key health services.
Service Levels	Inability to determine whether a service provider is meeting client needs, and whether gaps in service exist (e.g., data backups not occurring as expected, expected response times to incident tickets unmet).
Security Requirements	Systems and data inadequately secured (e.g., patches not applied in a timely manner).
IT Change Management	Changes to applications may be inappropriately executed, increasing the risk of an adverse effect on the integrity and availability of IT systems and data.

Source: Developed by the Office of the Provincial Auditor of Saskatchewan.

Having an inadequate service level agreement increases the risk of the Authority not effectively monitoring whether eHealth is meeting the Authority's IT needs. For example, eHealth not having completed or tested disaster recovery plans of critical IT systems 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.^{2,3} 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 agreement March 1, 2022)

Status—Partially Implemented

The Saskatchewan Health Authority does not adequately separate 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, capital asset additions and disposals, and cash receipts.

Figure 3 summarizes findings related to inadequate separation of incompatible duties in the areas of payments, payroll, and journal entries. Our findings were similar to those in the prior year. In 2022–23, the Authority plans to implement the new Administrative Information Management System (AIMS) to address a number of these concerns.⁴

² eHealth did not have a complete and tested disaster recovery plan at March 31, 2022.

³ eHealth had a ransomware attack in January 2020 that resulted in a number of Authority IT systems being unavailable for extended periods.

⁴ In 2018, the Authority signed a capital and operating project agreement with the Ministry of Health regarding implementation of AIMS. The agreement expires on March 31, 2023, and establishes provincial funding toward the project. Under the agreement, the Ministry agreed to contribute almost \$144 million toward the project between October 1, 2018 and March 31, 2023.

Figure 3—Summary of 2021–22 Audit Findings about Inadequate Separation 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 separating 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. Not confirming the validity of suppliers before adding or updating them in the financial system increases the risk of making payments to fictitious suppliers.
Numerous staff located throughout the province have the authority to change information about vendors in financial systems. Changes to vendor information cannot always be identified when made.	
The Authority implemented a vendor-change form policy in 2020–21. However, we found staff are not always following the policy. For 11 of 29 new or changed suppliers we tested, staff did not approve the vendor-change form as required by policy. In addition, we found some staff throughout the province did not use the vendor-change form.	
Payroll	
Certain employees have the ability to approve their own pay increments in the payroll system. Testing did not find instances of employees approving their own pay increase.	Not appropriately separating payroll processing increases the risk of fraud and not detecting errors.
Certain payroll staff have the ability to set up new employees in the payroll system instead of separating this responsibility to human resources personnel.	
Eight employees were paid without approved timecards.	
Journal Entries	
Various accounting systems used by the Authority 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 of the preparation of journal entries increases the risk of unauthorized or inaccurate entries to accounting records.

Source: Developed by the Office of the Provincial Auditor of Saskatchewan.

Not separating incompatible duties increases the risk of not catching errors and 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 the risk of undetected fraud.

