

Chapter 8

Saskatchewan Health Authority

1.0 MAIN POINTS

This chapter reports the results of the 2022–23 annual audit of the Saskatchewan Health Authority.

The Authority's 2022–23 financial statements are reliable. In 2022–23, 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, 2023.

At March 2023, 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 have yet to finalize remaining key aspects (e.g., security and disaster recovery requirements) of the agreement. 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.

The Authority made progress during 2022–23 by adequately separating incompatible duties related to processing journal entries and employee pay increments. However, it needs to do more work to segregate incompatible duties related to paying vendors and staff. Without acceptable segregation of duties, the Authority faces a higher risk of fraud and undetected errors in its financial information.

The Authority began developing a new business-wide IT system called Administrative Information Management System (AIMS) in 2018. It anticipated implementing the system by March 31, 2021, at a total cost of about \$86 million. However, the AIMS project has not met its expected deadlines and budget. At March 2023, the forecasted costs to implement AIMS was almost \$240 million and the Authority had yet to establish a new AIMS implementation date following a paused attempt to “go live” in November 2022.

While we found the AIMS Executive Steering Committee took appropriate steps to identify factors (e.g., lessons learned) contributing to the system's implementation failure experienced in November 2022, it will be important for the Committee to facilitate completion of a formal lessons learned report for the AIMS project as a whole. Documenting and sharing such information with other government agencies leading significant projects can help to avoid system implementation failures on similar projects.

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 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.

2.2 Financial Overview

As set out in **Figure 1** below, in 2022–23, the Authority had revenue and expenses of \$5.01 billion and \$5.02 billion, respectively, resulting in a deficit of \$10 million. During the year, the Authority received approximately 90% of its revenue from the Ministry of Health. At March 31, 2023, 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 2022–23	Actual 2021–22 (restated ^A)
	(in millions)	
Revenue		
Ministry of Health—General Revenue Fund	\$ 4,573	\$ 4,563
Other revenue	438	454
Total Revenue	<u>5,011</u>	<u>5,017</u>
Expenses		
Salaries and benefits	3,010	2,968
Medical remuneration and benefits	479	486
Grants to ambulance services, healthcare organizations, and affiliates	360	374
Medical and surgical supplies	199	199
Amortization	149	143
Other expenses	824	813
Total Expense	<u>\$ 5,021</u>	<u>\$ 4,983</u>
Annual (Deficit) Surplus	<u>\$ (10)</u>	<u>\$ 34</u>

Source: Adapted from the Saskatchewan Health Authority audited financial statements for the year ended March 31, 2023.

^A The Authority restated its 2021–22 financial results due to its adoption of Public Sector Accounting Standards PS 3280 – Asset Retirement Obligations, effective April 1, 2022. This new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets and other contractual obligations, such as the removal of asbestos in buildings owned by the Authority.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2023, we found, in all material respects:

- **The Saskatchewan Health Authority had reliable financial statements**
- **The Saskatchewan Health Authority had effective rules and procedures to safeguard public resources except as noted in this chapter**

¹ Saskatchewan Health Authority, *Annual Report to the Legislature 2021–2022*, p. 5.

- **The Saskatchewan Health 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 Saskatchewan Health 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. We examined processes to safeguard financial-related IT systems and data. The audit assessed the reasonableness of key estimates recorded in the financial statements (e.g., accumulated sick leave liability, asset retirement obligations). The audit also assessed the reasonableness of information disclosed about the Authority’s pension plans and acquisition of long-term care homes from Extendicare.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 IT Service Level Agreement Not Finalized

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 2023, the Saskatchewan Health Authority and eHealth Saskatchewan have yet to finalize remaining key aspects of their 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 interim operating agreement with eHealth in 2017. The Authority signed a new master services agreement with eHealth in May 2022.

Our review of the master services agreement found it included 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 have yet to finalize 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 aspects of the master services agreement still undefined.

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

Key Aspect of IT Service Agreement	Associated Risk
Disaster Recovery	Significant IT applications not available when needed, or loss of data in the event of a disaster. At March 2023, eHealth had not completed or tested disaster recovery plans for certain critical IT systems (e.g., lab system, hospital admissions system) and data of the Authority. The Authority depends on these IT systems and data to deliver related services.
Service Levels	Inability to determine whether a service provider meets client needs and whether gaps in service exist (e.g., data backups not occurring as expected, expected response times to incident tickets not met).
Security Requirements	Systems and data not adequately secured (e.g., patches not applied in a timely manner).
IT Change Management	Changes to applications may be executed inappropriately, 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.

The Authority expects to finalize the remaining key aspects of the master services agreement with eHealth during 2023–24.

Not having an adequate 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 and tested disaster recovery plans of 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.^{2,3} This may adversely impact the Authority’s ability to deliver healthcare services.

4.2 Separation of Incompatible Duties Still 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 made progress toward adequately separating incompatible duties related to processing journal entries and employee pay increments; however, it needs to do more work to adequately separate incompatible duties related to paying vendors and staff.

² At March 31, 2023, eHealth had completed disaster recovery plans, but had not fully conducted recovery testing of those plans for critical IT systems.

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

The Authority uses journal entries extensively to record payroll, capital asset additions and disposals, and cash receipts. In February 2023, the Authority implemented a work standard requiring secondary approval of journal entries exceeding specified limits (e.g., \$25,000). We tested a sample of journal entries the Authority processed during 2022–23 and found a second individual approved all entries tested.

We also found the Authority implemented a semi-annual review of changes to employee pay increments in the payroll system. By March 2023, we found the Authority had conducted one such review and did not identify any employees adjusting their own pay increments. Our testing also confirmed this finding.

Figure 3 summarizes findings related to inadequate separation of incompatible duties in the areas of payments and payroll. Our findings were similar to those in the prior year.

Figure 3—Summary of 2022–23 Audit Findings about Inadequate Separation of Incompatible Duties

Audit Testing Found:	Related Risk
Payments	
Certain staff have the ability to both enter new vendors into the financial system and create purchase orders. We found three such instances.	Not separating the ability to make vendor changes from the ability to create purchase orders increases the risk of making payments to fictitious vendors and not detecting errors or mistakes.
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, expecting independent approval on the form to assess legitimacy of new vendors before making changes. However, we found staff are not always following the policy. For six new or changed vendors we tested, staff did not approve the vendor-change form as required by policy. For four of these new vendors, staff did not use the vendor-change form at all.	Not confirming the validity of vendors before adding or updating them in the financial system increases the risk of making payments to fictitious vendors.
Payroll	
Certain payroll staff have the ability to set up new employees in the payroll system instead of separating responsibility to set up new employees to human resources personnel. We found four of the Authority's payroll departments had this ability.	Not appropriately separating payroll processing increases the risk of fraud and not detecting errors.
Payroll staff paid 16 employees (at the same facility) without approved timecards.	Not approving timecards increases the risk of inappropriately paying employees for time not worked.

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

Separating incompatible duties decreases the risk of not catching errors and situations where expected processes are not followed. In addition, involving more than one individual in making purchases and paying employees decreases the risk of undetected fraud.

In 2022–23, the Authority planned to implement a new ERP system called Administrative Information Management System (AIMS) to address a number of these concerns.⁴ Roles developed in the new AIMS system are expected to separate duties for payment and payroll processing.

⁴ An Enterprise Resource Planning (ERP) system is a type of IT system that connects day-to-day business processes, including inventory and order management, supply chain, accounting, human resources, and procurement.



4.3 Administrative Information Management System (AIMS) Project Lessons Learned Report Needed

The Saskatchewan Health Authority's AIMS project has not met expected deadlines and budget. The Authority needs a lessons learned report at the end of the project to establish what worked well and not well, and to identify how to improve outcomes of future projects.

The Saskatchewan Health Authority attempted to “go live” with AIMS during 2022–23 but it paused its system implementation in November 2022 after experiencing numerous issues (e.g., failed staff scheduling, payroll time entry) and system defects.

The Authority's implementation of AIMS has continued for a number of years (i.e., almost five years) with costs continuing to grow more than expected.

The Authority signed a capital and operating project agreement with the Ministry of Health in November 2018 regarding the implementation of AIMS. The agreement required the Ministry to provide provincial funding for the project at a total cost of about \$86 million. The original agreement anticipated implementing AIMS by March 31, 2021.

The Authority had spent almost \$127 million on AIMS by March 31, 2022.

The Authority and the Ministry amended the agreement in 2022, increasing provincial funding for the project to a total cost of \$144 million to March 31, 2023, but changing nothing in relation to the scope of the project. The Authority went live with AIMS in November 2022, but unsuccessful implementation caused the Authority to revert to its existing systems.

The Authority had spent nearly \$157 million on AIMS by March 31, 2023.

At March 2023, the Ministry and the Authority updated the forecasted costs of the AIMS project to almost \$240 million (with no changes to the project's scope), and they have neither amended the agreement further nor established a new AIMS implementation date.

We found the AIMS Executive Steering Committee took appropriate steps to identify factors (e.g., lessons learned) contributing to the system's implementation failure experienced in November 2022.⁵ Factors identified included issues with staff scheduling, payroll time entry, and system performance. The Committee communicated this information to the Authority's Board of Directors in March 2023. The Committee expected an updated AIMS implementation plan and “go live” date in June 2023.

Upon project completion, it will be important for the Committee to coordinate a formal lessons learned report for the AIMS project as a whole. The purpose of documenting and applying the lessons learned is to improve future projects (e.g., effective leadership, incremental approach). Sharing such information with other government agencies (e.g., Ministry of SaskBuilds and Procurement) leading significant projects can help to avoid system implementation failures on similar projects—removing potential impediments before they happen.

- 1. We recommend the Saskatchewan Health Authority document and share an overall lessons learned report for the AIMS project with other government agencies.**

⁵ To facilitate support of AIMS at the most senior levels, the AIMS Executive Steering Committee membership includes senior leaders from among various healthcare organizations (e.g., Deputy Minister of Health, CEO of the Saskatchewan Health Authority, CEO of 3sHealth, CEO of Saskatchewan Cancer Agency, CEO of eHealth).