

## Chapter 8

# Saskatchewan Health Authority

### 1.0 MAIN POINTS

This chapter reports the results of the 2023–24 annual audit of the Saskatchewan Health Authority.

The Authority's 2023–24 financial statements are reliable. In 2023–24, 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, 2024.

At March 2024, 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 can be restored in a reasonable timeframe in the event of a disaster.

To strengthen its financial controls, the Authority 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 continued to work toward implementing its new business-wide IT system called Administrative Information Management System (AIMS). While the Authority initially planned to implement AIMS by March 31, 2021, at a cost of about \$86 million, by March 31, 2024, it spent almost \$190 million and forecasted to spend about \$250 million to complete the project over the next two fiscal years.

We found the Authority made improvements from its initial attempt to implement the system in November 2022, including plans to have nearly 500 end-users from across its various business units participate in user acceptance testing in spring 2024. Such testing should help the Authority identify any critical system defects it needs to address before attempting to implement the system.

Upon project completion, it will be important for the Authority to complete a formal lessons learned report for the AIMS project overall. Documenting and sharing such information with other government agencies leading significant IT 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 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 wellbeing, every day, for everyone.<sup>1</sup> 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**, in 2023–24, the Saskatchewan Health Authority had revenue and expenses of \$5.5 billion and \$5.4 billion respectively, resulting in a surplus of \$88 million. During the year, the Authority received approximately 92% of its revenue from the Ministry of Health. At March 31, 2024, it held assets of \$2.6 billion, including capital assets of \$1.9 billion.

**Figure 1—Revenue and Expenses of the Saskatchewan Health Authority**

	Actual 2023–24	Actual 2022–23
	(in millions)	
Ministry of Health—General Revenue Fund	\$ 5,083	\$ 4,573
Other revenue	425	438
<b>Total Revenue</b>	<b>5,508</b>	<b>5,011</b>
Salaries and benefits	3,143	3,010
Medical remuneration and benefits	583	479
Grants to ambulance services, healthcare organizations, and affiliates	360	358
Medical and surgical supplies	202	199
Amortization	152	149
Other expenses (e.g., purchased salaries, contracted services)	980	826
<b>Total Expenses</b>	<b>5,420</b>	<b>5,021</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 88</b>	<b>\$ (10)</b>

Source: Adapted from Saskatchewan Health Authority audited financial statements for the year ended March 31, 2024.

## 3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2024, 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**

<sup>1</sup> Saskatchewan Health Authority, *Annual Report 2023–2024*, p. 6.

- **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 appropriately preparing and processing payroll (including overtime and contract salaries). We also tested the Authority’s processes for ordering, paying for, and receiving goods and services.

We examined controls 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 a long-term care home from Regina Lutheran Home Housing Corporation.

## 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 2024, the Saskatchewan Health Authority and eHealth Saskatchewan have yet to finalize remaining key aspects of their service level agreement for IT services.

The Authority moved the majority of its IT systems into eHealth’s data centre in 2017–18. The Authority signed an interim operating agreement with eHealth in 2017. Both parties signed a new master services agreement in May 2022.



Our review of the master services agreement found it included several 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 Master Services Agreement Aspects Undefined and Unmonitored**

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 2024, 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 related healthcare 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 inadequately secured (e.g., patches not applied in a timely manner).
IT Change Management	Changes to key IT systems may be inappropriately executed, increasing the risk of an adverse effect on the integrity and availability of IT systems and data.

Source: The Office of the Provincial Auditor of Saskatchewan.

The Authority expected to finalize the remaining key aspects of the master services agreement with eHealth during 2024–25.

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 or 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.<sup>2</sup> 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 did not adequately separate incompatible duties related to paying vendors and staff.

<sup>2</sup> eHealth did not have complete and tested disaster recovery plans at March 31, 2024.

**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 2023–24 Audit Findings about Inadequate Separation of Incompatible Duties**

Audit Testing Found:	Related Risk
<b>Payments</b>	
<p>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.</p> <p>The Authority implemented a vendor-change-form policy in 2020–21, expecting independent approval on the form to assess legitimacy of new vendors, or changes to existing vendors, before processing changes.</p> <p>However, we found staff are not always following the policy. For six vendor changes 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.</p>	<p>Not confirming the validity of vendors before adding or updating them in the financial system increases the risk of making payments to fictitious vendors.</p>
<b>Payroll</b>	
<p>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 three of the Authority's payroll departments had this ability.</p>	<p>Not appropriately separating payroll processing increases the risk of fraud (i.e., setting up and paying fictitious employees) and not detecting errors.</p>

Source: 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, not involving more than one individual in making purchases and paying employees increases the risk of undetected fraud.

In 2024–25, the Authority planned to implement a new ERP system called Administrative Information Management System (AIMS) to address a number of these concerns.<sup>3</sup> Roles developed in AIMS are expected to separate duties for payment and payroll processing.

### 4.3 Administrative Information Management System (AIMS) Project Not Yet Implemented

***We recommended the Saskatchewan Health Authority document and share an overall lessons learned report for the AIMS project.*** (2023 Report – Volume 2, p. 54, Recommendation 1; Public Accounts Committee has not yet considered this recommendation as of November 4, 2024)

**Status**—Not Implemented

The Saskatchewan Health Authority continued to work toward implementing AIMS at March 31, 2024. It had yet to document and share an overall lessons learned report for the project.

<sup>3</sup> Enterprise Resource Planning (ERP) system is a type of system that connects day-to-day business processes, including inventory and order management, supply chain, accounting, human resources, and procurement.



The Authority's implementation of AIMS has been underway since 2018 with costs continuing to grow.

The Authority's initial capital and operating project agreement with the Ministry of Health from November 2018 required it to implement AIMS by March 31, 2021, at a cost of about \$86 million. An amending agreement in 2022 increased provincial funding for the project to a total cost of \$144 million to March 31, 2023, with no changes to the project's scope.

The Authority went live with AIMS in November 2022, but unsuccessful implementation caused the Authority to revert back to its existing systems.

The Authority signed another capital and operating project agreement with the Ministry in December 2023, providing the Authority with an additional \$91 million to complete AIMS by March 31, 2026.

By March 31, 2024, the Authority had spent nearly \$190 million on AIMS and forecasted to spend about \$250 million to complete the project.

During 2023–24, the Authority prepared to implement AIMS over the next two fiscal years using a phased approach. As an improvement from its initial attempt to implement the system in November 2022, the Authority planned to have almost 500 end-users from across its various business units participate in user acceptance testing in spring 2024. Such testing should help the Authority identify any critical system defects it needs to address before attempting to implement the system.

Upon project completion, it continues to be important for the Authority to coordinate and share a formal lessons learned report for the AIMS project overall. The purpose of documenting and applying lessons learned is to identify improvements for future projects (e.g., effective governance structure, incremental approach to project delivery). Sharing such information with other government agencies leading significant IT projects can help avoid system implementation failures on similar projects—removing potential impediments before they happen.