



# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**Hansard Verbatim Report**

**No. 11 – December 8, 2008**



**Legislative Assembly of Saskatchewan**

**Twenty-sixth Legislature**

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr. Harry Van Mulligen, Chair  
Regina Douglas Park

Mr. Warren Michelson, Deputy Chair  
Moose Jaw North

Mr. Fred Bradshaw  
Carrot River Valley

Mr. Michael Chisholm  
Cut Knife-Turtleford

Mr. Jeremy Harrison  
Meadow Lake

Mr. John Nilson  
Regina Lakeview

Mr. Jim Reiter  
Rosetown-Elrose

[The committee met at 10:30.]

**The Chair:** — Welcome to another meeting of the Standing Committee on Public Accounts. For those who are following proceedings on television, I would refer you to the Legislative Assembly website if you're interested in copies of *Hansard* or the video of the committee proceedings. That's [www.legassembly.sk.ca](http://www.legassembly.sk.ca). For copies of the Provincial Auditor's reports that will be referenced in our discussions, you can reach those and access those at [www.auditor.sk.ca](http://www.auditor.sk.ca).

In the main we'll be dealing with the 2008 *Report of the Provincial Auditor* volume 3, but there may well be the odd other reference to volume 1 for 2008 and as well volume 3 from 2007.

The first group to meet with us this morning is the Saskatchewan Research Council, and I would like to ask Dr. Laurier Schramm to introduce the officials that have joined us, and then go to the auditor for his comments.

#### Saskatchewan Research Council

**Mr. Schramm:** — Thank you, Mr. Chair. Seated immediately to my right is Crystal Smudy, our chief financial officer, and she is also our vice-president for finance, safety, and risk. Immediately behind me is sitting Wanda Nyirfa, who is our vice-president for business ventures and communications, and sitting to my left is Kenelm Grismer, who is our manager for major projects.

**The Chair:** — Thank you very much. Mr. Deis.

**Mr. Deis:** — Thank you. Good morning, Chair, members, and officials. We're going to cover two chapters this morning. I'll start with chapter 11 in our 2008 report volume 1. In this chapter we report an audit we did to assess whether Saskatchewan Research Council — I'll refer to it commonly as SRC — had adequate processes to manage intellectual property at November 30, 2007.

The chapter starts on page 123. SRC's mission involves research and development as well as the transfer of technology. SRC carries out projects and provides services to its partners and clients in several sectors of the economy. Many of SRC's activities in these areas involve the use of intellectual property. To fulfill its mission, SRC must effectively manage intellectual property. SRC must identify and protect intellectual property that it develops. It must carefully manage intellectual property risks as it transfers solutions and commercializes its work.

SRC must also respect the intellectual property of its partners and clients. As well, SRC must obtain and maintain the necessary rights to use intellectual property of vendors — for example, software — that enable it to deliver its services. Without appropriate processes to identify and manage intellectual property, SRC may fail to protect important research, miss opportunities to commercialize solutions, lose potential revenue, and risk offending others' rights, resulting in costs and legal complications.

We make our conclusion on page 127. At November 30, 2007,

the Saskatchewan Research Council had adequate processes to manage intellectual property, except for the matters listed on the bottom of page 127. We make five recommendations to address those matters.

On page 131 we recommend that the Saskatchewan Research Council complete its central recording of all significant intellectual property. On page 132 we recommend that the Saskatchewan Research Council make an agreement with its wholly owned company for ownership and management of intellectual property. On page 133 we recommend that the Saskatchewan Research Council follow its policy to regularly verify that it complies with software licences. On page 134 we recommend that the Saskatchewan Research Council follow its policy to ensure employees obtain written approval before publicly releasing information that relates to intellectual property. On page 135 we recommend that the Saskatchewan Research Council implement performance measures to help it manage intellectual property.

Now we're going to talk about chapter 17 in our 2008 report volume 3. This chapter starts on page 307. It describes the results of SRC for the year ended March 31, 2008. On page 310 we recommend that Saskatchewan Research Council independently review and approve all journal entries. If journal entries are not reviewed and approved independent of preparation, SRC is at risk that its accounting records and financial reports may not be accurate and complete or that a loss of resources due to fraud or error may be concealed. And that concludes my overview of these two chapters.

**The Chair:** — Thank you very much. Mr. Schramm, any comments?

**Mr. Schramm:** — Thank you, Mr. Chair. If you're willing, I'll begin with the five issues raised under chapter 11, volume 1. To try and give you a little context for this, we actually recognized that our intellectual property policies and procedures were in need of modernization back in 2006, at which time we had begun the process of overhauling and upgrading our policies and practices. So this is a journey that is still in progress and not quite complete yet as we sit here today. So I'll just try and give you a sense of where we think we are so to help you understand.

We identified and have been using external legal counsel that specialize in strategic intellectual property protection and defence to help us try to figure out what's going to be needed for the future of the company, and have been working closely for several years now with Borden Ladner Gervais, who are some of the top strategic IP [intellectual property] counsel in the country.

So with their help, we've now established new procedures to facilitate the identification, evaluation, and protection of intellectual property at the Research Council. We've created a new and comprehensive intellectual property reference manual for all of our internal employees' use. We are working, but we are still continuing to work on revising our intellectual property policies and procedures to ensure that they're thorough, comprehensive, transparent, and meet the company's strategic objectives. If in fact we make substantial changes, which I

believe we will, we expect to have these announced and implemented by the end of this fiscal year. So we probably have a couple of months of work yet to go before that piece is finished.

Meanwhile we have been increasingly communicating the importance of intellectual property matters and the need to conduct ourselves properly and protect our intellectual property throughout the organization and to make sure these matters are properly incorporated into appropriate strategies. And we are just about to launch dedicated training in a wave throughout the corporation to help our folks understand the path on which we are setting foot and what their role in it is expected to be.

To help us with this, we've just hired the head of the University of Saskatchewan's industrial liaison office to lead this internal intellectual property training throughout the company. And Doug Gill, as you may know, is the most knowledgeable and experienced intellectual property manager in Saskatchewan, so he'll be aiding with that, and that will begin this month.

We've also introduced new contract management software to help us manage our IP portfolio and the issues of understanding what we have, what state of evolution it's at, and how we're conducting ourselves with regard to protecting and exploiting the intellectual property that we do have. So if I can just quickly go through the five recommendations to try and give you a sense of specifically where we think we are on each one.

On no. 1, the auditor recommended that the Research Council "complete its central recording of all significant intellectual property." This is still under way but we plan to expand our record keeping to include all significant intellectual property of which we are aware.

The easy stuff has already been done. The difficulty is trying to capture what we're not sure exists. If you don't know what's there, it's hard to know whether you've captured it all. And so that's the part we're still working on at the moment, to try and make sure we're asking the right questions internally to bring to light what might exist that we might not have already identified and put into process. So we're still working on that piece, to try and make sure that we're in as good shape as we possibly could be.

On no. 2, the auditor recommended that we make an agreement with our subsidiary, TecMark, for ownership and management of our intellectual property. We've decided, with the support of our board of directors, that the TecMark commercialization international subsidiary no longer is serving the purpose for which it was originally created. And with board approval, we are now in the process of winding down that subsidiary, transferring any assets that may have been held by the subsidiary over to SRC proper, and then henceforth everything will be managed somewhat more cleanly, you could say, just by the parent company without the subsidiary.

That won't happen overnight because some of the agreements that TecMark has with external partners and clients and so forth have to be then renegotiated to make sure that the transfer back to SRC proper is carried out. We don't expect any problems with that but it takes time because we have to go through each agreement and basically reopen negotiations. So that'll take a

little while, in fact probably two to three years to complete although it is in process now. Once that's done, then we can close the subsidiary completely, although we are trying to determine what steps we need to take to protect the name in case we want to use that again someday in the future.

The third recommendation of the auditor's office was that we follow our policy to regularly verify that we comply with software licences. This has been addressed.

The fourth, that we follow our policy to "... ensure employees obtain written approval before publicly releasing information that relates to intellectual property."

The issue for us there is not that our folks follow the policy but that the policy is out of date, and has been for some time. And so we are in the process, as I mentioned in my earlier remarks, of updating what our new policy and procedures should really be that will take us into the company's future. And until we get that sorted out, which as I say will probably take a couple of more months, it's a little premature to expect our people to comply with a policy that we know is outdated and ineffective. So we expect to have that matter resolved within a few months. And then with the upgrades in place as part of the communication and training, we will raise expectations that of course our folks follow our standing policies and procedures.

And on the last one, the auditor's office recommended that we implement performance measures to help us manage our intellectual property. And again the policies and procedures we're reviewing right now will include consideration of the value of performance measures specific to IP management. And we'll make that part of the rollout so that therefore it remains a work-in-progress as well.

So there's a few things yet to be done. We can't sit before you today and say everything is finished, but we're closing in on it. And as I say, we started this in 2006, so you're seeing a bit of a work-in-progress that we're going to bring to a conclusion as quickly as we possibly can. But we're trying to make sure we bring the right policies in that'll take us forward in concert with the company strategy. So we're taking a bit of time to try and do our best to get it right.

I thought I'd see if the committee has any questions, Mr. Chair, before moving to chapter 17, volume 3 issue.

**The Chair:** — Yes. I appreciate. Are there any questions on this particular chapter? Mr. Nilson.

**Mr. Nilson:** — Are you involved in any litigation related to intellectual property right now?

**Mr. Schramm:** — We have a couple of matters that are in the nature of contract disputes that have intellectual property issues woven into them. Not aware of anything involving litigation at the moment. But depending on how those go, those kinds of things are always a possibility.

**Mr. Nilson:** — Are those contract disputes with former employees or with ...

**Mr. Schramm:** — No. These are with either present or

previous clients or partners. I'm not aware of any with employees.

**The Chair:** — Any further questions? Mr. Chisholm.

**Mr. Chisholm:** — Yes. I've just got a question as it relates to the second recommendation on this wholly owned subsidiary company. What was the name of that company again? I missed it.

**Mr. Schramm:** — TecMark commercialization international inc.

**Mr. Chisholm:** — Okay.

**Mr. Schramm:** — Did I get commercialization . . . I always get them wrong. Excuse me. I've been advised that was wrong. It is TecMark International Commercialization Inc.

**A Member:** — Yes.

**Mr. Schramm:** — Got the nod.

**Mr. Chisholm:** — Thank you.

**Mr. Schramm:** — And as was said, it's a wholly owned subsidiary of SRC.

**Mr. Chisholm:** — And how long did that relationship last, like that it was a wholly owned . . . Does it go back a long ways?

**Mr. Schramm:** — It was incorporated September 25, 1996.

**Mr. Chisholm:** — Okay. Yes.

**Mr. Schramm:** — I wasn't there at the time, but I believe the thinking in that era generally in research and development companies, SRC being no exception, were thinking that intellectual property exploitation and the revenues that could be derived therefrom could be a potential significant revenue stream all by itself for a company of the future. This was very common thinking at the time.

[10:45]

Not that the IP is unimportant, but we now see it more as part of a mix of services that we provide to clients. And so we don't — we still could, but we don't — normally think of ourselves as developing some new gee-whiz thing, patenting it, and then making all of our revenues out of the sale and licensing of the intellectual property. We would still do that, but nowadays we more think of bundling that with professional services and continuing research and development in a much broader basket of things that would work with partners and/or clients. And so it's just shifted a bit.

And this is a kind of thinking change that's happened in most applied R & D [research and development] organizations in North America over the last decade or so, and it's just about to start with the universities. So there's a bit of a change in thinking of, not the value of IP, but how best to develop it and see it get out into the world where it can help propel an economy forward. So it's more we're saying that the tool we

thought we needed at the time is probably not the tool we need now.

**The Chair:** — The question for the auditor with respect to this chapter: one of the recommendations is for the SRC to make an agreement with a wholly owned subsidiary with respect to intellectual property, ownership and management. But if the SRC is now proposing to discontinue that relationship, and I assume deal with it with its own management of intellectual property, what do we do with respect to this recommendation?

**Mr. Wendel:** — If they're going to wind up the subsidiary as they say, I guess the recommendation is maybe not necessary. But if it's going to take a number of years to do that, it might still be reasonable to have that agreement to protect themselves.

**The Chair:** — So is that the case then, that at this point the subsidiary manages the intellectual property still at this point?

**Mr. Schramm:** — It's actually a mixture. There are some examples of intellectual property that are managed by SRC, the parent. There are some examples of things that have been handled by TecMark, the subsidiary. In all cases they're being managed by the same people within SRC.

TecMark has no employees. It has no separate physical existence other than legal existence. And so it's really the same people doing the same things; it's just some things have been labelled with SRC and some with TecMark.

So we do need to deal with that. I don't mean to imply that we don't. But our view has been, since it's a wholly owned subsidiary, it's the same employees, we have absolute, complete control of the company, that it seemed like unnecessary work. And even more so now that, if we're planning to wind it down anyway, our thought was that it would be more efficient and effective for us to focus on transferring the agreements back to SRC as quickly as we can, and focus on that and get that done and behind us, and then things will be much clearer and cleaner going forward —well cleaner is probably a poor choice of words, but certainly clearer.

**The Chair:** — I wonder if we might deal then with the recommendations in this particular chapter before we move on to the chapter in volume 3. And as I see it there's, not just based on what the auditor is saying, but what Dr. Schramm is confirming, that there's progress in all of these recommendations, I guess, with the exception of no. 2.

**Mr. Michelson:** — Mr. Chair, I would think that no. 2, with recommendation no. 2, if it's a wholly owned subsidiary, the same criteria that would apply to the council would also apply to the subsidiary, would it not?

**Mr. Schramm:** — Yes, sir.

**Mr. Michelson:** — So this recommendation would be rather redundant.

**Mr. Schramm:** — That's my opinion.

**Mr. Michelson:** — Did the auditor want to comment?

**Mr. Wendel:** — Mr. Deis, will you speak to that?

**Mr. Deis:** — Sure. We make the recommendation because it actually is a separate legal entity. Because it's a separate legal entity, it acts on its own behalf or can act on its own behalf. If you're not clear on how you manage the intellectual property, or that its uses can be identified and can be shown at a later date to have been used in a different entity, then you might not be able to protect your property as you thought you would have otherwise. So that's part of why we make this recommendation.

Actually SRC doesn't have any policy that would extend its own policies, procedures over the legal entity. So that's partially why we make this recommendation, is that if they do intend for all those SRC policies to extend over this entity, then make it so.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:**— Yes, just on this subsidiary company, does it have its own officers and board that are the same people as the SRC too?

**Mr. Schramm:** — It has its own board of directors which is solely comprised of a subset of the SRC board of directors. There are no directors at TecMark that are not also directors of SRC. And as I said earlier, there are no employees of the company.

**Mr. Chisholm:** — Right. Okay. Thank you.

**Mr. Schramm:** — So it's been managed entirely from within SRC itself. That's just a task from inception. The vision was at some point of course, in a rosy future where it was able to achieve its original mandate, that it would spin off, have its own officers and employees. And in my opinion, in such a scenario the risk of things such as Mr. Deis has said would become very much more significant and more real. And everything he said is quite true. It's just that in our view the risk at the moment, given that it's the same people, is very, very, very small — not zero.

**The Chair:** — Any further questions or discussions? Sorry, Mr. Bradshaw.

**Mr. Bradshaw:** — Well on recommendation no. 3 though, that's — unless I caught that wrong — that has been done, correct?

**Mr. Schramm:** — Yes it has and we now have our . . . We upgraded our information technology systems and have been working on our policies and procedures there, and we now have systems in place to actually go through and look for violations of this policy. So we're much more comfortable now that that's in place, and we're actively monitoring for any exceptions to policy and then dealing with those. So we believe that's, not that a job's ever done, but we believe the systems now are in place to deal with the issue that the auditor's office raised in no. 3.

**Mr. Michelson:** — Mr. Chair, that always concerns me too when you see a recommendation of the auditor that we should be following policy, that just somehow there's a definite

concern when that happens. So I'm glad to see it's looked after.

**Mr. Schramm:** — Yes.

**The Chair:** — With respect to recommendation 1, can we then have a motion that we concur with the recommendation and note progress? Mr. Chisholm.

**Mr. Chisholm:** — Yes, I would move.

**The Chair:** — Is that agreed? That's agreed. With respect to recommendation no. 2, can we note that the SRC is in the process of winding down its wholly owned company and to put it in a position to manage its own intellectual property?

**Mr. Michelson:** — Yes, we can.

**The Chair:** — Okay. Do we need a motion to that effect? Okay, if someone can move that. Okay.

**Mr. Nilson:** — On that one though, I think some of the issues that are being dealt with here may arise relating to something that happened two years ago or five years ago, and so the recommendation, I think, still stands, and the question becomes until all of the matters have been cleared up, this could still be an issue.

And so there could be a simple agreement prepared or something done that for the record makes it absolutely clear what's going on, because I think that's where the problem arose, that there isn't even a letter of understanding between the two corporations on the record that shows that.

So I think we can concur and then have the clause that says they're working on this another way, but I think to actually have something on the record is important.

**The Chair:** — We concur with the recommendation but note, as I indicated, that SRC is in the process of winding down its subsidiary to assume management of its intellectual property. That agreed then? Okay.

Recommendation no. 3, just again we can concur and note progress. Does someone want to move that? Mr. Bradshaw.

**Mr. Bradshaw:** — Well actually wouldn't we just concur with it, like I mean, or not . . . basically it has been done.

**The Chair:** — There's no progress?

**Mr. Bradshaw:** — Okay. Concur and note progress.

**The Chair:** — Okay. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. And recommendation no. 4, a motion to concur in the recommendation and note progress? Mr. Chisholm.

**Mr. Chisholm:** — So moved.

**The Chair:** — Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. And then recommendation no. 5, with respect to implementing performance measures, can we have a motion to concur and note progress?

**Mr. Michelson:** — Concur with the recommendation and note progress. Yes.

**The Chair:** — Okay, moved by Mr. Michelson. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Okay. Then let's turn to the 2008 report volume 3 and Dr. Schramm.

**Mr. Schramm:** — With your permission, Mr. Chair, I'll ask Crystal Smudy to speak to this one.

**Ms. Smudy:** — Good morning, thank you. As noted in the Provincial Auditor's report, the recommendation was that SRC independently review and approve all journal entries. Management concurred with the recommendation and, as we stated in our response, we already had this practice in place and included independent review and approval.

What happened in this specific instance is that at year-end we had had a change in staff, and we had hired an independent contractor who is a CA [chartered accountant] to assist us with our year-end processes who had previously worked with us at the organization, and he had prepared the journal entries. They had been reviewed by our director of finance, but unfortunately the version that the Provincial Auditor's office reviewed did not have her initials on it.

So we have since formalized this and have enhanced our monthly procedures checklist to ensure that none of the records that enter into those that our accounting staff puts through go through without that physical witness of the signature on it.

**The Chair:** — Mr. Deis, you're able to confirm that?

**Mr. Deis:** — Well when we looked at the journal entries, we couldn't see any evidence it'd been looked at. So I can only base my comments based on what was there or not there. And it wasn't there when we did it.

**The Chair:** — So next year for sure we'll see that. Any questions on this? Can we have a motion then to concur with the recommendation and note progress?

**Mr. Chisholm:** — I'll so move.

**The Chair:** — Mr. Chisholm. Is that agreed? That's agreed.

I want to thank you very much for joining with us today and to help us to review these chapters of the Provincial Auditor's report. Thank you very much.

**Mr. Schramm:** — Thank you, Mr. Chair. Thank you, committee members.

[11:00]

## Agriculture

**The Chair:** — The next ministry to join us is the Ministry of Agriculture, and we will be reviewing chapter 3 of the *Report of the Provincial Auditor, 2008*, volume 3. For those that want to access the report they can go to auditor.sk.ca, and that's his 2008 report volume 3.

And at this point I would ask the deputy, Ms. Koch, to introduce the officials that have joined us, and then go to the auditor for his comments, and then back to you.

**Ms. Koch:** — Okay. Thank you. Good morning, everyone. All right, well I'd like to introduce the folks that I have with me today. So I have Nithi Govindasamy who is our associate deputy minister, programs and policy. I have Laurier Donais who is the director of corporate services branch in our ministry. Behind me I have Cam Swan who is general manager of the Saskatchewan Crop Insurance Corporation. Also with me is Gloria Parisien who's director of our lands branch. We also have Roy White who is manager of our regulatory services in our inspection and regulatory management branch. And then finally we have James Kettel who is manager of trade, competitiveness and agri-food development in our policy branch. Thank you.

**The Chair:** — Mr. Martens.

**Mr. Martens:** — Thank you, Mr. Chair. This chapter will report on matters pertaining to the ministry, the Crop Insurance Corporation, Milk Control Board, and Pastures Revolving Fund.

The first matter relates to the transfer of responsibility for operating the provincial dairy lab from the ministry to the Milk Control Board. Under *The Animal Products Act* and related regulations, the Ministry of Agriculture is responsible for public health related to animal products. The ministry established the dairy lab to carry out this responsibility. The dairy lab provides regulatory inspection and licensing services as well as administration and enforcement of dairy regulations. It also provides milk quality testing for producers and processors, and milk composition analysis for the Milk Control Board.

In April 2006, the ministry transferred the dairy lab operations together with all related assets and staff to the Milk Control Board. The board does not have authority under its governing Act, *The Milk Control Act*, to protect public health or to regulate milk quality. The board advised the ministry that it lacked the necessary authority to operate the dairy lab. The ministry then said it would work with the board and the dairy industry to seek changes to the regulatory framework under which the dairy lab operates to provide the necessary authority.

Based on this understanding, the board operated the lab. However, as of October 2008, the related legislation has not changed. Under the current legislation, the ministry does not have the power to delegate or transfer its responsibilities related to the dairy lab. If the ministry wants to transfer the dairy lab to another agency, it must seek changes to the applicable legislation; otherwise it should resume operating the dairy lab directly. Accordingly we recommend that the Ministry of Agriculture comply with the law or seek changes to the law to

allow it to transfer its regulatory responsibilities carried out by the provincial dairy lab to another agency.

On page 52 we note that the staff at Milk Control Board need a better understanding of generally accepted accounting principles to ensure they prepare accurate and reliable financial statements. During the audit we noted that staff had difficulties preparing financial statements and addressing accounting issues. We recommend that the Milk Control Board provide its staff with support and training to increase their understanding of accounting standards. We have not completed our audit of the Milk Control Board's December 2007 financial statements due to the lack of resolution of how to account for the dairy lab transfer.

In our 2007 report volume 3, we reported on the results of our audit of Saskatchewan Crop Insurance Corporation's processes to set premium rates that comply with the Canada-Saskatchewan agreement and *The Crop Insurance Act*. We recommended that the Crop Insurance Corporation document and approve its procedures for calculating premium rates, establish and document procedures to check the accuracy of data and formulas used to calculate premium rates, and that the board of directors should approve an internal audit plan that includes follow-up of the internal auditor's recommendations.

The corporation had not implemented these recommendations when we did the 2008 audit. And during the 2008 financial statement audit we asked management for an explanation of significant changes in annual revenues and expenses. In analyzing the increase in premium revenue, management determined it had overbilled producers, the Ministry of Agriculture, and the Government of Canada by half a million dollars. Crop Insurance corrected the rates, and planned to refund the overbilled amounts. Accordingly we continue to make the recommendations we reported in 2007.

Crop Insurance also needs better processes for making changes to the computer systems used to calculate insurance premiums and payout of insurance claims. Crop Insurance also needs to control access to its computer systems and data. We have two recommendations. We recommend that the corporation establish adequate processes for making changes to its computer systems, and we recommend the corporation establish adequate processes to control access to its computer systems and data.

The next section on page 56 deals with the Pastures Revolving Fund. During the audit, we noted that the ministry did not follow its established procedures when preparing the fund's financial statements. Management needs to ensure they carefully review the fund's accounts and supporting working papers when preparing the fund's draft financial statements for audit. When management identifies errors made or processes not followed, it should take corrective action. Such steps may include providing staff with additional direction or training. We recommend that the Ministry of Agriculture follow its established policies and procedures when preparing the Pastures Revolving Fund financial statements.

This chapter contains the results of two follow-up audits. The first follow-up relates to a succession planning audit in our 2006 report volume 3. We had recommended that the ministry

analyze the impact of anticipated workforce gaps on its ability to achieve its objectives. We found that the ministry has addressed this recommendation.

The second follow-up relates to the pesticide regulation audit in our 2007 report volume 1. We had recommended that the management analyze the risks associated with people not complying with pesticide control laws and to document a strategy for dealing with those risks. We found that the ministry has some work remaining to address our recommendations.

The ministry has identified some risks, ranked them, and started to develop a plan to address them. However more work is required. The ministry needs to complete a comprehensive identification of risks that may result from non-compliance with pesticide control laws in each of the main categories that it regulates — for example, sales, use, storage, disposal, and transportation. For each category it needs to identify the risks that are related to particular products, locations, and circumstances involving pesticides that pose a threat to human health or the environment. It also needs to prepare sufficient documentation of its analysis of each these risks. That concludes my comments.

**The Chair:** — Ms. Koch.

**Ms. Koch:** — Well thank you. The Ministry of Agriculture is pleased to be here this morning to discuss our chapter in the Provincial Auditor's 2008 report volume 3. We work with the Provincial Auditor and external auditors in a few instances to complete audits on the ministry and a number of Crown Corporations, funds, and boards that come under the ministry's purview. The Provincial Auditor has five new recommendations as was just outlined for the ministry. I'll just touch on a few of them, from a few comments from our perspective on each of those recommendations.

So with regards to the Milk Control Board — the recommendation that the ministry comply with or seek changes to the law with regards to the transfer of the lab — as was indicated in 2006, the lab was transferred to the Milk Control Board with the industry that it would work with the Milk Control Board and the industry to seek the necessary legislative and regulatory reform. The board accepted this, as was noted in their 2006 annual report. It's very unfortunate that these changes have not been made, however we do remain optimistic that the ministry and the Milk Control Board will be able to resolve this issue. We are currently in discussion with the Milk Control Board regarding a transfer agreement, as well as the potential and necessary legislative changes that will be required.

The Milk Control Board, of course the second recommendation was that it provide its staff with support and training to increase their understanding of accounting issues. We understand that the Milk Control Board has developed a plan to seek external accounting assistance and develop a training plan to address this issue.

Regarding the Crop Insurance Corporation, there was a repeat recommendation that the Crop Insurance Corporation strengthen its premium rate setting process, and Crop Insurance has documented procedures to calculate premium rates. Crop Insurance's verification procedures have been improved in



2008, and we are confident that these improvements will address the auditor's recommendation.

Two new recommendations appeared regarding processes around making changes to Crop Insurance's computer systems and secondly, the monitoring of employee access to its computer system. Crop Insurance Corporation processes have been reviewed and strengthened to reduce the risks of unauthorized or inappropriate access to its computer systems.

With respect to the Pastures Revolving Fund, the recommendation that the ministry follows its established policy and procedures when preparing the Pastures Revolving Fund financial statements, and this again is a repeat recommendation. The auditor notes that the minister has made improvements, for example, in establishing written policies and procedures. However the issue remains, as summarized field information was not properly reviewed prior to it being relied upon in the preparation of the financial statements. The ministry has since filled a vacant manager position with a chartered accountant who will work with our lands branch to help ensure the accuracy of the information prior to financial statement preparation.

And finally with respect to the ministry, the auditor has reported that the ministry has complied with its previous recommendation regarding processes to analyze the impact of workforce gaps on achieving our objectives.

The auditor's final recommendation is that the ministry formally analyze the risks of licensees and exempt persons not following pesticide control laws, and to document our strategy to address these risks associated with monitoring and enforcing of these laws. This again is a repeat recommendation. The ministry has provided training to its staff, identified and ranked these risks, and has begun developing a plan to address the risks, including actions to mitigate the identified risks. The ministry will continue to work towards a comprehensive risk management plan regarding its pesticide regulatory role.

We certainly take our duty to manage and protect public resources very seriously, and we appreciate and value the work that the Provincial Auditor's office does and which will ultimately lead to strengthening our internal processes.

And now we'd certainly be pleased to take any questions.

**The Chair:** — Thank you. Questions. Mr. Michelson.

**Mr. Michelson:** — Thank you, Mr. Chair. That recommendation no. 5, I take it there was some employee problems, management problems, that led up to that from your comments? It always concerns me when we have to make recommendations to establish procedures and policies. But you had mentioned that there was some changes in management; you'd filled some vacant management positions?

**Ms. Koch:** — Well actually in reference to the vacant management position, we in fact have filled that with a chartered accountant. And so we intend to have them work very directly with lands branch in ensuring that we do have proper processes.

I'm not sure, I mean, I don't know if I would say that it was a staff problem. I think what the challenge is, is that we didn't have enough written policies and procedures. There was a understanding perhaps of what the process was, but there wasn't clear and concise written procedures. And so we've certainly implemented a much more heavily documented process that it's very clear what staff need to follow.

And secondly, yes we've hired a chartered accountant who will ensure that they meet all of the requirements of both the written policy and just generally well-accepted financial statement preparation.

**Mr. Michelson:** — So this is a repeat recommendation. So how long was this inadequacy going along for?

**Ms. Koch:** — Well it's been ongoing for, I believe, several years. And maybe I'll actually ask Laurier. Do you recall how many years it is?

**Mr. Donais:** — Yes. I don't know exactly, but I think it's been around for probably two or three years at least. I think the issue this year, I think the auditor has noted that there has certainly been some improvements in terms of documentation of policies and procedures.

I think where things sort of broke down was staff actually following those policies and procedures, and so I think it's a bit of training. And certainly we did have a vacant management position, as my deputy has indicated — you know, while we were preparing the year-end financial statements — and we filled that position in July. And so we're certainly looking to lean on that position to certainly help us in preparation of financial statements and reviewing, certainly reviewing the information that goes into the preparation of those financial statements.

[11:15]

**Mr. Michelson:** — Thank you.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — Okay. I think I'll go through them in order here. I have some questions. The first one, I didn't quite understand what you're going to do around the fact that you've got \$600,000 spent without authority. Is that going to be fixed by the year-end or is it, you know . . . So I didn't understand what the response was to this particular recommendation.

**Ms. Koch:** — Regarding the dairy lab.

**Mr. Nilson:** — Yes.

**Ms. Koch:** — Yes. Well again this was a situation that occurred back in 2006 when the lab was transferred without proper documentation and authorities in place. And though the Milk Control Board's annual report in 2006 basically accepted the assets and accepted the responsibility, they've come back now and indicated that they don't feel that they have the proper regulatory authority. And so it's their view that this money is outstanding — though I would say levies have been collected from producers, and it's an understanding in the industry that

they understand those are costs that are borne by the dairy industry themselves. So there is this sort of technical dispute that is going on between the Milk Control Board and our ministry.

What I will say is we're in active discussion with the board. This is a problem that again, as I said, has been ongoing for a while and we are working to resolve it. And we are in active discussions with the Milk Control Board.

I will say also there's new staff at the board, and so there's been a bit of a transition where the board hired a new, I think it's general manager is the title. And so it's taken some time for us to ensure that we have proper communication between the new staff and our ministry. And so yes, the issue does remain outstanding, but we are working hard to resolve it. And we understand that we need to have a transfer agreement in place. We also understand that we need to ensure that proper legislative changes are made. So we're consulting with the Milk Control Board.

As well, we understand that we need to also consult more broadly with the dairy industry because whatever legislative and regulatory changes we make with respect to the Milk Control Board obviously has a direct impact on the dairy industry itself. So we certainly . . . In the coming months, we'll be working with the, for example, the Dairy Farmers of Saskatchewan as well as Saputo, which is our only processor in Saskatchewan, to ensure that, you know, we have proper regulatory and legislative framework going forward.

**Mr. Nilson:** — Okay. So then the plan is to figure out what the legislative changes are and make those changes? And can that be done in regulation or does it have to be done in the Act itself?

**Ms. Koch:** — Well what we do believe is that there may in fact be some small improvements that can be made with regulatory change, but we understand that actually more significantly we do need legislative change. So that's why we're hoping the transfer agreement will allow us to at least get our house in order as best as we can, considering that we obviously can't rush through legislation because I think what I also need to explain is, is that the entire dairy regulatory and legislative environment is very out of date. It probably has needed to be updated for several years, and so we don't want to rush through legislative changes that specifically speak to the Milk Control Board issue until we ensure that we have the broad scope of dairy legislation sort of in perspective.

And so we know we have this immediate need with respect to the dairy lab. We'll do the best we can. We're hoping that we can get a transfer agreement in place with the board, knowing that we would work towards legislative changes which won't be able to be introduced until the fall of '09, hopefully for passage in the spring of 2010. I mean we just frankly didn't have enough time to be able to go through all of the consultations that we need to properly with the dairy industry.

**Mr. Nilson:** — So then what happened here then is that this is a cost, this dairy lab, and basically we shifted over on to the dairy industry, and now they're objecting to paying the cost, even though they're collecting the levy to pay for it? Would that be

an accurate description?

**Mr. Koch:** — Fairly accurate, yes. It was a budget decision that was made by government in 2006 to transfer it over to the dairy industry, which is a similar structure that in fact is held by every other supply-managed sector in the province.

It's just that the proper authorities weren't put in place and proper documentation didn't occur. And in fact I would say the dairy industry doesn't even sort of argue technically that in fact it shouldn't be a cost borne by them. The Milk Control Board is just saying, we need to have the proper authorities in place to ensure that when we collect the levy, we've actually got the authority to collect the levy. It is a bit of, you know, a regulatory and legislative sort of gap that we need to ensure that we try to get . . . You know, we need to bridge that gap as best as we can, recognizing that it is going to take some time for us to get our legislative house in order.

**Mr. Nilson:** — So right now the Department of Agriculture doesn't pay any of those costs for the lab?

**Ms. Koch:** — That's correct. We don't pay any.

**Mr. Nilson:** — But they're thinking about billing you, and that's the issue then.

**Ms. Koch:** — Yes.

**Mr. Nilson:** — Okay. It was a bit hard to figure out. So I guess I would recommend that you try to get this sorted out sooner rather than later. And I know that the changes in the dairy industry, where you don't have a whole number of dairies in the province and just sort of one, makes it difficult. Probably in the country we only — what? — have two or three separate systems now, and it so it's quite different. Okay. Thank you.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — I just want to make sure that producers, the dairy producers, aren't paying any more or less than they always did for basically the kind of same service. Is that correct? I mean other than if it's indexed or goes up a little bit.

**Ms. Koch:** — In fact prior to the transfer of the dairy lab to the Milk Control Board the industry was subsidized by the provincial government, so a lot of those lab fees in fact were subsidized. I understand it was a nominal fee that the dairy producer would have paid prior to the transfer, so in fact it is a change from what would have occurred prior to 2006.

What I will say though is that the fees that they're paying now, the levy they're paying now, certainly is just . . . It's cost recovery, the way I would understand it. So it's not as if they're being unfairly charged or, you know, upcharged or something like that. And it is a structure that does occur in every other supply-managed industry in Saskatchewan where the industry is, you know, is user-pay, is self-resourced in that way as far as its inspection and lab fees and things like that.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — I have some questions on recommendation no.

3. Does the Saskatchewan Crop Insurance Corporation use the same computer system as the Department of Agriculture?

**Ms. Koch:** — No, no it doesn't. It's a separate computer system.

**Mr. Nilson:** — And so they use a separate consulting arrangement for all the computer systems.

**Ms. Koch:** — That's right. It's independent from ministry and from executive government.

**Mr. Nilson:** — Okay. I guess the reason I asked that is it wasn't entirely clear whether that was the case here. But okay, so I have no further questions on that one.

Then on the pesticide regulation, is there any discussion within the department about transferring this regulatory area over to the Department of Environment?

**Ms. Koch:** — No, not at this time. We certainly are not intending that that be transferred across. But certainly just in our working relationship with Environment as well as Health we certainly have, you know, ongoing consultation and certainly awareness of what our process is. But there's no intention to transfer that regulatory authority across to a new ministry.

**Mr. Nilson:** — I think Saskatchewan — and maybe Alberta, but I'm not sure — Saskatchewan is unique in that this kind of regulation is dealt with within Agriculture as opposed to an Environment department. Is that correct?

**Ms. Koch:** — Yes, you're correct. Most other provinces do have it in Environment, but not all. And I would note that the federal regulatory system of pesticide registration actually exists in Health Canada.

**Mr. Nilson:** — Yes. Okay. And I would just make the suggestion that you would probably not have the same kinds of issues around how it's managed if it was in another department, like other jurisdictions do. So if you're looking at things to review and reorganize, this is probably an area where it would make a lot of sense. And I think for the public as well, they'd be quite pleased to see that it's in a different department.

**Ms. Koch:** — Well we'll certainly consider that in future. We will take that in consideration.

**The Chair:** — Mr. Bradshaw.

**Mr. Bradshaw:** — Just a couple of things. I guess I have to disagree with you on that, John. I think that due to the fact that the vast majority of the pesticides are used with agriculture, I think that that's where it should stay. And so that's my recommendation.

The other thing is — and this is going back to no. 1 again — I'm just wondering, can you explain to me how this obviously mistake was made? And how did that happen that it was transferred? This transfer was actually, basically illegal. Can you explain that one?

**Ms. Koch:** — Well I'll try my best. In fact I wasn't there at the time, and in fact most of the players that are here at the table are new in that we weren't directly involved in when that occurred in 2006. But based on what we have been able to gather as information and put together is that it was a budget decision that was made in 2006. And so the way budget decisions are made is often there's not a lot of pre-consultation that occurs and in this case, there was no pre-consultation that occurred with the Milk Control Board or the dairy industry. It was an announcement that was made on budget day and the transfer just occurred.

In retrospect and upon reflection, I don't think that it probably was the best approach because we've ended up with quite a complicated mess on our hands. And so, you know, there's this retroactivity issue where in fact in 2006, the annual report of the Milk Control Board in fact acknowledged that they had had the asset transferred to them, but then since then the Milk Control Board has sought out legal advice that says they don't have the authority to actually run it properly and collect the levies and in fact perform some of duties that were transferred to them.

So what we're left with is a bit of, you know, a bad situation is to try to now resolve something that wasn't done properly to begin with. And we've been in active discussion with the Milk Control Board over the past year.

I will note that some of the, you know, the board members have changed, the staff has changed, so we've had quite a bit of transition and so, you know, the conclusion we've come to now is — both the Milk Control Board and the ministry understand — we've got a complicated situation on our hands. We need to work to resolution.

We're hoping that the Milk Control Board will work with us to do that and we also understand more broadly, as I said, the legislative and regulatory environment in the dairy industry is quite out of date. It was a situation where really it was something that government obviously hadn't determined to put priority on and so we now need to do that.

And so we've had the past year to say to the dairy industry, we know we've got a situation on our hands where we need to clearly update regulation and legislation. We know we need to have some active discussion with you on that and so that's what we're in the midst of right now.

**Mr. Bradshaw:** — And you think that'll be done by 2010 is what your hope is then?

**Ms. Koch:** — Well what we're hoping is that we will get positive resolution to the regulatory and legislative issues as well as positive resolution to the Milk Control Board issue, in fact so that my officials can go out and have some active consultation, in fact you know, share some draft of legislation with the industry. And we hope to have it introduced in the fall of 2009 for passage in spring of 2010. That's our intention.

**Mr. Bradshaw:** — Okay, thanks.

**The Chair:** — Any further questions? Let's turn to recommendation no. 1. So you're in the process of dialogue, I guess, with Milk Control Board as to how this should be resolved. I guess that's progress. So Mr. Michelson has moved

that we concur with the recommendation and note progress. Is that agreed?

**Some Hon. Members:** — Agreed.

[11:30]

**The Chair:** — Okay. Recommendation no. 2, what is your wish?

**Mr. Michelson:** — I think that's the same. Note progress. That sounds like . . .

**The Chair:** — Okay. Concur with the recommendation and note progress. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. And recommendation no. 3.

**Mr. Chisholm:** — We can concur and note progress. I would move that.

**The Chair:** — Mr. Chisholm has moved that we concur in the recommendation and note progress. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. Recommendation no. 4. Similarly? Moved by Mr. Michelson.

**Mr. Michelson:** — Yes. Note progress, yes.

**The Chair:** — Concur in the recommendation and note progress. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — And recommendation no. 5, the Pastures Revolving Fund's financial statements, again I guess we can concur in the recommendation and note progress. And that's moved by Mr. Nilson. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. That concludes consideration of the Department of Agriculture, and I want to thank you very much for joining with us today. Thank you.

**Ms. Koch:** — Thank you very much.

**The Chair:** — So we stand recessed until 1:30.

[The committee recessed for a period of time.]

[13:30]

### Health

**The Chair:** — Good afternoon. We are meeting as a Public Accounts Committee to consider the Department of Health. And again I would refer those who are watching the proceedings and have an interest in this that a copy of the

Provincial Auditor's report that we are considering can be found at the Provincial Auditor's website, [www.auditor.sk.ca](http://www.auditor.sk.ca), and we are now dealing with the 2008 report volume 3, chapter 10.

There are a number of chapters, and what I'm proposing to the committee is that we deal with each sub-chapter as we go along, to deal with the recommendations, and move on. To start with, we are joined by the deputy, Mr. Dan Florizone. And I would ask him at this point to introduce the officials that have joined us here today, then go to the Provincial Auditor's office for their comments, and then back to you for any comments that you might have.

**Mr. Florizone:** — Thank you, Mr. Chairman. I wonder if I might have just a moment just for some opening remarks as well?

**The Chair:** — Yes, that's fine with me.

**Mr. Florizone:** — Great. Thank you. Good afternoon. It certainly is a pleasure to be here. I want to thank you for the opportunity to respond to any questions that may be raised with respect to the Provincial Auditor's 2008 volume 3 report.

Before I make a few brief comments, I wanted to introduce some of the senior staff here from the ministry with me today to assist me in responding accordingly. Mr. Gren Smith-Windsor is just to the rear, to the right, associate deputy minister; Louise Greenberg, associate deputy minister, just directly behind me to the right; Max Hendricks, assistant deputy minister, is behind to the left, to my left. Lauren Donnelly, left rear, assistant deputy minister; Duncan Fisher, special adviser to the deputy minister, and I think Duncan is just at the table behind me to my right. Ted Warawa, executive director for the financial services branch, and Ted is behind me as well. Scott Livingstone, just directly to my right, executive director of the health information solutions centre; Garth Herbert who is a financial management consultant, also our internal auditor with financial services branch with the Ministry of Health; and Cara Smith, a senior financial analyst with financial services branch who is behind me just to the rear.

As a ministry, we certainly welcome the Provincial Auditor's report and appreciate the effort and the detail the auditor puts into this review. We're committed to strengthening our services and improving efficiencies, and we are making progress in many of the areas identified by the auditor. The report is a significant document and we'll continue to work to address the various recommendations that it contains. This involves work within our ministry and also with our partners, the regional health authorities and the Saskatchewan Cancer Agency.

Mr. Chairman, we're entrusted with safeguarding and managing public resources, and this trust we take very seriously. I'm here today with ministry senior staff to answer and address any questions of the committee and to provide any additional details about the auditor's report and our work to address its recommendations. So thank you.

**The Chair:** — Thank you very much. We'll turn to the Provincial Auditor's office. And we have Mr. Ahmad for his comments.

**Mr. Ahmad:** — Thank you and good afternoon, Mr. Chair, and committee. I'm going to provide an overview of chapter 10A to start with. This chapter begins on page 143 of our report. The report is the result of our audit of the ministry and its Crown agencies for the year ended March 31, 2008.

In part A of the report, the result of our audit of the ministry, in 2007-08 the ministry received \$3.5 billion from the General Revenue Fund and raised 337 million from outside sources. The health sector spent 3.6 billion on program delivery. Table 2 shows amounts and areas of health care spending.

In this part we make four recommendations and repeat various recommendations from our past reports.

Our first new recommendation requires the ministry to give the Legislative Assembly annual reports including audited financial statements for the Saskatchewan health employees' pension plan, that is SHEPP [Saskatchewan healthcare employees' pension plan], and Saskatchewan Association of Health Organizations — that's SAHO — and its administered benefit plans. We have made this recommendation because 13 of SAHO's 14 members, board of directors, are cabinet-appointed members of the regional health authorities, and the government is responsible for about half of the unfunded liability of SHEPP.

Our second recommendation requires the ministry to properly segregate the roles of its employees so they cannot enter and approve a payment to themselves. We made this recommendation for almost all ministries. We understand the ministry has begun work to address this matter.

Our third recommendation requires the ministry to make an agreement with the Public Service Commission to provide payroll services. The ministry needs an agreement to define clearly the roles and responsibilities of the Public Service Commission. Lack of an agreement increases the risk that the ministry may not receive the services it needs.

Our fourth recommendation requires the North Saskatchewan Laundry and Support Services Ltd. to approve all payments to vendors. The company policy does not require approval of purchase orders or invoices for all payments. Four northern regional health authorities own this company.

Our past recommendation that we repeat in this part relates to recovering money owed by former MACSI [Métis Addictions Council of Saskatchewan Inc.] board members and receiving and reviewing performance information of community-based organizations, developing a capital asset plan, establishing processes to monitor capital construction grants given to private sector agencies, verifying pharmacists' claims for payment, collecting overpayment resulting from job evaluation, preparing a complete business continuity plan, and revising the human resource plan to quantify needs and providing measurable indicators and targets for all strategies; and finally, the six recommendations relating to improving IT [information technology] security at the ministry's health information solutions centre, that is HISC.

Your committee has considered all these matters in the past and agreed with our recommendations. The ministry continues to work toward fully addressing those recommendations. And that

ends my overview. Thank you.

**The Chair:** — Thank you very much. Mr. Florizone, any comments?

**Mr. Florizone:** — We're certainly prepared to take any questions with respect to these various sections. Thank you.

**The Chair:** — Okay. Any questions with respect to the first recommendation, that annual reports including audited financial statements for Saskatchewan health employees' pension plan and Saskatchewan Association of Health Organizations and its administered benefit plans? Any questions? Mr. Nilson.

**Mr. Nilson:** — Are these reports being prepared now?

**Mr. Florizone:** — They are. And in fact these reports are being prepared and have been historically presented to the ministry. There is no legislative requirement in place right now that requires us to table these documents. But we're more than willing, if it's the wish of Public Accounts Committee, to table these documents accordingly.

**Mr. Nilson:** — Are they presently included in the Ministry of Health report?

**Mr. Florizone:** — They're not. What they are is they're posted to websites of these individual agencies.

**Mr. Nilson:** — So there's really no problem with providing this information to the legislature.

**Mr. Florizone:** — No. None whatsoever.

**Mr. Nilson:** — Okay. Thank you.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — Yes. Just on the history of this, has this been the situation for a long time, that they were not included? I assume that that just didn't happen.

**Mr. Florizone:** — That's correct. This has been a long-standing tradition. Because we weren't compelled by legislation to table these documents, this has not been done in the past. But like I say, we're more than willing to do so if that's the desire of the committee.

**Mr. Chisholm:** — Good.

**The Chair:** — So these are statements that follow a calendar year?

**Mr. Florizone:** — Yes. They follow the calendar year.

**The Chair:** — So December 31, 2007, SHEPP had assets of 3.1 and liabilities of 2.9.

**Mr. Florizone:** — That's correct.

**The Chair:** — My sense is, given what's happened in the markets, that this may have changed somewhat. What happens like in terms of the government's books then? The government

have to then assume a debt liability?

**Mr. Ahmad:** — Mr. Chairman, that would depend on what happened on December 31, 2008. And if there is a liability, yes, the government will be responsible.

**The Chair:** — Okay. Any further questions with respect to . . . So am I sensing that we've seen compliance in this?

**Mr. Nilson:** — I think we concur in the recommendation and that in the future, they will just file the reports.

**The Chair:** — Okay. So we concur in the recommendation? Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. Recommendation no. 2, segregation of duties, any questions on this? And you're saying, Mr. Ahmad, this is a system-wide issue?

**Mr. Ahmad:** — Yes, Mr. Chair, it's a problem with more than one ministry and it has something to do with what they call MIDAS [multi-informational database application system]. And the ministry is and the Department of Finance, I believe the Ministry of Finance is working on this.

**The Chair:** — Okay. So when you talk about segregation of duties, is this then a new expectation of the Department of Health and other departments? Mr. Paton, can you enlighten us on this?

**Mr. Paton:** — No, this is not a new idea, segregation of duties. It's one that all ministries should be aware of, that segregation of duties is required. This is one that was brought to our attention and I think there's five ministries that this has been identified for that I'm aware of. Right now we're working with those ministries and in ensuring that they get proper reports so that they can, after the fact, review all transactions to ensure that there are no problems under the current procedures that they're following. And we're looking at changing the automated system so that in the future this won't be happening at all.

**The Chair:** — Okay. And you're agreeing with this, Mr. Florizone?

**Mr. Florizone:** — We support this recommendation and in fact the ministry has set out, irrespective of our automated systems, a manual approach to this to allow for the segregation of duties. It's good practice, it's appropriate practice, and we support the recommendation.

**The Chair:** — Any further questions on this? So we see some progress here, is that fair to say?

**Mr. Paton:** — Mr. Chair, there's progress on this. It will take some months to have this fully automated. It's a fairly large system, and we don't make these changes very quickly, but probably by, I'll say mid-June to late June we'll have this all automated.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — I move that we concur and note progress.

**The Chair:** — Okay. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. Let's turn to the third recommendation, “. . . that the Ministry of Health make an agreement with the Public Service Commission for providing payroll services.” Where are you at on that?

**Mr. Florizone:** — The ministry has currently received a draft of such an agreement from the Public Service Commission. We're working through the details. It deals with more than just payroll services. It deals with all of the human-resource-type supports that we receive from the PSC [Public Service Commission] as a ministry. So we're attempting to provide for clarification on the responsibilities of the respective parties, and we're hopeful that we can conclude within the next several months.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — This would relate to ministry employees, I assume, and not people that work for regional health authorities. That would be different.

**Mr. Florizone:** — That's correct. So the regional health authorities would be separate legal entities, and this deals specifically with those staff of the Ministry of Health.

**Mr. Chisholm:** — Okay. Thank you.

**The Chair:** — Any further questions? I think we can concur with the recommendation and note progress.

**Mr. Bradshaw:** — I so move.

**The Chair:** — Moved by Mr. Bradshaw. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Recommendation 4 with respect to North Sask Laundry & Support Services approving all payments to vendors, are there any questions on this? But I note that all the clients are . . . No, I don't have any questions on that. Anyone having . . . Mr. Chisholm.

**Mr. Chisholm:** — I'd just like, maybe for someone in the department that has a little bit of history on this thing, this is the only, I assume, the only service of its kind in the province. I believe it's in Prince Albert, right, the actual physical location?

**Mr. Florizone:** — It is in Prince Albert and it is a coming together of a number of regional health authorities who have ownership interest in the North Saskatchewan Laundry.

**Mr. Chisholm:** — And do they have clients that are other than the health regions that own it? Is there other health districts that are using their services?

[13:45]

**Mr. Florizone:** — There are a number of agencies that they provide laundry services to. One example would be Corrections as a specific government department. There are a number of other Prince Albert agencies, but I'm sorry, Mr. Chair, I don't have a listing of those at this time.

**Mr. Chisholm:** — Good, yes.

**The Chair:** — What can you tell us about taking steps to ensure that payments are in fact approved?

**Mr. Florizone:** — I can tell you that in our follow-up with the North Saskatchewan Laundry, they're now approving purchase orders or invoices on all purchases that go through. So we certainly concur with the recommendation and have been assured as well that they've taken these steps to address this problem.

**The Chair:** — Mr. Ahmad, you're aware of this now, or this was not the case when you . . .

**Mr. Ahmad:** — Mr. Chairman, we won't know until we do the audit next year.

**The Chair:** — Okay. Can we have a motion on this, that we concur and note progress? Mr. Chisholm. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That concludes chapter 10A.

**Mr. Michelson:** — Mr. Chairman, can we look at some of the past recommendations?

**The Chair:** — Yes, we can do that, you bet. A number of those have been partially implemented, according to the auditor, and there's a number that are not implemented. So what's your wish, Mr. Michelson, do you want to . . . a specific recommendation you wish . . .

**Mr. Chisholm:** — No, I think it would be interesting to get the comments on the ones that have not been implemented. The ones that are partially implemented would indicate that we're working towards what the recommendations were, but . . .

**The Chair:** — Okay.

**Mr. Michelson:** — I guess further than that, I would like to just get some . . . Like when I see a recommendation coming in in 2002, and it's just partially implemented, is there an explanation or if there's something that we should be aware of in that regard.

**Mr. Florizone:** — Mr. Chairman, that would be the recommendation dealing with priority health needs for the province and health status objectives, and also a recommendation dealing with resource allocation decisions.

**Mr. Michelson:** — When I look on page 161: “. . . continue to develop, as one component of resource allocation . . .” Would that be an ongoing process?

**Mr. Florizone:** — It is. First of all it would be tremendous to

be able to say today that we've achieved this. We've made certain strides in attempting to clarify roles, responsibilities, and accountabilities for our regional health authorities. We've attempted to do that through accountability documents and that's one vehicle; also, roles and responsibility documents.

The ideal would be to allow for a setting of resources that would attach themselves specific to measureable goals and objectives so that any authority, and the ministry as an oversight, would be able to judge whether the allocation of resources was appropriate and whether the intended ends were achieved. Unfortunately we lack in many respects the ability to do that, at least at this point. So we have taken certain steps to strengthen our documentation around that. We've also seen some regions lead out by setting more measureable and specific objectives. Our own accountability documents and accountability statements actually reinforce this.

The other thing that we're embarking on, which is the patient-first review, allows us to take a look at the experience and the journey through the patients' eyes. The sense that we get is, once we're at a place where those recommendations are coming forward sometime mid-year, next year, we'll have some very specific system goals and objectives.

One of the statements made very clearly from our minister is the need to not just say what we'll do, but set objectives around those statements — time or volume or percentage, whatever the recommendation has to be — that we'll be very specific about achieving that end.

As we go through this documentation, I'll speak a little more to this notion as we get into the section dealing with occupational health and safety, just as a specific example. So I apologize. Today we're not in a position to say that the system has reached this objective, but we're certainly taking strides to move towards this.

**Mr. Michelson:** — So from the auditor's standpoint, when it's coming forward from 2002, where do we say this is achieved or it's not achieved? Or do we have to establish different goals then to make this work?

**Mr. Ahmad:** — Yes, we hope that they do that quickly because we plan to look at their system next year and see how they actually set the objective and how they meet those objectives with the money they spend.

**Mr. Michelson:** — All right. Where do we want to do from here then? Do you want to go to . . .

**Mr. Nilson:** — I've got a question.

**Mr. Michelson:** — Go ahead.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — This looks to me like it's setting the platinum standard worldwide. Is there any jurisdiction that you know of that has done this yet?

**Mr. Florizone:** — There may be pockets of maybe agencies that have been able to achieve this. I'm not aware of any system

that's been able to achieve this standard in a comprehensive way.

**Mr. Nilson:** — And that includes Canada, US [United States], Europe, Australia — all of those places?

**Mr. Florizone:** — That I'm aware of. Now, some do it better than others in terms of how they set things out. For instance, the United Kingdom, I am aware that they take it to a greater extent. So on a system basis, they would take a look at goals, objectives, measures, and targets, and hold to account their entire management team and governance structure to that. So if anywhere, I would suggest that on a system basis the UK [United Kingdom] is probably the closest to achieving that standard.

**Mr. Nilson:** — And in Canada, is there anybody that's as far along as you are?

**Mr. Florizone:** — The Provincial Auditor may be aware of other jurisdictions, but Ontario, I suppose with their hospital report card, have done an interesting job of measurement. British Columbia has done some refinement on their accountability documents, but I'm not aware of anyone that has actually achieved what's set out here. Now having said that, we firmly believe that this would be the ideal. What we need to do is take the steps to achieve it.

**Mr. Nilson:** — Okay. Thanks.

**The Chair:** — Any further comments on the outstanding recommendations?

**Mr. Michelson:** — Just on, Mr. Chairman, on page 162, it says the Métis Addictions Council of Saskatchewan refers to, on 2E-3 in the status it says, "We do not plan to do any follow up at this time." Is there a time frame that we wanted to do a follow-up?

**Mr. Ahmad:** — What specific region are we talking about, Mr. Chair?

**Mr. Michelson:** — 2E-3 under the Métis Addictions Council.

**Mr. Ahmad:** — I think if you, Mr. Chairman, if you ask management, they can probably tell you more about what is happening to MACSI [Métis Addictions Council of Saskatchewan Inc.] board. Unless the MACSI board is operational, we can't do anything, and I don't know whether the ministry has any plan to continue working with that board.

**Mr. Michelson:** — So what happens? Does it just fall off the books at some point?

**Mr. Ahmad:** — Right. If the MACSI board does not exist, there is nothing we can do.

**Mr. Michelson:** — Okay.

**Mr. Nilson:** — I think the big question here is to have the department tell us what's actually happening because I assume there's still the interim board in place. Is that true, that they've set up as a trustee of this? So you can't review the board that

doesn't exist, but perhaps you can give us an update on what's happening with MACSI.

**Mr. Florizone:** — The interim board is in place at this stage, and we are taking steps to attempt to fill the board vacancies on a more permanent basis. The interim board certainly recognizes and has suggested to us that a long-term, multi-year plan is necessary for the council. Initially it was decided to defer the development of such a long-term plan until members of the newly recruited and reconstituted board of directors were in place.

Since the continuation of the interim board beyond, you know, in terms of the initial stages, beyond the initial stages, it was decided to proceed with the strategic planning process to develop short-term plans for the council. We're in the process right now. We've requested the Métis Nation to assist us in reconstituting, putting forward names of potential representatives to this board. Once the board is in place, it's our plan to fulfill this recommendation.

**Mr. Michelson:** — Mr. Chair, on the Saskatchewan prescription drug plan, 2005, 4-1, "... the Department of Health should develop a plan to monitor and evaluate drug use in the population." It's not yet developed. Do you have any ... Has something happened in that? It says not implemented as of March 31, 2006.

**Mr. Florizone:** — Well the ministry has been very, very interested in continuing to deal with the monitoring and evaluation of drug use in the population. We've implemented a system that will assist in monitoring and evaluation by collecting information on all prescriptions dispensed in the province. So that system is certainly in place right now.

Now the ministry is also involved in many initiatives above and beyond what we refer to as PIP [pharmaceutical information program], and that is there's reports from the national prescription drug utilization information system we participate with. That's been established by federal, provincial, and territorial ministries of Health.

We also have been working very closely with our Health Quality Council on appropriate use of medications. We work very closely with the College of Physicians and Surgeons on monitoring physicians under the prescription review program. There are provisions of warning codes and added checks in the ministry's link with pharmacies.

We also have reports from Rx Files, academic detailing programs operated by the Saskatoon Regional Health Authority, online access to medication histories through the pharmaceutical information program — that's PIP that I was referring to earlier. And other initiatives like the Canadian Optimal Medical Prescribing and Utilization Service and formulary setting. So there are a number of initiatives under way. We're still working on this recommendation.

**Mr. Michelson:** — Could we go back to page 154. It's talking about the 2007 report:

The Ministry of Health establish processes to monitor capital construction grants provided to private sector



agencies.

Has that been progressing?

[14:00]

**Mr. Florizone:** — Mr. Chairman, sorry for the delay. What we're looking for right now is a more integrated approach, a consistent approach to capital construction. Our minister received a mandate from the Premier to develop a 10-year capital plan. What we see, it's not only an integration of some of the facility improvements that are indicated through a VFA report, a review of our facility status, but also an integrated approach to capital construction, renovation. We also want to look outside of buildings to equipment and other equipment needs within our buildings as well.

The integration right now, the reason for this recommendation is, traditionally with our third party organizations, we go through an 18-step process with certain initiatives. And it's been indicated here, private sector agencies or agencies that would be separate from government, that there was a separate approach. We're attempting to integrate wherever possible those approaches. So that's our objective in the long run.

**Mr. Michelson:** — Continuing on that page, 154, it talks about the verification of pharmacist services not performed. Has that been addressed?

**Mr. Florizone:** — We're still reviewing our ability to send out what is referred to as negative service verifications. There's letters that would be developed from our pharmacy information system to clients asking them to verify whether they received a certain drug. This again would be excellent practice with respect to our need to audit those payments, but that system has not been developed as at this date.

**Mr. Michelson:** — Okay. I have no more further questions.

**The Chair:** — That's the system that you had with respect to physician services, or still do? I don't know.

**Mr. Florizone:** — Still do. Yes, sir.

**The Chair:** — Still do. Okay. Mr. Chisholm.

**Mr. Chisholm:** — Well back to page 163 — and this maybe is a question for the auditor — under that Saskatchewan prescription drug plan, 4-1, the plan had not been developed on March 31, 2006. The comment is the "Plan not yet developed." That "Plan not yet developed" that's coming as a comment from the Provincial Auditor, what's the effective date of that comment? Because it sounds to me like there is a plan that's been enforced for some time.

**Mr. Ahmad:** — Mr. Chairman, as of March 31, 2006 the plan was not developed. That's the date. And we haven't looked at that plan since that date because there was no plan.

**Mr. Chisholm:** — Okay. I didn't know whether that comment referred to the date that this came out, which was last week, or whether that comment was effective March 31, 2006.

**Mr. Ahmad:** — Mr. Chairman, again these recommendations are those which have not been dealt with within the chapter. We are saying that these are specific recommendations relating to specific work that we did. And we have not revisited that work again since 2006. So we will do that sometime in the future.

**Mr. Michelson:** — Is there a point to discussing them at this session?

**Mr. Ahmad:** — If they have done some work, we will say that — that this is what they have done, and we haven't done any work. But there was nothing done on this one.

**Mr. Michelson:** — But it hasn't been checked since 2006.

**Mr. Ahmad:** — We do talk to management and find out if there was any progress made and make that comment here.

**Mr. Michelson:** — Okay.

**Mr. Chisholm:** — I still don't understand then if the comment that says the plan is not developed, if that comment is relevant to today or was that relevant to March '06?

**Mr. Ahmad:** — It was March '06. But you have asked ministry officials and they have told you what the status is now. But I cannot comment on that because we have not done any work on this yet.

**Mr. Nilson:** — But why wouldn't you do like you did above and say the ministry is working on it, or something like that? And see, I think that's the question, is "Plan not yet developed" was the comment as of March 31, 2006. And what we're wanting to know is, in August 2008 they would have said what they've said now, which is somebody's working on this. And this document doesn't reflect that.

**Mr. Ahmad:** — We have not seen any plan at this time, so I can't comment on that, Mr. Chair.

**Mr. Nilson:** — But I think, when you talk to them, I think you should revise your wording on something like this, so that it actually reflects the conversation in August 2008.

**Mr. Ahmad:** — We certainly could have, yes.

**Mr. Nilson:** — Okay, so maybe you'll make note of that.

**Mr. Ahmad:** — Yes.

**The Chair:** — Mr. Florizone, do you have a comment on this?

**Mr. Florizone:** — I just wanted to say that our work still continues here. There's some more specific information that we need to be monitoring and collecting. So I didn't want to leave the committee with the impression that we fully met what was intended by the auditor's recommendation. We have initiated, we've started a plan. We've taken certain steps, but certainly the type of standard that was envisioned by the Provincial Auditor, we don't believe we've met yet. We're working away at it.

**The Chair:** — Any further questions on the outstanding

recommendations? No? Okay. Then let's turn to chapter 10B and, Mr. Ahmad, your comments.

**Mr. Ahmad:** — Thanks, Mr. Chair, again. This part of the report is the result of our audit of the regional health authorities. We work with the appointed auditors listed here on page 167 to complete our audit of the regional health authorities. In this part we make six new recommendations and repeat some recommendations from our past reports.

The first new recommendation requires the Cypress Regional Health Authority to establish complete financial management policies and procedures — for example, it does not have a written policy for delegation of authority or capital assets. Since 2003 we have reported a similar matter for Regina Qu'Appelle. In 2004 your committee agreed with that recommendation.

The second recommendation required Regina Qu'Appelle to implement an internal audit function. An internal audit function would help provide assurance to the board about the adequacy of management processes and staff compliance with those processes.

Our third recommendation requires Keewatin and Prairie North to periodically count their capital assets and agree their capital asset record to their accounting records. These regional health authorities did not do so.

Our fourth recommendation require Prairie North and Kelsey Trail to follow their processes to control bank accounts when making payments to employees.

**Mr. Nilson:** — Excuse me. Could you start over again because these numbers don't comply with what we have in our book. Why don't you look at the numbers we've got in the actual recommendations in the report and then tailor your comments to that, please, because we can't follow what's going on.

**Mr. Ahmad:** — Okay. We're talking about the bank accounts, controlling bank accounts.

**Mr. Nilson:** — Could we just . . . number one.

**Mr. Ahmad:** — That's that Prairie North Regional Health Authority and Kelsey Trail Regional Health Authority follow their processes to control bank accounts. And we say this because those bank accounts, those authorities did not have processes to do so. Supervisors at those regional health authorities did not always approve timesheets or approve their bank accounts reconciliation.

Now moving on to page 172 recommendation 3, that's talking about that Cypress Regional Health Authority establish complete financial management policies and procedures. Those management procedures were not in place, and they did not do so at the time of our audit.

Again talking about 173, that's the Regina Qu'Appelle implement an internal audit function. And as I said, that the internal audit function would have provided assurance to the board about the adequacy of management processes and staff compliance with those processes. Qu'Appelle Regional Health Authority had approved a function for internal audit, but they

have not implemented that yet.

Moving on to page 174 — that's Keewatin Yatthé Regional Health Authority and Prairie North — talking about their capital asset and agree their capital asset with their accounting record. This is what I was talking about, that they don't have any . . . that they didn't do so, so they wouldn't know whether their capital records agree with their financial records.

Moving on, 175, Prince Albert Regional Health Authority obtain all the required reports from its affiliates in a timely manner. These are the reports that are received from affiliates, and they have agreements with those affiliates to provide certain information. We noted that they did not provide the information on a timely manner, and where they did provide, there was no process to make sure that those reports were looked at.

Now talking about other matters, we have two matters of a report about the loss of public money. Regina Qu'Appelle, at one long-term care home they lost about \$1,000, and the authority has actually taken action and suspended the employee and reported the matter to police. For Keewatin Yatthé, they have a \$700 loss in bank deposit. They didn't do anything on that at all at this time. They did no investigation, nor did they do any work on their processes to make sure that those processes were strengthened.

Talking about the opportunity, in the last part of the section we describe the follow-up on our past recommendation to improve processes to achieve planned results for Five Hills. We concluded that Five Hills has made progress but needs to do more to address our recommendation. For example, it needs to develop a management training plan, provide specific orientation to new managers on outcome orientated management. And that concludes my overview of part B.

**The Chair:** — Mr. Florizone, any overarching comments on this or . . . No? Just want to get into questions?

**Mr. Florizone:** — We can just proceed with questions, absolutely.

**The Chair:** — I just have a general question. I'm looking back at page 147 and the Ministry of Health mandate, and it talks about the ministry establishing policy direction: "The Ministry's primary role is to provide leadership in defining and implementing a vision . . ."

And then you get to the regional health authorities, we have a number of recommendations dealing with specific administration. So is the auditor missing something here? Because I didn't go back to check your annual reports to clearly find out what your mandate is, but is ensuring efficient administration an objective or a goal for the Department of Health?

**Mr. Florizone:** — Well in terms of setting the overarching strategic direction, there's a specific interest that we have operationally as well to make sure that resource allocation is appropriate, efficient, effective.

So if you're talking about administration per se as part of our

patient-first review, there're actually two major components. One deals with the patient, patient experience and patient journey, but the other is an administrative review. We will be examining through that review our administrative costs for regional health authorities, their affiliates, and the Saskatchewan Association of Health Organizations.

So we certainly feel that yes, we do have a role to play in that evaluation and certainly a role to play consistent with *The Regional Health Services Act* to set the tone and the direction for the system.

**The Chair:** — Okay, I appreciate that. Then again I look at the recommendation and wonder, should the committee be inviting the representatives of the various regional health authorities that are cited in this report to answer directly? Would that, I don't know, perhaps drive home the point that there is a concern about it?

**Mr. Florizone:** — I want to reinforce that we take a direct approach with the regional health authorities. These recommendations are not only provided through the Provincial Auditor and the auditor of record within the regions, but we have direct conversations with those authorities and agencies. The very fact that we're called upon to respond to these questions means that we need to know that the regional health authorities and their affiliates in health care organizations are on top of these matters.

So I would suggest that given the legislation that's in place, our authority with respect to that legislation, that very much it's appropriate for us to be before this committee. I'm not aware of anything that would deter us from bringing folks in, but it certainly would mean the gallery would be filled and I'm not sure that it would necessarily add value to the work that's being done.

[14:15]

**The Chair:** — Mr. Michelson and Mr. Chisholm.

**Mr. Michelson:** — Could I ask then: is there a penalty for non-compliance or some kind of a status that we can impose upon them?

**Mr. Florizone:** — There are a number of policy options with respect to non-compliance. The policy tools that are made available through *The Regional Health Services Act* include board appointments and dis-appointments. It would include directives from ministers. It would carry the authority of the legislation. We could alter funding. We also control remuneration for CEOs [chief executive officer] and for boards. And I could go on, but the fact of the matter is there are a number of policy instruments that the ministry could avail itself to.

We would much rather be in a position to work closely with the regional health authorities, with the health care organizations, in achieving these ends. I think the value that these types of audits bring is it brings the urgency and attention of these matters directly to the boards. The boards certainly need to be aware when something as basic as a bank reconciliation isn't being completed, that this is a basic business requirement,

unacceptable to see it in this way, and most certainly something that we would take a very strong position on with respect to the boards and their administration.

**Mr. Michelson:** — With respect to that, on page 169. I hear what you're saying, but it's bothersome when you read that employees in management continue to ignore the established processes to control bank accounts. And that's why I'm asking, like, that's pretty strong when it comes right down to it.

**Mr. Florizone:** — Absolutely. I want to give assurances to the committee that we strongly support the Provincial Auditor's recommendations with respect to those sections dealing with the basics, which I'll refer to, of bank reconciliation and the controls that are necessary on a monthly basis, on a regular basis. What we need to do is undertake to use the policy tools that we have available to us and the accountability tools that are in place to be able to ensure that these types of recommendations do not persist.

**Mr. Michelson:** — Is there some way you can assure this committee that this is going to be handled in a timely manner before the next audit comes out?

**Mr. Florizone:** — I did write several months ago to the regional health authorities, being very specific about the auditor's recommendations and the need for compliance. In terms of assurances to the committee, I guess the assurance I give you is that we ultimately are accountable to see these come through. So if these recommendations persist and we have the policy tools available to us to respond accordingly and appropriately, then I need to be able to answer to that at the end of the day.

**Mr. Michelson:** — You said you've written to them. May I ask, have they written back? Have they indicated anything to you?

**Mr. Florizone:** — I didn't ask for them to write back because I wasn't asking, I was telling. The important point here is that we'll continue to follow up. Now that's not to suggest that there won't be issues that arise from time to time. That's the purpose of an audit — to keep everyone moving down an appropriate path, to make sure that these controls and systems do not drift with time. But we will be diligent as a ministry to ensuring that wherever possible these controls are in place, and we'll intervene where we must.

**Mr. Michelson:** — Thank you.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — Yes. Just it would certainly be helpful to myself as a committee member, when we're going through each of these specific recommendations that are quite specific — that names the region, it names the problem — for us to know today what's happened on that specific problem so that we can, with an educated background, decide what kind of a recommendation we as a committee make on these specific numbers 1, 2, 3, 4, 5.

**Mr. Florizone:** — Mr. Chairman, I'd be very pleased to address each one in turn given the feedback we've received

from the regional health authorities.

**The Chair:** — Can we do that? Can we turn to the first recommendation, and the first recommendation is that the “. . . Prairie North Regional Health Authority and Kelsey Trail Regional Health Authority follow their processes to control bank accounts when making payments to employees.”

**Mr. Florizone:** — According to Prairie North Regional Health Authority, they continue to control their bank accounts by auditing all employee payments made on all paydays. All policies concerning time sheets and time sheet approvals have been reviewed with managers and designates. All time sheets are audited for approval and audited after the fact for compliance. They continue to monitor on an active basis to ensure appropriate payment is always made. So this would be the action subsequent to the recommendation.

Mr. Chairman, I can continue on with Kelsey Trail.

**The Chair:** — Any further questions on the . . . Yes. Go ahead. Sorry.

**Mr. Florizone:** — Kelsey Trail has indicated to us it has a policy that requires supervisors and managers to approve all time sheets. A memo was sent to all management by them, stating that policy needs to be followed with regard to time sheet approvals.

In addition, as part of an internal control process, Kelsey Trail Health Region has implemented an internal review process whereby a random sample of time sheets is reviewed on a quarterly basis. The sample of time sheets is checked to see if the appropriate supervisor has approved the time sheets. This process will be carried out on an ongoing basis to ensure time sheets are accurate and being approved in accordance with that regional policy.

**The Chair:** — Any further questions on that recommendation? Mr. Chisholm.

**Mr. Chisholm:** — One quick one for the auditor. Would those answers be positive for you to hear on this specific recommendation? If that's what has occurred since the . . .

**Mr. Ahmad:** — Mr. Chair, all these things are very good to see on a piece of paper, but we have to see how the policies are actually working, whether the people are actually carrying out those things. And unless we see that, I can't comment.

We do know this, that we have two . . . [inaudible] . . . continue to recommend. Mamawetan Churchill River, they had the same problem last year, and we continue to recommend that they continue to have that problem this year. And the same goes with Cypress. They had the same problem or a similar problem last year. They continue to have the problem this year as well.

So the proof of the pudding is in the eating, so when we go and see what processes they have implemented, we'll let you know next year.

**The Chair:** — Mr. Florizone.

**Mr. Florizone:** — Mr. Chairman, and certainly I appreciate the response from the Provincial Auditor's office, and in fact we would wish that assurance as well. To us it's not resolved until the Provincial Auditor says so. What this allows for is for us to at least get a verbal direction on what the intent is and the actions are from regional health authorities.

With respect to Mamawetan and Kelsey Trail, I'll back up and just give you a sense of what assurance they've given us, what feedback. With Mamawetan, the instances that have been cited as past instances that carry forward are exceptions to their approved policies. So they do have, according to them, policies in place that have been breached. Managers have been made aware of their responsibilities and are being more diligent in following the approved policies in a correct and timely manner. So that's according to Mamawetan Churchill, their feedback to us.

With respect to Cypress, the Cypress Regional Health Authority developed and approved a policy in March 2008 that requires supervisors to approve all time sheets. Cypress will be monitoring compliance with this policy and taking corrective action as required. So we're certainly looking forward to the next Provincial Auditor's report that would look at these actions and ensure that that is in fact the case.

**The Chair:** — With respect to recommendation 1 then, as I hear you, that some progress is being made or being drawn to your attention.

**Mr. Florizone:** — Correct.

**The Chair:** — Can we have a motion to concur with this recommendation and note progress? Mr. Bradshaw. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — And no. 2, the Prince Albert Parkland Regional Health Authority, in terms of reconciling its recorded bank balances. Again, any comments on that?

**Mr. Florizone:** — The Prince Albert Parkland Health Region has reported back to us that they have a process in place for reconciling its recorded bank balances to the bank records in a timely manner. So that policy and process are both in place as at this time, according to Prince Albert Parkland.

**The Chair:** — Okay.

**Mr. Michelson:** — I will make a motion that we concur with the recommendation and note progress.

**The Chair:** — Okay. Is that agreed?

**Some Hon. Members:** — Agreed.

**Mr. Michelson:** — As long as they're following up on the progress.

**The Chair:** — Okay. Recommendation no. 3, Cypress Regional Health Authority. I think you did reference that in your remarks earlier about written policies and procedures. Mr. Chisholm.

**Mr. Chisholm:** — I would move that we concur and note progress on no. 3.

**The Chair:** — That's great. And the Regina Qu'Appelle Regional Health Authority, in terms of implementing an internal audit function. Any comments on that.

**Mr. Florizone:** — In terms of the internal audit process, the Regina Qu'Appelle Health Region has reported to us that they rely on numerous processes and systems such as sound internal controls, and we've talked about a few of those earlier. Integrity, financial variance analysis, external audit, as well as ad hoc external reviews — they do these undertakings to provide assurance with regard to management processes and staff compliance with these processes.

While the addition of an internal audit function would enhance this assurance, it's currently not clear whether the benefit would outweigh the cost, according to the regional health authority. So the regional health authority in Regina is reviewing this recommendation.

I want to say that it's extremely important that they undertake such a review and it's in part our interest in ensuring that administrative costs are held to an appropriate level. So where an internal auditor is seen to be a function that's required, you'll see very, very strong support from us. Where there's an analysis that shows that it can be accomplished in a different way, then it's something that we must examine, explore, and discuss in greater detail.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — Yes. I have a question for the Provincial Auditor on this whole area. I noted in this report that all of the regions except for Regina Qu'Appelle use independent auditors, but that you audit Regina Qu'Appelle directly. And I wondered whether there were aspects of what an independent auditor might comment on interwoven into this report about regional health authorities that might have been in other places.

It just struck me that there were . . . And this was one of them, where it might have been, if this had been KPMG doing this particular audit report, this recommendation would have been in a separate document rather than in this overall document.

**Mr. Ahmad:** — Mr. Chairman, the results of our audit are all included in this report. And so are the results of the auditor, of the audit that's carried out by private sector auditors. We have made this recommendation because Regina Qu'Appelle is a large organization and they don't have this function. Saskatoon has a function of internal audit. And those are the two larger authorities. So I think the report here is consistent with the private sector.

[14:30]

**Mr. Nilson:** — But is there an aspect that, because you know them better, you put more of these kind of comments in here than in some of the other ones?

**Mr. Ahmad:** — If we become aware that there are problems in other authorities, they will be brought forward here. But we

have looked at the work that the auditor's done. We have looked at their plan. We have looked at the recommendations. We have reviewed their board minutes. So we are fairly satisfied that the work they did was adequate.

**Mr. Nilson:** — Okay. I mean, I guess I'm just saying that . . . I guess one of the other questions that maybe this patient-first review will look at is whether it makes more sense to have the Provincial Auditor audit all the regions and then have a comparable database, or whether this one should actually go to a separate auditor. I'm just not sure what the cost or the benefit is. But that's obviously something that the whole system needs to look at.

**Mr. Ahmad:** — Yes, Mr. Chairman. That's the policy decision.

**The Chair:** — I thought you were going to say that. Any further comments? I just have a general question. Like again, the reaction from the Regina Qu'Appelle Regional Health Authority that yes, we know there are losses; on the other hand, an internal audit function also has a value, and does one outweigh the other? Do you have any comments on that?

**Mr. Ahmad:** — Mr. Chairman, when we talked to the board and presented this issue to the board, what I understood they were thinking of was whether to hire an internal auditor or delegate this work to an accounting firm to do this for them. And for us, they're both acceptable alternatives. I don't have any problem.

I didn't hear from them — and of course they may have changed their mind — talking about the cost-effectiveness of this issue at all. We didn't hear that during our presentation.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — Yes. I'm curious — because they haven't hired an internal auditor when it was recommended, is there any liability for this, for any losses because they have not acted on this?

**Mr. Florizone:** — Mr. Chairman, the regional health authorities as legal entities bear the burden of any liability with respect to decisions made or not made, decisions and direction taken or not taken. So I can't comment specifically about what liability might accrue. That wouldn't be either an area of expertise or an area we'd weigh in on with respect to such matters. But there is also a duty of diligence with respect to looking at every recommendation and thoughtfully considering what the pros and cons would be, what the risks might be, and being in a position to either reduce, minimize, remove, or mitigate those risks.

**Mr. Michelson:** — Thank you.

**The Chair:** — Any further questions? What is the committee's wish? Sounds like Regina Qu'Appelle is doing some work in terms of evaluating the need for internal audit and where they might go with this, but it hasn't fully progressed I guess to the stage to say, we're going to do that and here's our plan to roll that out. Mr. Michelson.

**Mr. Michelson:** — I'm thinking, in the 2005 report, the

recommendation's that Regina Qu'Appelle assess whether it needed an internal auditor. So I guess it's just asking them if they needed it. This recommendation is, we recommend that the health implement an internal audit function. So you're saying they're looking at whether they need it or not.

**Mr. Florizone:** — That's correct.

**Mr. Michelson:** — Originally we said they have to decide whether they need it or not, and now we're telling them, you need it; you have to do it. Does that describe the situation?

**Mr. Florizone:** — I think that describes the situation.

**Mr. Michelson:** — So why would we have asked them if they needed it or not, and then haven't got their answer, but are saying now, you need it?

**The Chair:** — Mr. Nilson, do you want to . . .

**Mr. Nilson:** — Well I think this is carefully worded. It doesn't say, hire an internal auditor. It says, implement an internal audit function. And I think what we hear from the Regina Qu'Appelle region is that they have an internal audit function that operates with all of the controls that they've got. Now that's not exactly I think what this says, but it's arguably in the same ballpark. In other words, they're worried about internal audit, but they just do it in a different way.

So I think that there's probably nothing wrong with us recommending this particular suggestion. And what it means is the next time that we get a report, we'll have even a better definition of what they understand the words, implement an internal audit function, means.

**The Chair:** — They've agreed in the past that they do need a function and I think we can agree that they need some function. We're not saying how that function should be rolled out, but . . . Mr. Chisholm.

**Mr. Chisholm:** — I think if we're ready, I'd like to move that we concur with the recommendation, and I think at this point in time . . . [inaudible interjection] . . . Well I've had this problem once before today. When I've tried to determine whether there's been progress and I ask the auditor's office, they say they won't make any comment because they haven't been there since 2005 or 2006. So I have a problem sometimes knowing if there has indeed been made progress or not.

**The Chair:** — Well I'm not really clear what's happening. If they're back, a fundamental question, should we have an internal auditor or an internal audit function then I think we can . . . There's a question here of whether they've agreed and have set the wheels in motion to in fact develop such a function, which doesn't sound like they're making any progress at this point in my view from what I can read.

**Mr. Michelson:** — I think we're ready to concur with the recommendations.

**The Chair:** — Okay. The motion we have then is to concur with the recommendation. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. That's agreed.

**Mr. Nilson:** — Could I just ask the department please convey our sentiments.

**The Chair:** — Undoubtedly they're watching this on television as we speak. So the next recommendation then is with respect to capital assets that need controlling and recommending Keewatin Yatthé and Prairie North regional health authorities periodically count their capital assets and agree their capital assets records to their accounting records regularly. Any comments on that, Mr. Florizone?

**Mr. Florizone:** — Mr. Chairman, we concur with these recommendations and follow up with these two regions. First off, Keewatin Yatthé recognizes the value in periodic capital asset counts and has indicated to us they'll continue to work towards providing resources for this endeavour. So it's not quite as concrete as we would like, but certainly asset tracking is something that they concur with and we want to work with them to ensure that this is put into place.

Prairie North Regional Health Authority has been actively planning to install its own asset tracking system for about two years. The system will ultimately be in a grid with financial accounting system and the materials management purchasing system. Ultimately what it does is produces an asset tag, and you'll see that on most of the equipment that would be Government Services. You turn it over or identify it as an asset tag so that there's clear controls, account, and full knowledge of what assets exist and where they've been deployed to.

So we're certainly as interested, again working with Prairie North, in ensuring that their asset tracking system is put into place and they get involved in actively tagging those assets. So we concur with this recommendation.

**The Chair:** — Okay.

**Mr. Michelson:** — A question probably for the auditors. How do you define periodically? Is that a month? Is that a year? Is that five years? Is it 20 years?

**Mr. Ahmad:** — I would leave it to the judgment of management. If they feel that it has to be more than monthly, that would be fine too, but once in a year is not adequate.

**Mr. Michelson:** — Okay. Could I ask the deputy minister what periodically might be?

**The Chair:** — I think the auditors are getting into some uncharted territory here, because I tell you that for MLAs [Member of the Legislative Assembly] we do it yearly, right?

**Mr. Michelson:** — Yes, that's right. That's our periodically definition.

**Mr. Ahmad:** — Mr. Chairman, some people do that on a cyclical basis . . . [inaudible] . . . count some in one month and then they count another set of assets in the second month. So they complete it over six months or nine months.

**The Chair:** — Mr. Florizone.

**Mr. Florizone:** — Mr. Chairman, we don't have a specific answer for you. I think we probably would share the view of the Provincial Auditor that it depends. It depends on the asset and it depends on the particular approach. We could get back to the committee with an answer that's more specific to the regional health authorities and the Cancer Agency to get a sense.

Again, the beauty of this tagging system is that in terms of control it's not just where the assets are deployed to and tracking where they remain. They're also there for insurance purposes. There's also great control with respect to new pieces of equipment coming on board and being tagged, and those being taken out of commission and having that tag removed.

So these types of controls are extremely important. The physical count in inventory would be important in terms of making sure that the book count is accurate and that certain items don't go missing.

We have in our experience had, even right through to the management level, where there's a question about a particular asset and what happened to it. To be able to have that number allows verification of exactly where it might be or whether it was disposed of according to policy.

**The Chair:** — What is the committee's wish with respect to this recommendation? Would concur?

**Mr. Chisholm:** — I move we concur with this recommendation.

**The Chair:** — Yes. That Mr. Chisholm move that and we're agreed with that? It's agreed.

With respect to reporting from affiliates concerning the Prince Albert Parkland Regional Health Authority, any comments on that, Mr. Florizone?

**Mr. Florizone:** — Prince Albert Parkland Health Region indicates to us that they meet with their affiliates on a regular basis, and they review in detail the operating results. They also receive statistical information that's used for a variety of purposes, both planning and control. The regional health authority is reviewing its operating agreements with the affiliates, ensuring that this information is provided in a timely way to the health region so it in turn can report through to us. So that's a work-in-progress.

Mr. Chairman, I can also talk about Saskatoon as well — also a related recommendation. They have received in the past almost all of their affiliate auditors' reports, those reports on internal control and legislative compliance. So almost all is not all. They'll continue to work on the timeliness of receiving these reports. And just given the sheer number of affiliates, it is a challenge but they're working towards full compliance.

**The Chair:** — Any questions? Mr. Michelson.

**Mr. Michelson:** — May I ask, is a timely manner the same as periodically? I'm just wondering what the definition of a timely manner is.

**Mr. Florizone:** — Well we have very specific requirements with respect to a timely manner. So what we need to do is make sure that, if they're integrated with financial statements of regional health authorities, that they're received before the financial statements of regional health authorities are finalized because they will in turn be required for the Government of Saskatchewan. So timeliness is indicated by the reporting requirements that's set out from time to time by Department of Finance and others.

**Mr. Michelson:** — Thank you.

**Mr. Chisholm:** — One quick question. When we're referring to affiliates, just for my knowledge, what kind of affiliates are we talking about here specifically that the health regions work with? Just an example.

[14:45]

**Mr. Florizone:** — Sure. Just to clarify, the regional health authorities either directly deliver services or fund others to provide it. And there really are two categories where they fund and one subcategory, so I'll talk about the two first.

One is they can contract with private sector type service providers, so for instance private ambulance operations or private long-term care facilities. The other is they can fund through non-profit and other organizations that would fall under the health care organizations banner. A subset of HCOs or health care organizations are affiliates. Affiliated agencies primarily are long-term care facilities, but could include some acute care. Religious affiliates are probably the best known, but there are some municipal affiliated agencies, so examples would be St. Paul's Hospital in Saskatoon. Municipally owned affiliates, we could use Pioneer Housing here within Regina. So those are examples of large institutions that fall under that affiliate category.

To give you a sense — and I'll give an approximation here, not an absolute — but the regional health authorities would probably fund, about one out of eight of their dollars go to these affiliated agencies. So you can see that it's very, very important that they hold to a level of account and accountability those affiliates — in fact, to the same extent that we hold regional health authorities to account.

So the legislation in place allows for some of that, but there are individual agreements that certainly would be in place, and timeliness of reporting would be one example of where that accountability is really important.

**Mr. Chisholm:** — Thank you.

**The Chair:** — Any further questions on this? Mr. Nilson.

**Mr. Nilson:** — Would there be any value in naming the specific ones that are the delinquent reporters, or should we save that for another report?

**Mr. Florizone:** — We could certainly save it for another report. We'd be more than willing to follow up at any time with the health regions. Again, the important part of this is to work towards compliance.

I have to say that, with respect to these affiliates, the timelines that we put forward are very, very aggressive for independent auditors to meet. I'm not making any excuses for them, but I think it would be extremely important to work with them and through their auditors and their administration to achieve this compliance, rather than right out of the gates achieve it through a top-down approach.

**The Chair:** — Any further questions on this? We're dealing with recommendation no. 6. What's the committee's wish?

**Mr. Michelson:** — We concur with the recommendation.

**The Chair:** — Agreed? That's agreed. Any further questions on chapter 10B? Mr. Michelson.

**Mr. Michelson:** — I'm just curious about the \$700 of public money that was missing. "Management did no investigation to determine who may have caused this loss and what it must do to help improve its processes to safeguard public money." Is there any comments on that? I would think if there was \$700 missing, we would want to ask questions.

**Mr. Florizone:** — Absolutely. And I'll give you the background that we received from Keewatin Yatthé Health Authority. They reported a loss of money from the La Loche long-term care home. Seven hundred dollars was missing from a cash rent payment made by a resident. An internal investigation was conducted but was unable to determine where the loss occurred. Controls have been tightened, according to the health region. But in fact no amounts were recovered with respect to this loss.

**Mr. Michelson:** — And it wasn't reported to the police?

**Mr. Florizone:** — No report to the police.

**Mr. Michelson:** — I would have thought maybe that would have been in order. Thank you.

**The Chair:** — Any further questions on this? Mr. Chisholm.

**Mr. Chisholm:** — I just have one comment on this chapter. When we see different regions . . . It's not as if there's that many of them. There's a dozen or so, right? Thirteen, 12 or 13?

**Mr. Florizone:** — Right: 12 regional health authorities, the Cancer Agency, and Athabasca Health Authority in the North.

**Mr. Chisholm:** — But it seems that there must be best practices within our own province that your ministry have recognized. Like example, you said the Prairie North people have got this system that they're going to put in for tracking. Now if that makes sense, it seems to me that there should be some encouragement from the ministry to make sure that they all have a serious look at whatever the best practices that are happening around the province. And then maybe we wouldn't have, specifically, this one's not doing this right. Like maybe they need to be doing things a little more together. Just a comment.

**Mr. Florizone:** — Coordination is extremely important to us. I think it would be fair to say that we've seen tremendous

improvements over the years, with regions working together towards common architecture or common approaches to resolve issues.

We have set out committees that work together. So for instance, our finance directors would meet on a regular basis to share these best practices, to discuss recommendations out of Provincial Auditor's reports, to come up with common approaches. So the level of working together has improved, but we can't lose sight of the fact that these are and remain 12 independent regional health authorities. What our hope is, is to have them, as you've indicated, work much more closely together.

**Mr. Chisholm:** — Thanks.

**The Chair:** — That concludes consideration of chapter 10B. I'm going to suggest we take a 10-minute recess and then carry on with chapter 10C.

[The committee recessed for a period of time.]

**The Chair:** — We are dealing now with chapter 10C of the *Report of the Provincial Auditor*, 2008 report volume 3. And again for the those who are following this proceedings and would like to see a copy of the report, I would refer them to [www.auditor.sk.ca](http://www.auditor.sk.ca). And with respect to chapter 10C, Saskatchewan Cancer Agency, if we can ask Mr. Ahmad then for his comments on this chapter.

**Mr. Ahmad:** — Thank you, Mr. Chairman. This is part C, and in this part we report the result of our audit of Saskatchewan Cancer Agency. We make seven new recommendations.

The first new recommendation requires the agency to provide its annual report to the Assembly on or before July 29, 2008, as required by the law. At October 31, 2008, the agency had not done so. The next six recommendations relate to improving the agency's processes to secure its IT data centre, data network, and clinical management system.

In 2008 we assessed whether the agency had adequate processes to secure its IT data centre, data network, and a clinical management system from March 1, 2008 to August 31, 2008. We used the criteria listed on page 186 to assess the agency's processes. The agency agreed with the criteria. We concluded that the agency did not have adequate processes to secure its IT data centre, data network, and clinical management system. We make six recommendations for the agency to help with those processes.

Our second recommendation for the agency appears on page 188. The recommendation requires the agency to monitor its IT service provider to ensure its system and data are protected. The agency used the IT unit of Ministry of Health. The unit is commonly known as HISC. The service provider did not provide all security services that the agency had expected. For example, the service provider did not monitor firewalls on the agency's behalf. The agency did not know if the system was protected or the service provider's network was secure to transmit data.

The third recommendation requires the agency to follow its



policies for assessing computer systems and data. The agency has documented processes for granting and removing user access to its system and data; however, the agency did not adequately follow those processes.

Our fourth recommendation requires the agency to protect its wireless computer system against unauthorized access. The agency's wireless encryption is old and vulnerable because its shortcomings are well known on the Internet. During our audit we successfully broke the agency's encryption. We immediately informed the agency that its wireless system is vulnerable to attacks.

The fifth recommendation asks the agency to protect the system and data by updating its computer against known security weaknesses. Updating the computer regularly prevents unauthorized users from exploiting known vulnerabilities. The agency did not adequately update all its computers used to protect its network and access patient data.

Our sixth recommendation require the agency to protect its IT system data by monitoring its system for security threats. The agency used some strong configuration settings on its computer; however, the agency did not monitor access attempts to its network and did not have a process to detect potential inappropriate activities on its key server or network.

Our seventh recommendation requires the agency to test its disaster recovery plan. The agency developed a disaster recovery plan and tested some of the disaster recovery procedures in June 2007. The agency was not able to recover its system in the time required. Although management told us that it has tested its disaster recovery procedure, we did not see evidence of such test or documentation or results. And that ends my overview on part C. Thank you.

**The Chair:** — Any general comments, Mr. Florizone?

**Mr. Florizone:** — Mr. Chairman, we agree with and concur with all of the recommendations. There has been progress made by the agency on all of them, and we'd be pleased to answer any questions specific to that. Thank you.

**The Chair:** — Then with respect to the first one, the annual report, where is that annual report at now?

**Mr. Florizone:** — So in fact the agency submitted its annual report to the Ministry of Health on November 10, 2008. The agency has indicated to us that they'll ensure the annual report is tabled on a timely basis in future years, and so that's their indication and certainly what we'll be holding them to.

**The Chair:** — Any questions on that? Mr. Nilson.

**Mr. Nilson:** — You said it was submitted on February 10?

**Mr. Florizone:** — I'm sorry. November 10, 2008.

**Mr. Nilson:** — November 10. Okay, so November 10.

**The Chair:** — Any questions on this? Mr. Michelson.

**Mr. Michelson:** — Is there any comments of why it would be

that far outdated?

**Mr. Florizone:** — Their indication to us was it was as a result of some staff changes and reorganization of duties. So it's an unfortunate situation that caused these delays, something they are intent on avoiding in future.

**Mr. Michelson:** — So you're saying they have better staff now.

**Mr. Florizone:** — They have clarity of role, clarity of timelines.

**Mr. Michelson:** — Good. Thanks.

**The Chair:** — Can we have a motion that concur with the recommendation, note their progress. Mr. Michelson.

**Mr. Michelson:** — So moved.

**The Chair:** — Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Okay. Then the question of information technology, data and system. And the first recommendation, or I guess recommendation 2 "... monitor its information technology service provider to ensure its systems and data are adequately protected." Any questions on this or any other . . .

**Mr. Nilson:** — I think I'd appreciate a report on each one of these as to where they are and then we can make a recommendation.

**The Chair:** — Okay, then no. 2.

**Mr. Florizone:** — Thank you. The agency is working with the service provider on addressing the need to provide the agency assurance, that is assurance information on the adequacy of the service provider's security controls. Starting in September 2008, the Cancer Agency started monitoring its firewalls directly, and the service provider is in the process of installing a new intrusion detection system. So those steps have been taken, according to the Cancer Agency.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — This is a bit of an interesting situation because the auditor audits the service provider and the agency. So will this show up in the audit of the service provider that they didn't have all of these kinds of protections next time you work through this audit?

**Mr. Ahmad:** — Mr. Chairman, in part A we did talk about HISC, and we talked about the recommendation we made in the past year. And we say HISC needs to address those, and we also said that next year we intend to look at those and provide updates.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — I propose that we concur and note progress on no. 2.

**The Chair:** — Mr. Bradshaw, do you have your hand up?

**Mr. Bradshaw:** — I have . . . no, it's okay. Basically it was kind of . . .

**The Chair:** — So the motion is then that we concur the recommendation and note progress on no. 2. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. Number 3.

**Mr. Florizone:** — The agency has reported to us that they've strengthened their own processes for granting and removing user access. So they have indicated that that has been strengthened, and I don't have any particular or further details on the exact steps taken at this time.

**Mr. Michelson:** — I would move that we concur and note progress.

**The Chair:** — Well if they can find a system for remembering all your passwords, then they should let us know, right? We have a motion to concur with the recommendation, note progress. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. No. 4, the wireless computer systems against unauthorized access.

**Mr. Florizone:** — Mr. Chair, the Cancer Agency has reported to us that on October 8, 2008, they replaced their wireless system with a more robust encryption system. The agency has also enforced account locking after a specified number of failed password attempts, and now monitors failed access attempts to the network. So if you put enough wrong passwords in, it actually will log that and detect it and report it.

**The Chair:** — Okay. Any further questions? Mr. Chisholm.

**Mr. Chisholm:** — Just a comment to the auditor's office, like if you can bust that one too, then we'll see that in your report next year.

**Mr. Ahmad:** — When we do our audit, Mr. Chairman, next year, we'll let you know.

**The Chair:** — So I'm not clear now. You won't be able to get it in the coffee shop any more or . . . So can we have a motion on this?

**Mr. Michelson:** — Concur with noting progress.

**The Chair:** — Okay. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. No. 5 that “. . . the Cancer Agency protect its computer systems and data by updating . . . its computers against known security weaknesses.”

Any comments on that?

**Mr. Florizone:** — Mr. Chairman, with respect to recommendation 5, 6, and 7, we received a response which provides a consistent response to each of those three recommendations. The agency has recently hired an additional IT person whose focus will be on addressing the IT security requirements, including the ongoing monitoring of compliance with patching standards. That IT person will also take a look at ongoing monitoring of systems and data for security threats and also adequate testing for disaster recovery plans. Sorry to lump those all together, but the same human resource is dealing with all three.

**The Chair:** — I appreciate that. Mr. Bradshaw.

**Mr. Bradshaw:** — Yes.

**The Chair:** — Do you want to move concurrence with all three . . .

**Mr. Michelson:** — I think all three and note progress.

**The Chair:** — And note progress. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. That concludes then consideration of Saskatchewan Cancer Agency. And it would have been pretty uneventful if they just hadn't gone down to the coffee shop and . . . Next then the Cypress Regional Health Authority, and the issue is IT security. Mr. Bashar.

[15:15]

**Mr. Ahmad:** — Thank you, Mr. Chair. In this part of the report, the result of an audit to assess whether Cypress Regional Health Authority had adequate control to secure — that is to protect confidentiality, integrity, and availability of its IT system and data for the period from March 15, 2008 to September 2008 — we used the criteria set out on page 200 to do our work. The criteria we used here is the same as we used for assessing security at the Cancer Agency. Cypress agreed with the criteria.

We concluded that Cypress did not have adequate processes to secure its IT system and data. We made seven recommendations for Cypress to help improve its processes. Inadequate processes to secure the IT system and data could result in loss, inappropriate modification or unauthorized disclosure of sensitive health information. Our recommendations are similar to the recommendation we made for the Cancer Agency, and I talked about those a little while earlier.

We encouraged other regional health authorities to use the criteria we described in this part to assess the adequacy of security of their own IT system and data. And that concludes my remarks on part D.

**The Chair:** — Mr. Florizone.

**Mr. Florizone:** — Mr. Chairman, the health region, the Cypress Health Region, and the ministry both concur with these recommendations. Since the audit is fairly recent — in fact

concluding, I believe, on September 15, 2008 — they have not completed a lot of the follow-up work. But I can tell you that they've reported to us that in addition to being in agreement with all of the recommendations — that's all seven of them — currently they are reviewing the detailed findings and determining what corrective action is necessary. They're developing timelines for implementation and also budget, trying to understand what the budget implications are to be able to fulfill all seven of these recommendations.

Once their assessment is complete, their plan will be to present it to their board of directors — that's the board of directors of the Cypress Regional Health Authority — for final review and approval.

**The Chair:** — Thank you. Any comments on this? Mr. Michelson.

**Mr. Michelson:** — Thank you. I'm not totally understanding this. There is an agreement between the Ministry of Health and Cypress. In that case, wouldn't it be up to the Ministry of Health for some of these agreements? Like wouldn't they be covered by the Ministry of Health, as opposed to having Cypress have to look at these as well and make sure that the firewalls and everything are part of it?

**Mr. Livingstone:** — So because of the partnership that HISC has with the regional health authorities and the way the systems operate, it's a double-ended solution. So even though we can monitor firewalls and access it on our side at HISC with the IT solutions that we host for Cypress, there are a number of things that they host and operate on a day-to-day basis within their own region and are responsible as a trustee under HIPA [*The Health Information Protection Act*] to providing access and ensuring that they implement their own security policies.

So what we have done provincially is work with all regional health authorities and the cancer agencies and provided them with templates for security procedures and policies. And these are the things that Cypress is in the process of reviewing with their board and making some recommendations on the adoption on how they as a region will operate those IT policies internally.

**Mr. Michelson:** — So it's not a duplication of service, of requirements?

**Mr. Livingstone:** — No, sir.

**Mr. Michelson:** — Okay.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — So with what's happened here with the initial audit that identified some weaknesses obviously in this whole system, but because we've only had the Cancer Agency and Cypress being fully reviewed on those issues, they're the ones that get identified. But there are similar problems right across all the regional health authorities which have now been or are on the way to being corrected? Is that correct?

**Mr. Livingstone:** — Yes, that is correct. We are working with all the regions to ensure. So part of that is related to the ministry

and HISC's adoption and approval of their own security policies which occurred earlier this year in April, which was from our auditor recommendations last year.

And since those recommendations and security policies have been approved, the auditor of course hasn't seen that because it was a recommendation at the time they weren't reviewed. So when they come back they'll get to see how we have made progress on their recommendations from last year, and then have taken those recommendations and helped apply them in a standard fashion to the regional health authorities.

**Mr. Nilson:** — Does the HISC operation provide the IT for all of the regional health authorities or just most of them?

**Mr. Livingstone:** — We provide some hosting solutions for the majority. As an example, Saskatoon and Regina, we don't provide a lot of hosting of their systems. They're big. They have big IT shops. But for the other smaller regional health authorities, we do host a number of their day-to-day operations and provide help desk services for them so that they don't operate their own help desks. So we try to bring some provincial standardization and economies of scale to the service.

We do not provide as wide of service to the Cancer Agency either, so they're somewhat on their own as well.

**The Chair:** — Any further questions?

**Mr. Bradshaw:** — This is actually for the auditor. How many of these different ones did you try from your coffee shop? Were you there all day?

**Mr. Ahmad:** — Mr. Chairman, we only did the two. That's the Cancer Agency and this one.

**Mr. Michelson:** — Mr. Chairman, with these . . . I realize that this is because of the audit for the Cypress Regional Health Authority, but these recommendations are really for all, could be duplicated for all health authorities, could they not? Because again it's like Michael said, that it's all kind of a best practice that we should be reviewing.

**Mr. Florizone:** — Once again this is a tremendous example of where we can use one audit or a series of audits to make improvements system wide. We do have, as I've mentioned, standing committees of senior folks who get together from across the province or a CIO [chief information officer] forum, for instance, or those that interface with HISC. We'll have an opportunity to take a look through and we will be addressing these issues on a more systemic basis. My assumption is that this now becomes the standard for the province and also the basis for future audits that regional health authorities will be exposed to.

**Mr. Michelson:** — Good. Good work.

**The Chair:** — What's the committee's wish? Concur with the recommendations?

**Mr. Chisholm:** — September 15 was just a little while ago. I would like to suggest we concur with all seven of the

recommendations.

**The Chair:** — Okay. That's great. Moved by Mr. Chisholm. Thank you.

The next chapter then is chapter 10E, immunization coverage. And we'll go to Mr. Ahmad.

**Mr. Ahmad:** — Thank you, Mr. Chair. Part E describes the result of our follow-up work to assess the progress of Prince Albert Parkland Regional Health Authority toward implementing the recommendations we made in our 2006 report volume 3. In that report we made three recommendations for Prince Albert Parkland to help improve its processes to achieve recommended immunization rates for two-year-old children. We also made one recommendation for the Ministry of Health to adjust immunization performance measures. On June 25, 2007, your committee agreed with our recommendations.

Prince Albert Parkland has made progress, but it needs to do more. To maximize access to immunization, Prince Albert Parkland needs to continue to work with First Nation and federal health agencies. Although it now regularly meets with representatives of other agencies and shares strategies to encourage parents to have their children immunized, it also needs to discuss with its partners the causes of low immunization rates and identify factors that cause the lower immunization coverage.

To improve reporting to the board, management should analyze all factors causing the low immunization rate and inform the board regularly what influences the low immunization rate in the region. Management continues to work to better analyzing the causes of low immunization rates.

For setting target rates for immunization coverage for children, Prince Albert Parkland approved the strategic plan for 2008 to 2012. However, it has not yet expanded those strategies into a formal plan to see immunization rates that are sufficiently high to protect the community. A formal plan would help Prince Albert Parkland to assess what resources it requires to improve its immunization coverage. The Ministry of Health has made recommendations to define and label the measures for immunization rates in a way that reflects how it is calculated. And that concludes my overview.

**The Chair:** — Mr. Florizone.

**Mr. Florizone:** — Mr. Chairman, we certainly concur and support all of the recommendations that have been put forward. Once again, I want to say that there's a considerable amount of work outlined here that has a tremendous impact for regions across this province.

On a regular basis, our medical health officers from the regional health authorities, as well as the public health nurse managers, meet. They meet four to six times per year and a standing item on their agenda is immunization rates. Those rates are something that are very, very close to the public health priority list, close to the top because of the fact that they need to do whatever they can to influence an improvement to those rates. And certainly the recommendations that have been put forward are consistent with where the ministry wants to head as well.

**The Chair:** — Wasn't one of the recent tranches of additional support from the federal government for the provinces predicated on improving immunization?

**Mr. Florizone:** — Mr. Chairman, the federal government certainly has provided support with respect to immunization. What there is a tendency for is for the funding to come through on a time-limited basis. So it's an initiation level of funding, usually lasting about three years. Examples, the most recent example would be HPV [human papillomavirus], where that has been newly initiated here in the province. Other examples implemented in the past would be a vaccine for meningitis, a vaccine for chicken pox, and a vaccine for pneumonia. Those would be '04-05, '05, respectively.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — In here they talk about the immunization targets for the regional health authorities. Is there a province-wide immunization target? And how does that . . . I mean does each regional health authority then aspire to that target? And then how does that target compare with the Public Health Agency of Canada targets for the country?

**Mr. Florizone:** — Mr. Chairman, at this time the targets are very much region-specific. Regions have kind of undertaken a review of their own population and a need to . . . And what we're trying to encourage is a need to continually improve upon historic practice. That certainly is consistent with what is being recommended here.

What is also, I think, a theme of this work is the need to think provincially, as you've indicated, and to start setting those targets that would be goals for the entire province.

The reason it remains regional is because of the differences amongst regions and the uptake of certain immunizations and some of the challenges in getting to a particular population in their geographic area. So for instance, northern Saskatchewan would pose certain challenges given geographic dispersion of the population, whereas in southern regions, depending on where we're at, either urban Regina or Saskatoon, or rural in central and southern areas, would have different challenges in meeting that population.

I do have a listing of all of the immunizations that we provide. The way we track and monitor is, we take a look at childhood immunization coverage rates for two-year-olds. We take a look at childhood immunization coverage rates for seven-year-olds, and then we look at the influenza immunization rates for the population 65 and older. So we do track all of those metrics. And when I mentioned that these groups come together to have discussion around what targets they're hitting, or what rate rather, they're meeting, they have all of that information as kind of a dashboard of their work.

[15:30]

**Mr. Nilson:** — On page 215 it indicates that the Saskatchewan immunization system, immunization management system, only applies to people who aren't on First Nations. Is there any discussion about trying to get coordination so that you actually have the information about all of the children or all of the

people in the province?

**Mr. Florizone:** — There certainly is. One of the challenges we have with the interjurisdictional approach is privacy issues and the need to sort those jurisdictional issues out with respect to privacy. So there is an interest in moving down this path. Right now our system does have the functionality to take that on, but it's a matter of working through the policy issue specific to privacy.

**Mr. Nilson:** — Can individual parents, for example, access this system and identify whether their children have all of their immunizations?

**Mr. Florizone:** — Just to clarify, Mr. Chairman, is that for the general population?

**Mr. Nilson:** — Yes.

**Mr. Florizone:** — Yes. What parents would have to do is speak with their public health nurse, and they certainly could receive all of that information. Right now that information can be made available, but it's on a request basis. So it wouldn't be available electronically to individual patients, or rather families or parents.

**Mr. Nilson:** — You're aware that in some jurisdictions in North America it's web-based, easy access for parents — kind of like looking at your bank account. Is there a goal of moving towards that for Saskatchewan people?

**Mr. Florizone:** — Well there is in fact. With the electronic health record, it's viewed very much as a future step. When we speak to the patient-first approach that has been the priority of this government, part of that, imbedded in that, is not only shared decision making but information access to their information. So the idea would be web-based access to information in a secure setting, to be able to gain that access 24-7 rather than have to seek it out from individuals or providers or through manual systems. So that certainly is the optimal and something we envision within the electronic health record.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — Can I ask: "These rates reflect only those children registered in Saskatchewan's centralized, internet-based Immunization Management System." What does that mean? Are there children that are not registered?

**Mr. Florizone:** — There are, and that would be the First Nations children. So what we would do there is certainly send out the vaccines. Those vaccines would be made available, but we don't have the integrated information system within and with respect to that centralized service.

**Mr. Michelson:** — Would that be a step that you're trying to achieve?

**Mr. Florizone:** — Absolutely. And as I've said, this is one where we need to work with the federal government and address the privacy issues that do exist. We have signed an agreement with the Northern Inter-Tribal Health Authority for

information sharing, so that's one important step to be able to move down this path. We'll continue to work with the authority and the federal government in terms of information sharing.

**Mr. Michelson:** — I noticed on page 214 as well, that the immunization rates among Parkland employees, "... improving immunization rates among Prince Albert Parkland's employees." Are some of the employees not immunized?

**Mr. Florizone:** — Again with respect to the immunization of the employees, it probably was dealing with influenza and the flu shot. So most certainly we don't have a 100 per cent uptake of employees. We have worked, made great strides over the last few years in getting that uptake to increase. There have been regions, and I know SAHO, and through negotiations some talk of making it a mandatory requirement or compensating only employees who have their flu shot if there's an outbreak within a facility — in other words, if they're restricted from working in that event. But these are all kind of policy discussions and negotiation discussions that have taken place.

Our immunization rates do need to be improved for staff within the health system. Ultimately if we think about the exposure for long-term care residents, as an example, it would really be staff and visitors that would provide the bulk of exposure. So if we can in some way ... We can hopefully encourage staff. With visitors there's quite a bit less control, but certainly some steps that can be taken.

**Mr. Michelson:** — So that's really not restricted just to the Prince Albert Parkland employees. That's kind of a general ...

**Mr. Florizone:** — That's correct.

**Mr. Michelson:** — Okay.

**Mr. Florizone:** — And again the benefit of these types of audits is it gives us a glimpse into a much bigger problem, and if I put it positively, a much bigger opportunity.

**Mr. Michelson:** — Thank you.

**The Chair:** — Any further questions with respect to the chapter on immunization coverage? If not, then let's proceed to chapter 10F, reducing workplace injuries. Mr. Ahmad.

**Mr. Ahmad:** — Thank you, Mr. Chair. Part F describes the result of our third follow-up of progress Regina Qu'Appelle and Saskatoon Health Authority have made in addressing the recommendation we made in our 2003 report volume 1, to reduce work-related injuries. In June 2004 your committee agreed with that recommendation.

We found that while Saskatoon has addressed most of our recommendations, Regina Qu'Appelle has some important work to do to prevent injuries to health care workers. In Regina Qu'Appelle, senior managers are not held accountable to reducing injuries at the workplace.

Through their commitment and direction, boards set the tone for safety in the workplace. Boards of these two large health authorities are not getting from senior management sufficient information about workplace injuries. Neither do the

occupational health committees provide written recommendations to senior management and the board.

In this part we make one new recommendation. We recommend the Ministry of Health set long-term provincial rates and severity of health sector workplace injuries.

Three government agencies have important roles regarding workplace injuries in health sector. The ministry responsible for Labour sets and enforces occupational safety regulation. In 2004 the ministry set a target to reduce injuries by 20 per cent in all workplaces by 2008.

The Workers' Compensation Board pays injured workers while they are unable to work. It set a target to reduce workplace injuries to 3.5 per cent by 2010.

The Ministry of Health has an oversight role in reducing injuries to workers in the health sector. The Ministry of Health decides what resources regional health authorities need to reduce injuries to workers. It should also set out what targets it wants agencies to meet for the resources they receive. And that concludes my remarks on chapters.

**The Chair:** — Mr. Florizone, any comments?

**Mr. Florizone:** — Well I do want to say that there has been considerable investment by the Ministry of Health with respect to occupational health and safety, specifically in the areas of lifts and lifting equipments, but also in the area of awareness and training that has gone on. We concur with the recommendation and the need to set targets, and in fact the Ministry of Health and health regions have worked collaboratively to examine this area.

The council of CEOs has put together some targets, so these would be targets that they have self-identified, and we're in the process of taking a look at those targets and seeing how we can support the system in achieving success. Again I don't want to understate the importance of working on this specific area and making sure that we achieve success here.

The premiums that are being paid right now through WCB [Workers' Compensation Board] are the basis for their targets, and the reason for that is it's measurable. So they've indicated as CEOs a commitment to a 5 per cent reduction from premiums paid to WCB baseline 2007, an additional 10 per cent reduction from baseline in 2008, a 15 per cent reduction from baseline in 2009, and a 20 per cent reduction from baseline in 2010. Those are additive percentages. The objective there is a 5, 10, 15, then 20, totalling a 50 per cent reduction by 2010.

Now in terms of achieving: it's nice to have a stretch goal like this, but in terms of achieving it's the belief of the ministry that it's going to take a concerted effort by all players to be able to aggressively meet these targets. So the intent here is to work with the regional health authorities, the Cancer Agency, and the affiliated organizations in achieving these ends.

**The Chair:** — Questions. Mr. Michelson.

**Mr. Michelson:** — Mr. Florizone, what needs to be done for the Regina Regional Health Authority to improve? When you

look at the two health authorities, they're way behind where Saskatoon has progressed as far as addressing these issues, and I'm wondering if there is a reason why. Is it an attitude, is it a staffing, is it a management issue? Because it's substantial, when you read through this chapter, how much Saskatoon has improved and Regina has really not moved.

**Mr. Florizone:** — It certainly is significant from our perspective as well. We've seen considerable turnover in some of the senior leadership within Regina Qu'Appelle within HR [human resources] and that area that's responsible for occupational health and safety. At times when we break this down, it's not only about leadership and leadership support, but it's also about cultivating a workplace culture that puts safety first.

We've certainly seen industries and organizations within industries that have had zero lost-time injuries. When you take a look at a sector such as ours that is dedicated to health and safety, this should be front and centre and paramount. Now rather than figuring out what Regina Qu'Appelle is not doing, what we'd like to focus in on is what Saskatoon and other jurisdictions that are seeing a marked improvement are doing, and see if we can emulate that within other jurisdictions.

We set the urgency. We set the stretch target, which is shared by Regina Qu'Appelle, and then we set up the means by which they can achieve success in these areas. Our targets should include not only numbers and dollars but should speak to individual stories of staff members who have been harmed because of the lack of safety within these workplaces.

And again I don't want to overstate it, but when we take a look at the safety record of the health system in this province, when we start comparing it to other sectors and other industries, we have all the urgency we need to act. When we take a look at our human resource challenges and the lack of staff going into the future, the need to continually be diligent at recruitment and retaining, we need to look inwards as well at the fact that we have many staff that are off for a variety of reasons because of strains and injuries caused within their workplace.

So what I want to say is that we're going to start to see some champions and areas that excel in front of others. Our job will be to share those learnings right across the province and ensure that we keep the entire system improving in stepwise fashion.

**Mr. Michelson:** — Thank you. That's all the questions I have.

**The Chair:** — Any further questions or comments on this chapter? We have a recommendation about setting long-term provincial targets to reduce the rate and severity of health sector workplace injuries. What is the committee's wish?

**Mr. Bradshaw:** — Concur and note progress.

**The Chair:** — Moved that we concur with the recommendation and note progress. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. You know, I think this concludes consideration of the various chapters related to the Department

of Health. And I want to thank you very much, Mr. Florizone, for being with us today and answering our questions and assisting the committee in its consideration of the auditor's report. Thank you very much.

**Mr. Florizone:** — Thank you, and thank you to the committee and to the Provincial Auditor's office for working with us. It certainly has been tremendous, and we all have that one overarching goal, which is to improve this sector, this ministry, and care that we provide directly. So thank you.

**The Chair:** — Thank you very much. And I could use a motion to adjourn.

**Mr. Bradshaw:** — I so move.

**The Chair:** — Moved by Mr. Bradshaw. Is that agreed? That's agreed.

[The committee adjourned at 15:45.]