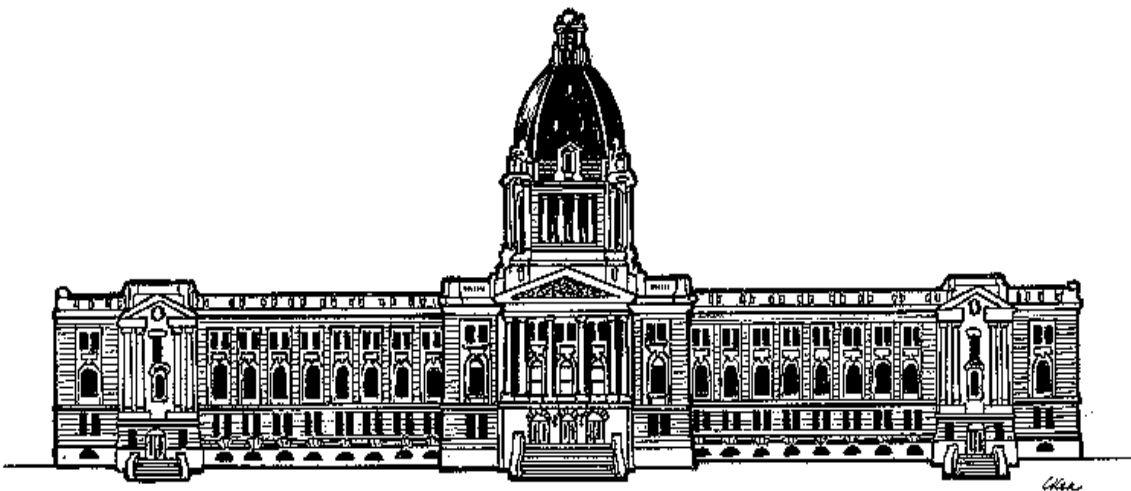




STANDING COMMITTEE ON PUBLIC ACCOUNTS

Hansard Verbatim Report

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2004**

Mr. Elwin Hermanson, Chair
Rosetown-Elrose

Mr. Lon Borgerson, Deputy Chair
Saskatchewan Rivers

Mr. Glenn Hagel
Moose Jaw North

Mr. Glen Hart
Last Mountain-Touchwood

Mr. Ken Krawetz
Canora-Pelly

Mr. Kim Trew
Regina Coronation Park

Mr. Kevin Yates
Regina Dewdney

The committee met at 10:30.

**Public Hearing: Saskatchewan Transportation Company
and Saskatchewan Property Management Corporation**

The Chair: — Good morning, everyone. I call the Public Accounts Committee meeting to order.

We have this morning two items on the agenda. We have to deal with the recommendations that were considered a week ago regarding chapter 12, 2003 Report Volume 3 on infrastructure. And those recommendations were with regard to Saskatchewan Transportation Company and the Saskatchewan Property Management Corporation.

Following consideration of those four recommendations, we will move on to chapter 14 of the 2002 Fall Report Volume 2, and that is in regard to the Environment.

Now we have officials from both SPMC (Saskatchewan Property Management Corporation) and STC (Saskatchewan Transportation Company) present with us. So, members, if there are any questions out of the consideration for the motion on the recommendations, they are here to answer those questions. I'm assuming that we won't deliberate too long on the recommendations because we had opportunity to consider the content at the last meeting.

I should also inform everyone we have one non-voting member with us. Yogi Huyghebaert, the Environment critic for the Saskatchewan Party caucus is sitting in on this committee as well. We have our usual officials from the Provincial Comptroller's office here, and we have our officials from the Provincial Auditor's office with us. We welcome all of you as well.

And I would ask for motions regarding the four recommendations on chapter 12 of the 2003 Report. Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I would move on recommendation 1 that we concur and note compliance.

The Chair: — All right. We have the . . . If you're looking, it's on page 268 of the volume, chapter 12, recommendation no. 1. We have a motion. Is there any discussion on the motion? Question. All in favour? Any opposed?

That's carried unanimously. Mr. Yates.

Mr. Yates: — On recommendation no. 2, I would concur and note progress.

The Chair: — That's on recommendation no. 2 regarding SPMC. You've heard the motion. Is there any discussion? Question. All in favour?

Again, agreed to unanimously. Mr. Yates.

Mr. Yates: — Recommendation no. 3, I would concur and note progress.

The Chair: — Recommendation no. 3, to concur and note

progress. Is there any discussion? Question. All in favour? None opposed. And Mr. Yates.

Mr. Yates: — All right. On recommendation no. 4, I would concur and note compliance.

The Chair: — Okay. The motion is to concur and note compliance. Is there any discussion on recommendation no. 4? We're on page 273. Question. All in favour? None opposed. That too is carried.

Thank you, members of the committee. And unless the witnesses want to be spectators, we've concluded chapter 12 of the 2003 Report. We do thank you for taking time to come out this morning just in case you were needed.

We will now move on to the second item on our agenda, chapter 14 of the 2002 Fall Report, on Environment. And we will just take a moment to see if the officials are here. We may have to recess for just a few minutes while we are waiting for the other officials. You're too expeditious this morning.

Members of the committee, there is a Canadian Council of Public Accounts Committees Annual Conference in Fredericton, New Brunswick on August 29 through the 31 of 2004.

We have a bit more information regarding this conference. It has been the tradition of the Public Accounts Committee to send delegates, two from each side of the House. We don't have to make that decision — in fact we likely won't make that decision today — but you should be aware of the information, and as more information is forthcoming we will forward it to the committee. The committee needs to decide before the House rises for the summer as to who the delegates are that will be attending this conference, if we determine to send members.

I understand from the Clerk that there has been a budgeted amount of money set aside from our committee to participate in this convention because it has been the tradition of the Saskatchewan Public Accounts Committee to participate in these conferences. And I expect maybe one or two of you sitting around the table . . . I think, Mr. Krawetz, you've attended in the past, have you not?

Mr. Krawetz: — I believe I've attended every one in those four years.

The Chair: — All right. So you are familiar. I'm not sure if any of the other members of the committee have ever attended the public accounts conference. So you may be, you know, amongst caucuses trying to determine . . . I understand from the Clerk traditionally the Chair and Vice-Chair attend these conferences and each caucus selects a second person to accompany those two positions. So the caucuses may be wanting to think about that in the next week or two and we might want to make a decision on that fairly soon.

We will recess until our witnesses appear.

The committee recessed for a period of time.

Public Hearing: Department of Environment

The Chair: — Committee, we'll reconvene. Thank you for your patience. We have with us Lily Stonehouse, deputy minister of Environment, and some officials as well as the Provincial Auditor, Mr. Wendel.

First I'll ask Mr. Wendel to introduce his colleagues and then I'll ask Ms. Stonehouse to introduce her colleagues and then we'll have a report from the Provincial Auditor's office, a response, Ms. Stonehouse, from your department, and then questions from the members. Mr. Wendel.

Mr. Wendel: — Thank you, Mr. Chair. I have several people with me today. I have Mobashar Ahmad, who leads our work at the Department of Environment next to me. Over behind you, Rodd Jersak, who attends all of our committees — on the left side, on my left. And Tara Clemett, who is involved with the Environment resource audit; and Debbie Ooms from Meyers Norris Penny, who is also involved in the Environment resource audit.

The Chair: — Ms. Stonehouse.

Ms. Stonehouse: — With me I have Alan Parkinson, our associate deputy minister; and Lynn Tulloch, our executive director of corporate services. And behind us, from my right to left, Dave Phillips, assistant deputy minister; Donna Johnson, director of finance and administration; Michele Arscott, our manager of accounting, finance, and administration; and Bob Ruggles, assistant deputy minister. And in the next row, Stuart Kramer, president of the Saskatchewan Watershed Authority. Behind him, Terry Hymers, director of financial services; Wayne Dybvig, vice-president, operations division; and Bob Carles, vice-president, stewardship division.

The Chair: — Okay. Thank you very much. Mr. Wendel, your office will respond to your report, chapter 14.

Mr. Wendel: — Mr. Chair, I'll have Mr. Ahmad provide brief remarks on the chapter.

Mr. Ahmad: — Thank you, Fred. Good morning, Chair, and members of the committee.

The chapter on Environment starts on page 213 of our 2003 Report Volume 3. The chapter includes our conclusion of findings for the department and its special purposes fund and Crown agencies for the year ending March 31, 2003.

On pages 216 to 221 we report five matters. Four of these matters were also reported on our previous reports. These matters relate to the department's internal reporting, the department's control over capital assets, the department's contingency plan for its information technology system, and the department's annual report.

Your committee considered these matters and concurred with our recommendation. The matter relating to strengthening internal audit function is new. To improve the internal audit function, the department needs to do two things. First, the department should ask its internal auditor to prepare an annual audit plan based on the complete risk assessment of the

department's programs and activities. And second, management should receive the internal auditor's report as planned and discuss those reports with the internal auditor promptly.

Beginning on page 221, we reported the progress that the department has made in addressing the recommendation we made for improving the department's processes for managing forest fires.

We noted the department has established written guidelines for reporting forest fires to investigators. The department has also established guidelines for investigators to follow in their investigation. Also the department has prepared written direction for staff to help them assess when and how much of the cost to fight fires should be recovered.

However the department needs to continue to improve its processes to prepare a report on its prevention program, to complete a record of the value at risk in the forest, and to ensure it has a suitable infrastructure for fire detection and suppression.

On pages 225 and 226 we describe our plan to assess the adequacy of the department's processes to regulate air emission in accordance with the laws. The department is responsible to protect air quality in Saskatchewan by regulating air emissions that originate in the province. We also report the criteria we will use to assess the department's processes. The department agreed that the criteria are reasonable and attainable. Mr. Chair, our next report will include our findings and conclusions relating to this audit.

I will now return to the department's special purpose fund. First, the Forest Fire Contingency Fund. Earlier in the chapter we said the fund's financial statements for the year ending March 2003 are not reliable. It is so because of a difference of opinion between our office and the department on the proper accounting treatment of revenue in the fund's financial statement. We reported this matter in our earlier reports.

In May 2003 your committee considered this matter and deferred the decision because the issue was under study by the Canadian Institute of Chartered Accountants. The institute continues to work on this project. We suggest the committee defer this matter until the completion of that project.

Now I will briefly talk about the department's two Crown agencies, that is the Operator Certification Board and Saskatchewan Watershed Authority.

First, the Operator Certification Board. To complete our audit we worked with Mintz and Wallace, the appointed auditor of the board. We concluded the board's financial statement for the year ended March 31, 2003 may not be reliable. The board did not have adequate processes to ensure it received all application fees. As a result we could not determine if the board had recorded all revenue in its financial statement. We reported this matter in our previous report and recommended that the board should establish processes to ensure it receives all application fees.

Your committee considered this matter and concurred with our recommendation. The board told us that it plans to contact another agency to receive and record all cash receipts.

Also the board did not approve a financial plan for the year. Without a complete financial plan, the board doesn't know if the resources it used during the year are appropriate to achieve its goals and objectives. We recommend that the board should prepare and approve a financial plan for its operations. The board told us it has done so for 2003-04.

Lastly I will talk about the Saskatchewan Watershed Authority. To complete our audit of the authority we worked with Meyers Norris Penny, the authority's appointed auditors.

On page 231 we reported that the authority should set appropriate policies for information technology system and data. In our past report we recommended that Sask Water set better security policy for its IT (information technology) systems.

In December 2001 the Standing Committee on Crown Corporations considered this matter and concurred with our recommendation. In October 2002, Sask Water transferred the corporate services part of its operation to the authority. Therefore the previous recommendation now applies to the authority. Management told us the authority has begun work to address the recommendation.

We also reported the authority should improve its annual report. The authority should use the Department of Finance's reporting guidelines to prepare the end report. Management told us the authority is committed to reporting in accordance with the guidelines set by the Department of Finance. That, Mr. Chairman, concludes my overview. Thank you.

The Chair: — Thank you very much for that report on primarily chapter 9, which I have failed to bring to your attention in my opening comments. Now we'll have Ms. Stonehouse and her colleagues respond to the auditor's report, please.

Ms. Stonehouse: — Thank you, Mr. Chair. We welcome the opportunity to meet with you. Saskatchewan Environment continues to work with the Provincial Auditor to resolve the outstanding issues reported. We've appreciated the assistance of the Provincial Auditor's office in identifying and working with us to make improvements.

The department has made changes in its performance plan and organization structure for 2004-05. We will be focusing our attention as much as possible on high-risk impacts on the environment and natural resources. We will prioritize our activities based on assessment of risk. And our organizational structure will be aligned to assist us in delivering on our strategy in a more cost-effective manner, for example by consolidating similar functions.

This is occurring throughout the department and includes the administrative areas that are being addressed by the Provincial Auditor's reports. The reorganization we are undergoing is driven by the need to strengthen accountability throughout the organization, to better integrate program development and delivery, and to meet budget targets.

As indicated in the Provincial Auditor's 2003 Report, there are a number of issues that need to be addressed. With respect to

internal reporting issues, we are committed to making advances in resolving these issues. The department has implemented a quarterly performance report that updates on key activities relevant to our goals and objectives throughout the '03-04 fiscal year and we are continuing this process this year.

We continue to strengthen our controls over capital assets, providing the most thorough ever disclosure of our capital assets this year. Our annual report disclosure, with respect to our special purpose funds, has met and exceeded Finance's guidelines. This Provincial Auditor's report also documents the continued progress that the department has made towards improving its management of forest fires.

There are a few newly highlighted issues in this report. We believe we have resolved all issues reported on with respect to the Operator Certification Board. We also believe we have resolved all issues reported here with respect to the Saskatchewan Watershed Authority. Thanks for this opportunity; I look forward to your questions.

The Chair: — All right, thank you very much. Now just for my colleagues' information, recommendation no. 4 in chapter 14 has not been dealt with, subject to the other audited report coming forward. So we have that recommendation that we'll have to deal with as well as the four recommendations in chapter 9 that was reviewed by the Provincial Auditor. I just want you to have that information available before you begin to ask questions.

We will now open the meeting to questions by the members. Mr. Yates.

Mr. Yates: — I would move on recommendation no. 4 from chapter 14:

That this issue be concluded as the department no longer uses the Forest Fire Contingency Fund.

The Chair: — All right. We have a motion from Mr. Yates. Are there any questions?

Mr. Yates: — I would like to speak to it.

The Chair: — All right.

Mr. Yates: — Mr. Chair, the issue that's before us is simply an issue whether or not that fund, when it was used, was accounted for in a manner which is being reviewed by a national board that reviews accounting standards. And when those accounting standards, if they do change, come forward, of course they will be implemented.

But to continue to bring forward an issue where nobody is disagreeing that the money was misspent or anything and that a fund is no longer used means we just continue to go back and deal with an issue that really has become irrelevant because the fund is no longer used. So hence my motion to consider this issue concluded and deal with the forest fire expenditures as they are spent in the future.

The Chair: — Mr. Krawetz.

Mr. Krawetz: — Before we would look at a recommendation like that, I recall a piece of legislation that was actually passed in the House that made the Forest Fire Contingency Fund something that would be used. I understand that in its first year of use, that that fund did not have the legislative authority to actually set aside the money. And then there was a piece of legislation that created the fund, I believe two years ago.

Could I ask the deputy minister as to the status of that piece of legislation, and as to whether or not that legislation contradicts the recommendation or the motion that is before us.

Ms. Stonehouse: — It's an enabling piece of legislation that allows for a Forest Fire Contingency Fund. It would be our intent to come forward in the next legislative session to eliminate the fund. We did not make use of it last year or this year.

Mr. Krawetz: — Subsequent to that, Ms. Stonehouse, I see almost every year when we are presented with the budget in the springtime, we have supplementary estimates that ask for the approval of spending that has gone on before. And my understanding from listening to the ministers of the day a number of years back, that the Forest Fire Contingency Fund was necessary to ensure that an amount of money — I believe it was \$50 million to begin with and then it was changed to \$40 million — could be set aside in the fund and accessed if in fact the summer of forest fire fighting costs is large and unanticipated.

And I see again in our set of supplementary estimates that we have not voted on yet that we're going to be asked to approve an additional 60-plus million dollars for last year's forest fire fighting costs. So I'm wondering what are you putting into, you know, into place that will replace the fund that will still give some stability? Because each year, we're being asked to go back and approve huge amount of money.

I note that in the report of the Provincial Auditor . . . And a good example of that is the original estimate for forest fire management on page no. 215 is \$37 million and actual was \$81 million. So we see this, you know, we see this type of expenditure year after year. And unless we're going to stop fighting forest fires, I suspect that we're going to continue to incur costs on any given year. Some summers will be larger; some will be not.

What would the department be recommending as a replacement for the fund?

Ms. Stonehouse: — Of course estimating what it costs to fight forest fires is neither a science nor an art because it's dependent very much on the weather and on circumstances in the forest. What we have tried in the past — and the Forest Fire Contingency Fund was one of our efforts to deal with this erratic kind of pattern of expenditure that's a result of the severity of the forest fire season in any particular year — the effort with the Forest Fire Contingency Fund was to find some way to smooth that. But then we had a dramatic year in 2002 and basically used up the Forest Fire Contingency Fund and still needed a special warrant.

Last year I advised the Public Accounts Committee that we

were evaluating the use of this fund and whether it remained appropriate. We have chosen in 2004-05 to fund the forest program at a level that is consistent with the last five years average expenditure. Our expectation is that that means for an average year, or a year with a less severe forest fire season, that we should be able to come through the year without need of a special warrant. In a year which is more severe than the average, we will still need to come back to government for approval for additional expenditures.

I just might add that in the past budget of fires, because of the existence of the contingency fund and then the review of whether that was an appropriate approach, the budget within the department has historically been what I'll call the preparedness costs or the fixed costs related to firefighting. And the expenditures related to escaped fires, large fires, were taken either from the contingency fund or last year we needed a special warrant for them. This year, those costs will be part of the department's budget.

Mr. Krawetz: — I understand the reasoning that you're looking at. And I guess if the estimates that are before the Legislative Assembly for Environment more accurately reflect what is the anticipated cost, I can see that that might be, you know, an acceptable plan. However we've seen, you know, over the last couple of years, that the budget process did not necessarily reflect the average.

I mean, I don't believe that we've seen a \$30 million expenditure in forest fire management for a number of years already and, you know, we're into that nearly 100 million. So if the estimates more accurately reflect what we anticipate to be the cost, that may be a solution.

However if I remember the minister's words of a number of years ago, for the very words that you've explained today as to why the contingency fund is no longer going to be needed, those were the words that were used to explain why we needed a fund — to ensure that there was stability and that there was . . . you know, the monies would be provided for, you know, fighting forest fires.

Now we're moving back to a position whereby the fund will not be in place and there won't be an assurance that . . . unless we vote the following year for additional monies to be appropriated, that there's no guarantee that the amount of monies necessary to fund the cost of forest fighting in fact is going to be provided. So I was wondering, was this on the direction of cabinet or the minister that we would move away from a Forest Fire Contingency Fund?

Ms. Stonehouse: — It's our view as a department that we have a more transparent process if the funding is all in the department's budget. You'll recall in 2002, when we had a very severe forest fire season, the department's public accounts showed an expenditure of I think 88 million — I might have the number wrong — 81 million. But the actual expenditure was well over 100 million and that's because of the Forest Fire Contingency Fund's use.

So what we're trying to do now is to get it all in one place so it is clear what the forest fire management program costs and to kind of use a rolling average, which is what we've started this

year in terms of a five-year cost average to get a closer estimate to actual expenditures.

The Chair: — Thank you. Just for clarification then on behalf . . . for all members. The Forest Fire Contingency Fund is not a line item on the '04-05 budget. Is that correct then?

Ms. Stonehouse: — Correct, and it was not last year.

The Chair: — So the final year for the Forest Fire Contingency Fund was '03-04?

Ms. Stonehouse: — '02-03.

The Chair: — '02-03. So there was none in the previous fiscal year as well.

Ms. Stonehouse: — We did not use it last year.

The Chair: — All right. And it's for that reason then, Mr. Yates, that you're putting forward your motion.

Is there any other discussion? Mr. Hart.

Mr. Hart: — I guess my question would be is, if you're changing your process of allocating funds to fight forest fires . . . I mean in the past the department had this fund that it could draw on when it was needed and now you're incorporating that in a line item in your budget. And you're into what? — this would be your second year of doing that? — and you find that two or three years down the road that may not be the best way. You know, I mean it's the kind of a thing where if you need additional funds you go back to the Legislative Assembly for supplementary estimates and those sorts of things. And you find that perhaps two or three years down the road you may need to re-establish a fund.

Is there any thought about . . . are we in sort of a trial period as far as financing the fighting of forest fires under this method versus what we have done in the past?

Ms. Stonehouse: — Last year we took time to review the approach and so I would say this is the first year in taking this approach. And yes, we are evaluating it as we go and will evaluate it at year-end. For that reason we didn't bring legislation, didn't sort of repeal the legislation this year.

It's the start of the fire season but I am reasonably confident that this is a better approach in terms of accountability for the program.

Mr. Hart: — But you can't rule out that perhaps three years down the road it may be a better method to handle the finances by re-establishing the contingency fund.

Ms. Stonehouse: — Well I guess that's a decision that Treasury Board would look at but from my perspective this is a more transparent and more accountable approach. So I'm quite confident that sort of reverting isn't likely to be the case.

Mr. Hart: — Okay. The reason I ask my question because it has to do with Mr. Yates's motion on recommendation no. 4 of the 2002 report. Mr. Yates makes the argument that the fund is

no longer in existence and probably never will be and therefore we should dispense with that auditor's recommendation.

I just want to get clarification that, you know, perhaps that we weren't in a trial period for a few years and then saying, well it doesn't look like this new system is working very well; we have to do go back to the old system — and that sort of thing. So thank you for that information.

The Chair: — Mr. Krawetz.

Mr. Krawetz: — I'll defer to Mr. Huyghebaert.

The Chair: — Mr. Huyghebaert.

Mr. Huyghebaert: — Thank you, Mr. Chair. Just a question. Was the contingency fund — Forest Fire Contingency Fund — was it an actual dollar fund or was it a line of credit like the Fiscal Stabilization Fund?

Ms. Tulloch: — The funds were made available in the first year; \$40 million was transferred to the contingency fund and the department had the ability to draw on that over the two years that we did to utilize those funds.

Mr. Huyghebaert: — And that fund was depleted after the first year, was it not?

Ms. Tulloch: — No, it wasn't. In the first year, we only accessed \$6 million, and then the balance — the \$34 million — was accessed in '02-03.

Mr. Huyghebaert: — Okay. The reason I ask, Mr. Chair, because we heard that the fund was not used. And I would suggest that the fund has been used probably to the reason that it was designed for, if in fact there's a 6 million draw one year and a 34 million draw the next.

Ms. Stonehouse: — Mr. Chair, I'd certainly agree with the member that what we established the fund for, it was used for in the first two years. Last year we did not use it and this year we are not using it.

The Chair: — Thank you. And the problem as I understand it is whether or not that fund is considered a liability to the General Revenue Fund when it's not used. Is that where the problem lies? Was that the concern of the Provincial Auditor?

Mr. Wendel: — Our concern, Mr. Chair, was if money is given for a specific purpose, it shouldn't show up as revenue until such time as it's used for that purpose. So the money was paid or made available to the department for the contingency fund. However at the time they hadn't spent any money and they should have deferred and amortized that money until they actually spent it on the forest for escaped fires, I believe it was.

The Chair: — Are there any more questions? Mr. Krawetz.

Mr. Krawetz: — Just for clarification, you said that you're going to be using a five-year average to determine the cost. I note in the budget document that's before the Legislative Assembly right now that last year the line item for '03-04 for forest fire operations was in the neighbourhood of \$36 million.

And I don't have the supplementary estimates with me, but I think we're asked to approve another vote that's over \$60 million, so that's somewhere in the 90 million. And '02-03, I believe, was even a worse year. Is 63.3 million as budgeted this year in the '04-05 set of estimates, is that an accurate number based on the five-year average?

Ms. Stonehouse: — I think that it may be a bit low compared to the five-year average because we looked at that 2002 year as an outlier. In terms of our approach this year and last year, I think we're relatively consistent. And for this year, anyway, the weather's holding out well, so I think the estimate will be within reason this year.

The Chair: — Are there any other questions? Mr. Yates, would you just please give your motion again?

Mr. Yates: — Okay. I move:

That this issue be concluded, as the department no longer uses a Forest Fire Contingency Fund.

The Chair: — Are we ready for the question? All in favour? And none opposed. Thank you. That then concludes our review of the 2002 Fall Report. The remainder of our time we have to look at the chapter 9 of the 2003 Report Volume 3. I would again open the committee meeting to questions from the members.

We have four recommendations to consider as well in chapter 9. Mr. Huyghebaert.

Mr. Huyghebaert: — Thank you, Mr. Chair. It goes along maybe with looking at the budget for the forest fire fighting, and I've been looking at the value at risk in the report. And I know we're dealing with the 2002-2003 report, but I'm wondering about the value of risk, the establishment of the value of risk and a map of the areas of value of risk. And I'm wondering if the department has yet a map that outlines and shows the department of risk. And this is all in light of the proposal for the let it burn program.

Ms. Stonehouse: — Mr. Chair, we have no let it burn program, but we are in fact taking a new strategy in terms of firefighting this year based on an assessment of values at risk.

This process of developing the map will be an ongoing one as new people build in the forest or new developments occur. But we have over the past couple of years been quite diligent in mapping the location and the type of structures in the forest, so that when a fire is detected we are able to bring up on a computer screen a map of the area and we are able to identify that there are values at risk in that area. We are able to bring that information up so that we know exactly what those values are.

As a consequence, we're in a position this year, which we were not two years ago, to be able to make an assessment of each fire and whether or not it represents a threat to human values and whether or not, therefore, it is the sort of fire that we need to immediately attack, or whether we can take action to divert the fire, or whether we can just simply observe it.

Mr. Huyghebaert: — In the auditor's recommendation on page 223 — and maybe you answered this — but I'd like the answer or maybe just a clarification of the answer. And the recommendation is:

... the Department (should) prepare a complete record of the values at risk in the forest and update that record regularly.

And I guess that was my question. Has that been completed? It'll be updated on a regular basis, I understand, but the initial, the initial — call it a map or a record of the values at risk — has that been done?

Ms. Stonehouse: — The word completed is a word that I would struggle to use for this reason only, that we keep discovering new things in the forest. And so part of what we have to do is continuously update this.

I would say we have the base map, if you like. We have the major structures. We certainly have most of the trappers' cabins.

But it's quite possible that someone could have built something in the forest that we're not yet aware of. As we come across it, we add it to our map. And in that sense we're continually updating, and we have what we consider a very good base map to work with here.

Mr. Huyghebaert: — Another question on the forest fire side of the House. In the auditor's report it says the department has not yet documented its forest fire prevention program. Could you give me the status of that, please.

Ms. Stonehouse: — Well Alan may have some things that he'd like to add at this stage. Part of our fire strategy changes this year was to recognize that there are beneficial aspects to fire in the sense that it reduces future fire hazards and renews the forest. And as a consequence we are, as I said earlier, assessing each fire and making decisions about whether a fire can be allowed to burn because it has these beneficial aspects.

What that has meant, and you will see it in our performance plan this year, is that we are also wanting to take more measures to assist those who live and work in the forest to reduce fire hazard in and around their property. And we have both an awareness campaign that we've kicked off already this year, and also some information materials and some consulting services that we're making available to those who live and work in the forest, in terms of increasing prevention here.

As part of that process we are sort of outlining policies with respect to clearance, fire — I'm getting to an area where I need to turn it over to Alan real quick because we're getting to a level of detail — but where we're in fact outlining the sorts of areas which we would identify as highest risk in terms of fire hazard and therefore greatest need in terms of fire hazard for work to reduce the fuels there or work to set up sprinkler systems or work to change, for example, roofing to metal roofing instead of shingles and that kind of thing.

Do you have stuff you want to add?

Mr. Parkinson: — One thing, Mr. Chair, that I might add to the deputy minister's comments is that the department is undertaking a community fire danger rating system. And it's a work that is in progress this year, and we've contracted the Saskatchewan Forest Centre to develop a model. And once the model is developed it will be used to do that through extension work with communities to minimize fire risk and supplement the fire prevention and awareness program that the deputy minister has just outlined.

Mr. Huyghebaert: — If I understood you correctly, in this program I believe I heard you say that you do an assessment of the fire as to whether, how much resources . . . if you put resources on to fighting the fire, or if you don't put any resource on to fight the fire. Is that correct in what you said?

Ms. Stonehouse: — That's correct. There would be situations where we'd observe a fire but not fight it.

Mr. Huyghebaert: — And, Mr. Chair, to the deputy minister, that's where this phrase come out, the let it burn policy. Because if you're going to monitor the fire — and that's where I'm getting a number of issues via phone call and letters, I mean, call it a monitoring program or call it a let it burn program, it's very much the same if a fire is taking place and the department assesses it as a no- or a low-risk fire and you're going to monitor it. That's in essence to me is letting it burn. Would that not be correct?

Ms. Stonehouse: — Mr. Chair, this is no different from the approach we've taken north of the Churchill for decades where, in fact, we only intervene with a fire if it threatens a community or a structure. And so what we've really done is learn from our experience north of the Churchill to shape this new strategy that we're using. And we are continuing to attack and fight until it's no longer a threat, any fire in our full response zone, as we always have in the past.

Mr. Huyghebaert: — Just to carry on in the fire department, firefighting side of it. And I noticed in the auditor's report that in 2001 it was identified that the capacity to detect and suppress fire was at risk because of unsafe fire towers. Fifty-one towers have been deemed unsafe. Six new towers were built. The department built new towers in an area with a high risk of forest fires. Also the department contracted four additional fixed-wing aircraft for the 2003 fire season to enhance detection capability. Are there more fire towers that will be either deemed unsafe or not utilized for this firefighting season?

Ms. Stonehouse: — The answer to your specific question is no; we don't have any more towers to deem unsafe is part of our problem. The 51 towers — when they were assessed a few years ago and deemed unsafe — was most of our fire tower structures. We have replaced six in the first year and a few last year, and there is money in our current year's budget to build a few more towers. So we're using a combination of these new towers and aerial suppression to detect fires in our current strategy.

Mr. Huyghebaert: — On that topic, last year there was four additional fixed-wing aircraft for the 2003 fire season to enhance detection and capability. Is it fair to ask where these aircraft are contracted from?

Ms. Stonehouse: — Well it's fair to ask. I'm afraid I can't answer the question specifically although I could get that information for you. It would be part of public accounts, I guess, in terms of major contractors.

Mr. Huyghebaert: — And is that, would that be the strategy for this coming fire season also?

Ms. Stonehouse: — Yes, it is.

Mr. Huyghebaert: — Limited to four?

Mr. Parkinson: — Of that I'm not sure. We'd have to find out.

The Chair: — Mr. Krawetz.

Mr. Krawetz: — I'd like to clarify with the Provincial Auditor's office, as we're moving to the new system of summary financial budgeting and accounting of agencies and Crowns, etc., I look at the document of the provincial government, the budget and performance plan summary. And I note that on page 215 of the Provincial Auditor's report in chapter no. 9, there's reference to a number of funds that the department is responsible for: the Water Appeal Board, the Saskatchewan Watershed Authority, and Fish and Wildlife Development Fund. I note on page 76 that the Watershed Authority is one of those listed agencies that are reported in the summary financial document here.

Are other boards or funds, are they included in the category of other organizations in this document, or do they appear somewhere else?

Mr. Wendel: — My understanding of the summary budget that's presented . . . now again, we haven't audited that budget, but my understanding of it and the agreement we have with the Department of Finance, it was to include all government organizations, all of these funds and all departments and agencies. So if it doesn't appear separately, it should be in the other column.

Mr. Krawetz: — Okay. So if we're looking at better accountability and the ability to fight forest fires through the expenditure within the department, and then we are going to have that ability as a Public Accounts Committee to then measure the goals and the objectives. And as you've indicated, the weather is co-operating thus far in '04-05, and maybe we will see a balance as far as the expenditure versus the revenue.

When we look at the Watershed Authority and note that for this current . . . or for last year, it was to operate at a deficit of \$2.4 million and the plan for the Watershed Authority for the current fiscal year is to operate at \$2.9 million deficit, could you explain, you know, why that type of red ink exists, I guess is the best question, Ms. Stonehouse.

Ms. Stonehouse: — Well we'll invite the president, Stuart Kramer, to come to speak to this more thoroughly. But my understanding is this is primarily a change in accounting procedure related to amortization of capital.

Mr. Kramer: — Yes. I would confirm that for the committee, that for the 2003-04 fiscal year, there was a change in

accounting approach for capital. The capital in question here would be the province's water management infrastructure. So it would be the 45 dams and related conveyance channels. And with the choice to apply depreciation, we would have a depreciation loss which would be a non-cash loss of the sums that you had indicated.

What I would also say for an update of the committee is that with that being the first year, we're continuing to work with the Provincial Auditor's people, with a private auditing firm as well, to ensure that we have in place the best valuation for those assets and also the right rates for depreciation given that this is a new approach . . . so that the numbers are yet being refined. And we will see, as we move into the end of the audit that's currently being done, just where those numbers sort out.

But this arises from a change in how we capitalize and appreciate assets, and it's related to the province's water management infrastructure. But as such then, it would be a non-cash loss. It entirely consists of depreciation.

Mr. Krawetz: — Thank you, Mr. Kramer. My question is related to recommendation no. 1 when it indicates that the internal auditor must prepare an audit plan based on the department's programs and activities. So my question is, as we look at the Department of the Environment, will the internal auditor be also looking at the various funds? The Watershed Authority, will they be having access to the programs and activities of that, you know, subgroup within the Department of the Environment?

Ms. Stonehouse: — Yes, with the proviso that an organization such as the Watershed Authority — which is sort of a stand-alone organization — we would be looking to them to have their own internal audit procedures and to have a risk assessment there. But most of the rest of these, all of the rest of these special funds are administered by the department directly, and our internal audit risk assessment will need to look at all of that.

Mr. Krawetz: — And I understand your explanation, Mr. Kramer, regarding the capital expenditures and the like. But of course, we see now that there is for last year and this year a planned, you know, budgetary line item that says there will be a deficit of over \$2 million.

My question is, if indeed the capital problem is rectified for next year and we see whatever number in that line item — hopefully a positive number — how will this committee be able to assess whether or not the objectives that were planned in preparing that number for that particular line item in the budget, how will we know as members of the Legislative Assembly or as members of the Public Accounts Committee whether or not the objective and the goals were reached, or whether it was a stroke of luck?

Mr. Kramer: — I think I understand your question. A couple of observations I would make. One would be that our auditor, private auditor, Meyers Norris Penny, works directly with the Provincial Auditor in the work that's done. Our audit plan is reviewed with the Provincial Auditor. It's approved by the Provincial Auditor. Our meetings with our board are with both of our auditors, so there is a tie-in that's there.

I think the other observation I'd make is that the recommendations that the Provincial Auditor would make when they look at all of our audit information are ones that they then include in the audit report that comes forward. So you will see . . . I believe there's two items that are identified as part of Environment's chapter that relate to the Watershed Authority, even the year under review, that relate to security and relate to our annual report so that any recommendations that the Provincial Auditor would feel the need to make based on the Watershed Authority's review and the audit that was done, they would appear then in the report that would come forward to this committee, as they are with the two we believe relatively minor items that are identified in the year under review now.

Mr. Krawetz: — Now my next question to the Provincial Auditor is, in our budget documents we have a listing of a number of revolving funds, two of which are listed on page 215: the Commercial Revolving Fund and the Fish and Wildlife Development Fund.

And I understand from questioning the Minister of Finance that the Highways fund has already disappeared, and it's anticipated that, as we move to summary financial budgeting and the accountability as we see happening now, that the revolving funds may be things that will eventually disappear in their entirety. Is that an accurate statement?

Mr. Wendel: — Mr. Chair, I'm not sure what the government's overall direction will be. But I think some of these revolving funds were set up for the purpose of keeping track of their capital assets, and previously capital assets weren't recorded. They weren't recorded on the balance sheet of the government for the Consolidated Fund.

Now they're going to be, so some of the reason for having those revolving funds will disappear. As to how many will actually disappear, I couldn't tell. Possibly the comptroller could give you some more information on that.

Mr. Paton: — Yes, Mr. Chair, the Provincial Auditor is correct. One of the main reasons for establishing revolving funds was to deal with capital assets. Currently the General Revenue Fund has moved to that same basis of accounting, so one of the main reasons for establishing the revolving funds no longer exists. So they, for many reasons, they could be incorporated now into the General Revenue Fund.

One of the other issues with revolving funds is their ability to collect revenues and spend it without separate appropriations, and that's a change that's being made to The Financial Administration Act, as you're aware, that allows for that re-spending.

So over the next year or so, we will be reviewing all the revolving funds to see whether or not there's a need to maintain them. Some of them may have other specific uses or purposes. So we will be looking at them, but many of them could be subject to be wound up in the next year or so.

Mr. Krawetz: — And my final question is, we have been given an explanation of the Commercial Revolving Fund and how it works. And I note that the full-time equivalents for the current year have not changed.

I note that the Fish and Wildlife Development Fund has changed. And I'm wondering, has the goal of that fund changed over the last years? And specifically for this year, we note that there is a 15 per cent reduction in the number of full-time equivalents needed to actually administer that fund. So could the deputy minister indicate what has changed with the Fish and Wildlife Development Fund over the last number of years since the auditor has produced this document?

Ms. Stonehouse: — What we've recognized in our performance plan this year, and with the Fish and Wildlife Development Fund, is a change that's been gradually developing over time which is that the conservation groups are taking more and more of a role in actual management of protected lands. And so we were finding that we were less and less in need of staff to do that function because the conservation groups are doing that. So our performance plan this year actually acknowledges that that's the direction we're going in, and the budget reflects that decision.

Mr. Phillips: — There would be a reduction of three full-time equivalents in this year, relative to the past year in terms of who are paid for under the Fish and Wildlife Development Fund.

The Chair: — Mr. Hart.

Mr. Hart: — Yes, thank you, Mr. Chair. I'd like to deal with the auditor's comments with regards to the Operator Certification Board, and the auditor indicated that there was some problems in recording application fees and those sorts of things. And I'm not sure what your report was as far as progress as far as addressing these, and perhaps you could perhaps capulize your comments.

But also I would like to raise an issue that at least that may be of concern. If this board is having problems in accounting for the application fees, I'm wondering are there other problems within that board. This is the board that trains municipal operators of water and sewage facilities within our towns, cities, and villages, I believe. And these operators are to be certified, and if the communities don't have certified operators, there's some pretty onerous results of that.

And my concern is that if this board is having problems with a simple thing of accounting for all the application fees, are there greater problems there? Are they . . . Is there proper procedure to record those people who have completed the courses and have been issued certificates and so on, because if there's a problem in that area, there could be some huge repercussions for municipal governments, finding that they have an operator that they thought was certified and in fact wasn't certified because the board record-keeping processes aren't up to speed.

Ms. Stonehouse: — I would just point out that the concern the Provincial Auditor has raised is with segregation of duties with respect to handling money. It's not a concern with respect to the actual recording of results or recording of examination results. The board is a one-member organization and it's difficult for one member to segregate the opening of the envelope and recording of the money and then attesting to that.

And as I . . . Lynn could speak to what arrangement they've made. As I understand it, they have now arranged for a full

segregation with respect to the mail opening.

Ms. Tulloch: — Yes, as Lily has indicated the board has just one employee— one administrator which made it difficult to create the segregation of duties that one would normally want in any office that's receiving cash. And the arrangements that have been made now are to have the mail opened in a separate location — the Walter Scott Building in particular, where there is a large concentration of government offices and a large mailroom. So the mail is being opened and recorded there before it's forwarded to the Operator Certification Board. So there's now another check and balance in the system to ensure that all revenues and cash receipts are recorded.

Mr. Hart: — Does that one-member board also . . . is that one-member board also responsible for the issuance of certificates and tracking the people who have completed the course and that sort of thing? Is that part of that one-member board's duties?

Ms. Stonehouse: — Just to be clear, it's one administrator for the board and yes, it is a registrarial role with respect to examinations.

Mr. Hart: — Perhaps I should direct my next question to the Provincial Auditor. In your examination of this Operator Certification Board, did you find any . . . I suppose if you had you would've listed them, but what were your findings as far as the issuance of certificates? Is there any concerns in that area that perhaps people who think they're certified, weren't certified, and you know, this whole area — because it has some pretty serious ramifications if we have people who aren't qualified operating these water and sewage infrastructure in our communities.

Mr. Wendel: — Yes, Mr. Chair. Our examination . . . the scope of our examination wasn't for that purpose. It was strictly to report on the financial statements as to whether or not we thought they were reliable, that — excuse me — all the revenue was recorded. And we're saying we couldn't do that so . . . I've got a frog in my throat.

Mr. Hart: — Mr. Chair, I know what Mr. Wendel is going through. I'm suffering from the same condition.

So I guess I would like to address my next question to Ms. Stonehouse. So as far as the certification of the operators, you can assure this committee that there isn't a problem, that everyone who is certified actually has completed the course and is duly certified? So that sometime down the road, some community won't find themselves in some kind of a legal jackpot because of some problems within your department in the certification process of these operators.

Ms. Stonehouse: — We have confidence that the board is appropriately certifying the operators as they're examined. We also, as a department, monitor these operators at the work site so we have opportunity to observe on their performance. And we believe this program of certification is proceeding very well and that we're on target with our goal in terms of having major waterworks certified.

Mr. Hart: — Thank you for that.

The Chair: — Just noticing again — and I don't want to belabour the issue of fire prevention — but one of the auditor's concerns was that the department didn't have suitable infrastructure for detection and suppression of forest fires. What changes has your department made since the auditor made that statement that would beef up your infrastructure for detection and suppression of forest fires?

Ms. Stonehouse: — Mr. Chair, we have built towers, a few towers each year as we could afford them over the last three years. I think we're at nine now. I think we're at nine towers now and we'll continue with that process. As we're able to build towers, we'll be able to reduce our need for fixed-wing aircraft for detection purposes.

We've also undertaken in the past 18 months, with the assistance of the forestry centre, a study as to the more effective means, whether it's fixed-wing aircraft or towers. And we now have recommendations back which we'll be using in our planning for '05-06 in terms of stabilizing our detection approach.

In addition, the department is challenged over the next 5 to 10 years to replace its aging fleet of fire bombers. And we've been working over the last year or more to examine what options we have to proceed in terms of fleet renewal, and we expect to be able to bring that forward for consideration by the government in this fiscal year.

The Chair: — I'm not sure what they're called, but it's the aerial applicators that provide service mostly to the agricultural sector. I know I've been lobbying your department for some role in forest fire suppression. Can you update us on the state of those discussions?

Ms. Stonehouse: — We've been keeping these organizations sort of up to date on the progress of our work. We have some concerns about their safety in a forest fire situation, and so have been sort of reluctant to bring them into the mix in terms of our fleet. But we are examining whether there is a role for them in terms of prairie fire, where the heat's not so great and the risk to the plane may not be so great.

We have some questions still that we're examining with respect to whether the spray, this sort of fine spray that comes from a chemical spraying program, whether that in fact can be effective against a fire or whether they'd need a significant retooling of their equipment to be useful.

So we are looking at these things. But in terms of forest fires, there's a safety issue here that we think means that they're really not an appropriate vehicle for that use.

The Chair: — Okay. Mr. Krawetz. Just before I turn the floor to Mr. Krawetz, we have four recommendations that we need to deal with. So I would suggest if there are general comments, that we touch on those as quickly as possible. And I would like us very soon to get into the recommendations if the committee's agreeable. Mr. Krawetz?

Mr. Krawetz: — Just a short question, Madam Deputy Minister. The concerns in Saskatchewan have been expressed around stubble fires, burning of stubble in the fall primarily,

and spring. And I know other provinces have legislation in place that deals with it or regulations that necessitate permits. And while I know from the agricultural point of view whether there is a need to sometimes burn stubble, there is a concern of course in the air quality section that the auditor has touched on regarding people with, you know, asthma and related breathing-type problems. Does Saskatchewan have a regulation regarding permits, or is there any control on stubble fires and the burning of stubble by people in the agriculture industry?

Ms. Stonehouse: — I know that we've been working with agriculture in the last five years or so to assist producers to understand that they have alternatives to burning stubble, but I'm sort of giving Dave a minute here to check his notes. I don't think we actually have a regulation or a permitting process for agricultural stubble burning.

Mr. Phillips: — Yes, that's correct. The department has participated in airshed protection consultations, public involvement processes, but there's presently no permitting system for stubble burning. There is various alerts that are asked for, particularly with respect to when weather conditions are such that smoke would drift, for example, into the city of Regina. But to this point it's been on a voluntary basis.

The department is working now to develop a refined air quality protection program including airshed — similar to watershed protection planning — and that's work that's underway in the present fiscal year.

Mr. Krawetz: — Thank you for those comments. And while you work towards putting in place regulations, there is still . . . I would hope that the department considers that there is still a need to burn at certain times. I mean unless we're able to completely use — I'll use the example of flax straw — or completely recycle it, the only way that an agriculture producer can rid himself of that product is by fire. And while there are more appropriate times of the day that those things can occur, I would hope that the department doesn't look at completely, you know, forbidding the stubble burning. And maybe through a controlled process there is still a way of improving but not forbidding.

Mr. Phillips: — Just to add an additional comment. We plan to draw heavily on our experience in landfill burning, whereby if waste is segregated into streams such that wood and combustible material is separate from the plastics and other potentially harmful compounds, burning can be safely done provided that it's done in a way that it doesn't impact on downwind neighbourhoods.

The Chair: — I don't see any more hands up for general questions. I suggest then we turn to page 220 and look at the first recommendation which reads:

We recommend that the internal auditor prepare its audit plan based on a complete risk assessment of the Department's programs and activities.

I suggest that we should have a motion in regard to that recommendation and then discussion on the motion. Mr. Borgerson.

Mr. Borgerson: — Yes. I will move that we concur with the recommendation and note progress towards compliance.

The Chair: — All right, we have a motion. Is there any discussion? Question. All in favour? None opposed? That's carried.

The second recommendation on page no. 221 states:

We recommend that management receive the internal auditor's reports as planned and discuss those reports with the internal auditor promptly.

Mr. Borgerson.

Mr. Borgerson: — Yes, I will again move that we concur with the recommendation and note progress towards compliance.

The Chair: — Okay, a similar motion made. Is there any questions or discussions on the motion? Ready for the question? All in favour? None opposed? That's carried.

And we're rolling right along now to page 230. Recommendation no. 3 states:

We recommend the Board prepare and approve a financial plan for its operations.

This would be the Operator Certification Board? I think that needs to be clarified. Does everyone understand what board we're speaking of?

Mr. Krawetz: — Mr. Chair, I think for purposes of clarification, Ms. Woods has indicated that she does put that in, but I think it has to be part of our recommendation that we concur that the Operator Certification Board, if that's what our motion is going to be. Mr. Hagel.

Mr. Hagel: — Mr. Chair, I'll move concurrence with that and note compliance in this case.

The Chair: — All right, motion to concur and note compliance. Are there any questions? Question is called. All in favour? None opposed? That's carried.

And the final recommendation is on page 232, and it states . . . it is recommendation no. 4:

We recommend that the Saskatchewan Watershed Authority prepare its annual report using the Department of Finance's reporting guidelines.

Is there a motion on this? Mr. Hagel.

Mr. Hagel: — On this one, Mr. Chair, I'll move that we concur and note progress.

The Chair: — A motion to concur and note progress. Is there any discussion on this matter? None? I'll call for the question. All in favour? Any opposed? It's carried unanimously.

Boy, when this committee makes up its mind to get things done it can really roll right along. It's quite impressive.

Ms. Stonehouse, I would like to thank you and your officials, a large number of them, for taking time out of your day to come before the Public Accounts Committee. We thank you for your co-operation and your assistance. And we thank the Provincial Auditor and his fine staff as well, and the comptroller's office for being with us this morning.

Members, I now declare the meeting adjourned.

The committee adjourned at 11:48.