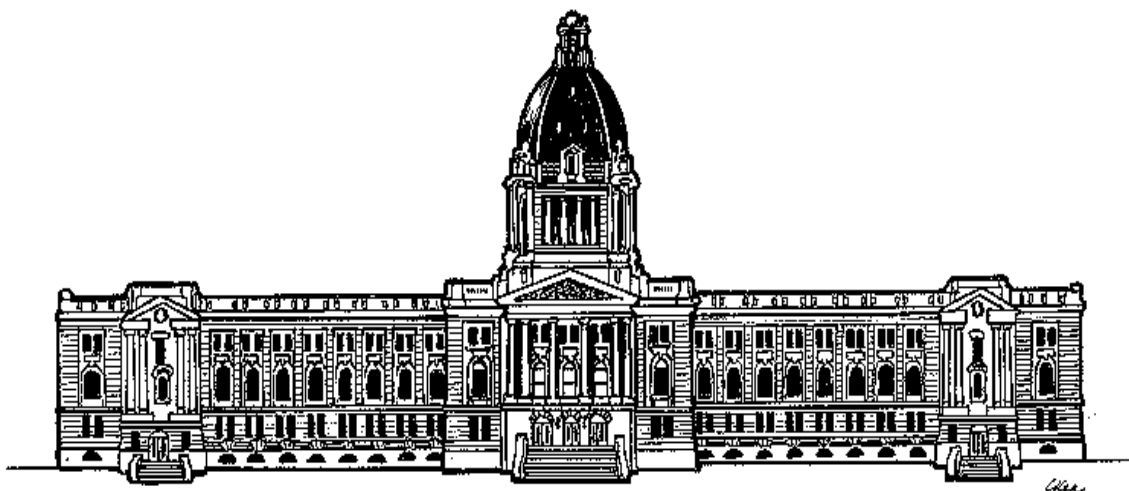




# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

## **Hansard Verbatim Report**

**No. 14 – January 18, 2005**



**Legislative Assembly of Saskatchewan**

**Twenty-fifth Legislature**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS  
2005**

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 09:00.

**The Chair:** — Good morning, everyone. We'll call the Public Accounts Committee meeting to order.

I'd like to welcome all committee members here, our officials from the Department of Finance who regularly grace us with their attendance, the Provincial Auditor and several of his staff, and of course we have witnesses waiting in the wings here to deal with the various topics that we will be dealing with today.

This committee meeting is being broadcast live over the Internet — streaming video, I think they call it. Those who are watching on television will see it delayed, I believe, sometime in March when legislative proceedings are once again televised. This of course for those people, the actual meeting is occurring on Tuesday, January 18 — a rather balmy, rainy day here in Saskatchewan.

I would point out that on the agenda today we are dealing with Government Relations and Aboriginal Affairs, Finance, Learning, Environment, Labour, and the business and financial plan of the Office of the Provincial Auditor. And so we have a good day's work ahead of us.

**Public Hearing: Government Relations  
and Aboriginal Affairs**

**The Chair:** — Our first item on the agenda is Government Relations and Aboriginal Affairs and that is the, I believe, the last item from the 2004 report volume 1 that we have to deal with. And once we've completed that, I think we can put this volume to bed, which of course is nice to do.

There's been a change in the structure of the Government Relations and Aboriginal Affairs department, and therefore we have two deputy ministers with us today. And I understand that after the auditor's summary of his report that both deputies will be responding, and at that time I'd be pleased if they'd introduce their colleagues that they have brought with them to our committee meeting.

So with no further delay, we will ask the auditor to summarize his report in chapter — got to find it here — chapter 11 of the 2004 report volume 1. Mr. Ahmad or Bashar Ahmad, would you please provide the summary?

**Mr. Ahmad:** — Thank you, Mr. Chair, and good morning, members of the committee. I will provide an overview of chapter 11 of our 2004 report volume 1.

This chapter begins on page 153 and describes the result of our audit for the Municipal Potash Tax Sharing Administration Board, Métis Development Fund, and Northern Revenue Sharing Trust Account, that is, NRSTA, for the year ended December 31, 2003. The chapter also describes our follow-up work on two performance audits for the department.

For the Municipal Potash Tax Sharing Board and the Métis Development Fund, we did not find any matters that need your committee's attention. However, we report several matters for NRSTA.

NRSTA administers tax revenues from the designated area in the northern part of the province and money appropriated by the Assembly for the purpose of northern revenue-sharing and grant programs. NRSTA provides money to the northern municipalities for operations, water and sewer system, and municipal facilities.

Our first recommendation on page 158 requires the department to set up processes to oversee NRSTA's operations and define the reports it needs to do so. We reported this matter in our 2003 report volume 3. Your committee considered this matter in June 2004, and concurred with this recommendation. In September 2003, staff began providing financial reports they prepared each month. However, those reports are not adequate because they do not provide complete financial information.

On page 159, we make two recommendations requiring the department to prepare a strategic plan setting out goals, objectives, and priorities for NRSTA and approve an annual business and financial plan for NRSTA on a timely basis. The department did not have a strategic or business plan for NRSTA and approved a 2003 financial plan two months after the end of the fiscal year.

On page 160, our fourth recommendation requires the department to establish processes for keeping proper accounts and to prepare equity financial statements for NRSTA. Your committee considered this matter in June 2004 and concurred with our recommendation. We understand the department has hired a consultant to document accounting policies and procedures for NRSTA.

Our fifth recommendation requires the department to establish a staff development program to ensure that NRSTA staff have the required competencies. The department's development program for NRSTA should assess individual staff competencies required to do the work, and provide training when necessary.

On page 161, our sixth recommendation requires the department to document its agreement with the Department of Environment to administer lease and land sales for NRSTA. Because the department did not have a written agreement, it did not receive timely information from Environment to prepare accurate periodic financial statements for NRSTA. We understand the department is working with Environment to document the agreement.

On page 162, our seventh recommendation requires the department to report on the performance of NRSTA to the Legislative Assembly each year. Your committee considered this matter in June 2004 and concurred with our recommendation.

Currently the department only provides the Assembly with NRSTA's audited financial statements. The department should provide an annual report for NRSTA, describing the purpose of NRSTA, how it manages its key risks, what it has done, where it is now, and what it plans to do. The report should also include NRSTA's key performance targets and its progress towards achieving those targets.

Now I will briefly talk about our follow-up work on two

performance audits. The first follow-up relates to the audit of the department's coordination of a key government strategy called the Métis and off-reserve First Nations strategy. The department coordinates the actions of 12 departments involved in this strategy. We report that the department has implemented our 2001 recommendation. Earlier, in June 2003, your committee had concurred with our recommendation. The department gathered good information from other departments and prepared its first public progress report in February 2004.

The second follow-up relates to our 2003 audit of the Aboriginal employment development program. The department of First Nations and Métis people is now responsible for this program. Our recommendations require the department to improve how it measures and reports progress towards increased participation of Aboriginal people in the workforce. In June 2004, your committee considered this matter and concurred with our recommendation. The department has done some work to address our recommendation but more work remains.

That concludes my remarks. Thank you very much.

**The Chair:** — Thank you, Mr. Ahmad, for that report. As you gathered, and I'm sure as you looked over the chapter you recognized that we had dealt with some of these recommendations previously. So you just might want to note that this morning we will be dealing with recommendations 2, 3, 5, and 6 of the nine that are in this chapter. If you want to mark that down, those are recommendations 2, 3, 5, and 6. Of course, if you have questions in other areas, and including the areas that we dealt with previously, certainly you might do that. But when it comes to dealing with the recommendations, it's just those four that are left to be dealt with.

We have, as I mentioned, two deputy ministers. I'm not sure who wants to go first, Mr. Brooks or Ms. Sanders. Who is up first? Mr. Brooks?

**Mr. Brooks:** — Mr. Chair.

**The Chair:** — All right, thank you. And if you want to introduce your colleagues as well.

**Mr. Brooks:** — Thank you. And I'm pleased to have the opportunity to speak here today. And it is a department that has a recent history that should be noted so that when I assumed the role of deputy minister on July 1, it was still operating as Government Relations and Aboriginal Affairs until approximately November 1 when Nora Sanders assumed the deputy minister of First Nations and Métis Relations, at which time responsibilities and mandates changed.

For that reason, Government Relations' responsibility is for recommendations 1 to 7, which I will speak to. And I'd like to have Nora Sanders speak to recommendations 8 and 9 if so required.

I'd like to introduce my staff today. I've got Wanda Lamberti, to my right, who is executive director of finance and management services in Government Relations. John Edwards, acting assistant deputy minister of municipal relations in Government Relations. Behind me to my left is Randy Braaten,

director of northern municipal services branch. To my right is Tony Bunz, manager of northern municipal services, and in the middle is Marj Abel, director of finance and administration in the department.

At the outset I'd like to begin by saying that we concur with the recommendations made with respect to the NRSTA. I'm also pleased to advise that we are continuing to make progress in addressing all of the concerns raised.

Now firstly in response to the concerns that the auditor established, Government Relations and Aboriginal Affairs established an internal working committee in late 2003. The committee developed a comprehensive action plan in October 2003 and made a number of recommendations to address the specific issues raised by the Provincial Auditor.

In addition, we have dedicated additional resources to the NRSTA by retaining an outside consultant to ensure that the issues identified in the report are addressed. And the consultant has prepared a review of the operations of the NRSTA, completed a draft report, and made a number of recommendations for improvement with regards to all of the recommendations.

While some measures will require several years to implement, some have already been implemented; and others are in the process of being implemented. But more specifically, we are currently in the process of examining our reporting requirements and are considering enhancements to ensure that operations are adequately monitored. Some benefits associated with this exercise have already been realized and we anticipate further advantages as we continue to streamline the process.

We have also drafted a strategic plan for the NRSTA for 2005. The management board of the NRSTA was consulted as part of the development of this plan and it has been reviewed by the Provincial Auditor's office as well as Saskatchewan Finance. That's been a significant undertaking and accomplishment and, although the nature of the plan is evolutionary — as all strategic plans are — we are confident that it will establish a solid blueprint for the NRSTA beginning with the current fiscal year.

In addition, we approved a budget for 2005 for the NRSTA in advance of the commencement of the fiscal year. In the future we intend to develop an annual business and financial plan in concert with the strategic plan.

We're also in the process of developing a comprehensive policy and procedures manual which we hope to complete by the end of this fiscal year. This manual will outline the processes required to record transactions and accounting records as well as the processes required to prepare financial statements. These processes will be approved by senior management prior to being included in the manual. The concerns raised with respect to the need for additional training of staff is being examined and appropriate training plans will be developed, and the external consultant is also making comments with regards to this aspect.

We've also developed a draft memorandum of understanding in response to the recommendation regarding an agreement for the administration and payment of lease fees and land sales, and will soon be meeting with Sask Environment to finalize the

memorandum of understanding.

Lastly, although an annual report for the NRSTA is not required by legislation, we are seeking opportunities to enhance the information provided to the Legislative Assembly in response to the Provincial Auditor's recommendations in this respect.

So, in conclusion, I believe we are implementing appropriate measures to address concerns raised by the Provincial Auditor and that we are making progress in this regard.

Mr. Chair, I would suggest if you find it appropriate that we could deal with the matters pertaining to the NRSTA first and then have First Nations and Métis Relations.

**The Chair:** — Certainly. I think that would be appropriate because you have your officials with you at this time, so we'll open up the floor. Thank you, by the way, for that response. And we'll open up the floor to any questions. Mr. Krawetz.

**Mr. Krawetz:** — Thank you, Mr. Chair, and good morning to you, Mr. Brooks, and your staff. A couple of general questions that come to mind immediately when we listen to the auditor's report regarding a lack of budgeting and the discrepancies in projected numbers and actual numbers. And I have a difficulty with the paragraph at the top of page 158 of the auditor's report where initially, for the fiscal year ending on December 31, 2003, management projects that they'll lose 4.1 million. In February, the departmental officials review things and they . . . the financial statements will show a profit of approximately \$447,000. And then when the audited financial statements come through for NRSTA, there's in fact a loss of \$190,000. So, you know, anticipating a \$4.1 million loss, then people look at the report and say, no it's not a loss, it's going to be \$447,000 profit; and then in the end the auditor's report shows in fact that there is \$190,000 loss.

The last two numbers are, you know, a discrepancy of over half a million dollars. That seems, you know, in light of what's going on in the world with Nortel and things like that, that's a huge discrepancy in the plan that seems to be in place. And in fact a review of the numbers, if I look at the comment that says that in October 2003 — that's, you know, into the last quarter of that fiscal year — they were projecting a \$4.1 million loss and then numbers just go south on the whole thing. Could you explain how that can happen?

**Mr. Brooks:** — The Northern Revenue Sharing Trust Account is a very unique instrument for use in managing capital grant projects and services in the North. One of the aspects of this is that the trust account is used to fund major capital projects for many of the settlements and unorganized areas in the North. And that can lead to significant swings in the financial statement at any particular point in the year if the capital, if major capital projects are delayed or if there is a problem in reporting with regards to their progress in the year. So firstly I would say that, with regards to the comments, while it mentions initially a loss, it is perhaps also useful to think of that as an expenditure in excess of the revenues in that year, because it's simply a drawdown on reserves over that period in anticipation of completion of a major capital project.

We were experiencing difficulties, both I would say on the

reporting by project proponents with regards to their progress and use of the funds, and also with regards to actual progress on some of the projects in that particular year, which can happen due to all sorts of . . . either weather or management of the projects themselves.

What we have done in the . . . Also at that time there was an issue with regards to some corrections and restatements that had been put forward from Sask Environment that the Provincial Auditor identified and was able to correct, and I believe that accounted for some significant portion of the change as well.

In response to the recommendations, the department has instituted more regular financial reporting. I would say that this year, as a result of the reporting that we have done on a quarterly basis, we've identified that we are actually under-expenditure on our water and sewer projects for this year. And it is very important that we note this and know it early, because there are some cost-sharing partners involved in this. And as a result of the ability to identify these as early as possible, we've flagged this with SaskWater who is also a partner on this to make sure that the funds, even though rolled over into the next fiscal year, have to be spent within that next fiscal year to meet the requirements of the fund partners — particularly federal fund partners.

**Mr. Krawetz:** — Thank you, Mr. Brooks. When I look at and note that the auditor has reported that the revenues and expenditures for 2003 are approximately \$17 million, is that an average year for NRSTA? Or is that like, in terms of the dollars that are handled, is the budget approximately 17 million on an annual basis? You indicated that you had prepared a budget. You have moved forward on one of the recommendations of the Provincial Auditor that said that a budget should be, a budget and a fiscal plan should be prepared before the fiscal year begins. And I think you stated in your remarks that a budget was prepared for, must be for 2004. Could you indicate if that amount of money changes dramatically based on partners that come into play?

**Mr. Brooks:** — It's not expected that the revenue for the Northern Revenue Sharing Trust Account would fluctuate dramatically from year to year. It's approximately made up in 2003 of a \$10 million transfer, approximately, from the General Revenue Fund, income of roughly \$4 million from Sask Environment — the sale of mineral rights and Crown land — some moderate income from interest accounts, and about \$1 million from penalties and other aspects of managing in the North. That gets us in at around that 16, \$17 million range.

The department had been trying to build up the reserves of the account in anticipation of the major water and sewer program that is needed over five years to address water and sewer issues in the North and therefore our expenditures are in excess of our revenues and that was fully anticipated. And so as the water and sewer program moves forward, there will be a drawdown in the reserves of the account.

**Mr. Krawetz:** — Thank you. In your comment you indicated that the General Revenue Fund transfer is approximately \$10 million. Is that a combination of the federal money that has come to the province? Is that how the federal money ends in the NRSTA, in a direct transfer from the General Revenue Fund?

**Mr. Brooks:** — For the year 2004 we are anticipating that yes, that's right; that the northern revenue sharing component that would come from the province would be approximately \$6 million and the Canada-Saskatchewan infrastructure program would be approximately 4.2 million.

**Mr. Krawetz:** — Good. Thank you. Mr. Deputy Minister, you indicated that the plan for improving . . . I guess I think you used the word competencies of officials continues to be monitored and you continue to want to build a stronger staff. When the auditor raises the concern about the, you know, the level of competency of officials, is that a weakness in hiring, is that the unavailability of competent people? How did the department and the program get into a situation where you don't have the qualified people? Rather than use the word competent I should maybe use the word qualified, the people who can do the job. Is there a reason that you have at your fingertip as to why the right people aren't there?

**Mr. Brooks:** — With regards to the ability of staff to have the appropriate resources and training and competencies, it's an issue that the department was aware of and concurred with the auditor's reports on that.

The northern municipal services branch experienced a dramatic change in leadership in early 2003 with the departure of the director and the accountant for the services branch. And we are, we have staffed those with people with the proper certification and we are attempting to put in place, through the external consultant, well-documented policies and procedures to guide staff and actually to help staff deal with transition because we are also in a situation where many of our northern municipal advisers are approaching retirement age. And part of our succession planning for this is having well-documented procedures in place so that when staff enter the workplace there is a process for them to follow.

Also part of the external consultant's role was to comment on what appropriate training he would recommend on an ongoing basis, as well as the policies and procedures. And we are also asking him to comment on the level of resources made available to the northern municipal services branch to manage the Northern Revenue Sharing Trust Account and the activities that they undertake in the North. And this is a question that each department must deal with all the time in an atmosphere of competing resources and competing needs and objectives. And we certainly are trying to do the best to make an efficient use of our budget.

**Mr. Krawetz:** — Thank you. One more question, Mr. Chair, if I might, to the auditor, to Mr. Ahmad. Your comment regarding recommendation no. 4 — and I know we're not dealing with that, Mr. Chair, as a new recommendation — but you indicate that the department should establish processes to record transactions in the accounting records and to prepare accurate financial statements. By that recommendation, what's missing in terms of either the recording not being accurate, or is there something that would lead you to comment that accurate financial statements were not the order of the day?

**Mr. Ahmad:** — Mr. Chairman, what we found was that the bookkeeping has its obviously two sides of transactions and sometimes the transfers were not properly made, and, well,

resulting in a difference on the GL (general ledger) accounts. And sometimes the total amount that should have been booked was not booked because they did not get the information from Environment. Thus Department of Environment provided them lease fee and land sale information and they didn't know what the correct number was because there was no agreement with Department of Environment when the information should be provided and what must be provided. So that was the main reason.

**Mr. Krawetz:** — Thank you. And, Mr. Brooks, I know we're not . . . Again, we're not dealing with that recommendation. Has that problem as identified by the auditor's office in regards to the communication between the Department of Environment and your department, has that been clarified and are you confident that you've made progress on recommendation no. 4?

**Mr. Brooks:** — I'd certainly say we're confident we've made progress. While we have drafted a memorandum of understanding with Sask Environment and have vastly improved the communication, we are still . . . have not finalized that agreement yet. We expect to do that very shortly, so I think we're in quite good shape there.

I would comment that the Provincial Auditor did conclude that the NRSTA's financial statements are reliable and that no instances of misuse of funds were identified. And we certainly agree and concur that improvements to certain processes for recording the transactions and preparing the financial statements were necessary, and we are undertaking that. We are documenting the existing accounting practices and procedures as I mentioned.

We've purchased new software to put in place last year. And we work towards the development of the manual that will contain all of the policies and procedures regarding the finance and administrative matters. And as Sask Environment is a large part of that, it is essential that the information flow in financial and administrative matters from them is crystal clear.

**Mr. Krawetz:** — Good. Thank you. I look forward to the next auditor's report on these recommendations. Thank you.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Thank you, Mr. Chair. Mr. Brooks, I wonder if you could just expand and explain the structure of the Northern Revenue Sharing Trust Account. And the auditor on page 156 of his report says that the Act establishes the account and its management board, referred to as an advisory board, in that cabinet appoints the board. Is the trust account . . . He also refers in an earlier page that it's an agency of government, so is it sort of a stand-alone agency; is it part of your department? And perhaps, maybe you could answer that, and then we'll go on to the advisory board and how it's structured.

**Mr. Brooks:** — Okay. The Northern Revenue Sharing Trust Account is a special fund of the provincial government. It was established in 1983 under The Northern Municipalities Act to provide financial support to northern municipalities. It's an important government initiative that provides and assists northern communities in strengthening their infrastructure and their administration.

It derives revenue from the General Revenue Fund, the collection of monies from lease fees and land sales through Sask Environment, taxes and penalties collected on land in the northern administrative district, and interest on monies deposited in the financial institutions.

And it serves two main functions. It acts as a general fund for the Department of Government Relations, which acts as the municipality in the northern administrative district; and funds from the account are used to pay operating costs for northern settlements and recreation subdivisions.

In addition, the NRSTA also acts as a consolidated fund so it provides revenue-sharing grants and capital grants to northern municipalities. And revenue-sharing grants are funded by transfers from GRF (General Revenue Fund) and topped up by funds provided by general revenues in the NRSTA.

And there are four programs that . . . four grant programs that operate under that. There's the northern revenue-sharing grants program, the northern capital grants program, the northern water and sewer program, and the emergency water and sewer program.

And just to outline, in 2003 approximately 7.4 million was spent on northern revenue-sharing grants to northern municipalities, northern settlements. The northern capital grants program provided . . . it's expected . . . it runs until 2008 and will provide approximately 8.3 million in funding over a five-year period. And the NRSTA had originally committed 12.5 million to the northern water and sewer program. And it will be increasing its contribution with an added \$4 million to ensure the current phase of the program's completed in 2006.

The province, local communities, and the Canada-Saskatchewan infrastructure program have provided the remainder of funding. And then the emergency water and sewer funding is in the neighbourhood of over \$300,000 in 2003. Is that . . .

**Mr. Hart:** — Good, thank you. So then when the auditor talks about staff and that sort of thing, he's talking about department staff, not staff of an agency that's at arm's length or a special agency that's set up and jointly administered by this advisory board, or is that in fact the case?

**Mr. Brooks:** — Yes, that's an important point . . .

**Mr. Hart:** — Could you clarify that?

**Mr. Brooks:** — Yes. The board's role . . . the Northern Revenue Sharing Trust Account Management Board is advisory in nature. And the board considers the advice of department officials prior to making recommendations to the Minister of Government Relations. The board's advice provides input from northern leaders on the needs and the priorities that they identify. So department staff provides support to the board, they listen to the recommendations that come forward, but at the end of the day the department is key in making the decision.

**Mr. Hart:** — Just for information purposes, how many members make up the board? And could you provide us with a list of who currently sits on that advisory board?

**Mr. Brooks:** — Certainly. The members of the board must be either a councillor, a mayor, or a clerk of a northern or an urban municipality, and are appointed by the board, to the board by an order in council for a term not exceeding three years. And it's tied to the municipal election cycle.

The board currently has eight members. And that includes Gordon Stomp, who is the mayor of the northern village of Air Ronge, who is the Chair; Doug Gailey, who is the administrator of the northern village of La Loche, who is the Vice-Chair; Cecile Caisse, who is the mayor of the northern village of Pinehouse; Brian Chaboyer, a councillor of the northern village of Cumberland House; Terri Daniels, local advisory committee, northern settlement of Wollaston Lake; Eugenie Lafleur, that's the administrator of the northern hamlet of Dore Lake; Bev Wheeler, the administrator of the northern village of Denare Beach; and Bobby Woods, the mayor of the northern village of Buffalo Narrows.

And the members are chosen from recommendations from northern municipalities and New North, with the objective to represent the different areas of the North — east, west, north and central; the different classes of municipalities — towns, villages, hamlets, and settlements; and that the balance of elected officials and municipal staff.

In the spring of 2002 I should mention the department assisted the board in moving more arm's length from the department by working with them to hire their own administrative support which was previously provided solely by the department. So the board contracted the northern village of Air Ronge to provide administrative and support services to the board. The northern village contracted with Stinson International to assist them in that work. They have established policies and procedures relating to the conduct of the board including the conflict of interest and they have per diems of \$155 per day established by order in council.

**Mr. Hart:** — Good. Thank you for that. It clarifies the structure and the role that each . . . the board plays and the department's responsibilities and so on. So then just to, I guess, repeat and clarify, when the auditor talks about the need for staff development and so on he's talking about members of your department and department staff, not staff that is hired by and working for the advisory board.

**Mr. Brooks:** — That's our understanding. He's talking about members in our northern municipal services branch and talking about our management capability in relation to that.

**Mr. Hart:** — Okay. I'd like to move on to the area that the auditor raises on page 161 where he talks about a need for a written agreement between your department and the Department of Environment. The auditor indicates that the department administers the land leases and sales for your department and it seems to have some concerns in recommendation no. 6 about the lack of an agreement. Could you expand and explain the current arrangement between the two departments, and also given some sort of an indication as to when the Department of Environment transfers funds over to the NRSTA and that sort of thing so we have just a better understanding of the current arrangements that exist between the two departments.

**Mr. Brooks:** — So under The Northern Municipalities Act, section 287, it provides that the Northern Revenue Sharing Trust Account is to receive all municipal revenues related to the administration of the district, including and without restricting the generality of the foregoing, which includes proceeds from the sale of Crown land in the district and lease fees and permit fees.

The Crown land disposition regulations provide that the:

Proceeds from the disposition of crown land not located within the (prescribed) boundary of:

- (a) a northern community area
- (b) a local development area (or)
- (c) a hamlet or community where an advisory association is established pursuant to section 17 of the Act,

shall be deposited in a chartered bank to the credit of a designation known as “**northern dispositions**” of the trust account mentioned in (the previous section).

Under those provisions, Sask Environment pays the NRSTA around the 4 million annually from leases, permits, and land sales in northern Saskatchewan administration district. Under the current agreement that we’re working towards, the agreements or the payments are to come in quarterly from Sask Environment, and they are to keep us advised on a regular basis with regards to any development on that.

Now that . . . the administration of the collection of the funding from those activities is done by Sask Environment and they collect an administrative or retain an administrative fee from that to compensate for those activities.

**Mr. Hart:** — So just to clarify the arrangement, it would seem then that your department owns the land if you’re getting the proceeds from the sales and the rental, or perhaps you could clarify that. Perhaps maybe your department actually doesn’t own the land, but it would appear that, at least one would presume by observing the arrangement that you have, and Environment is responsible for collecting the lease fees and the permit fees and . . . I would like if you could expand on what type of permit fees are we, you know . . . And then as far as the land sales, does the Department of Environment tender the land on your behalf, and then collect the proceeds, and then the money is deposited into the trust account? If you could just clarify the operational procedures in that whole area.

**Mr. Brooks:** — The land in question in the northern administrative district is Crown land and therefore the property of the Crown. It’s administered by Sask Environment on behalf of the Crown, and the disposal of any of the land — either through a Crown grant, order in council, transfer, assurance, lease, licence, permit, contract, or agreement — and every other instrument whereby lands or any right, interest, or estate in land may be transferred, disposed of, affected, or by which the Crown divests itself of or creates any right or interest in the land, accrues to Sask Environment. And they are then required under section 287 of The Northern Municipalities Act to

provide that to the Northern Revenue Sharing Trust Account to support the activities in the North.

The activities and policies and procedures that Sask Environment uses to determine their sales or leases or permits are more appropriately directed to them. I wouldn’t have information on that here today.

**Mr. Hart:** — Thank you for that clarification and we will be . . . Department of Environment will be before the committee this afternoon and so I wanted to get that clarification to know who we should be asking these questions of and that sort of thing. Mr. Chair, I just don’t think I have at this time any further questions.

**The Chair:** — Mr. Borgerson.

**Mr. Borgerson:** — Yes, thank you. I have a couple of quick questions. One, there are two separate programs, the northern water and sewer program and the emergency water and sewer program. I can sense the differentiation between the two but if you could sort of explain what the emergency water and sewer program fund would be for, \$300,000 fund. That’s unforeseen requirements, perhaps, in the communities.

**Mr. Brooks:** — You’re right that the emergency water and sewer program is, as it sounds, it’s a fund that’s established as a contingency to deal with unbudgeted and unallocated required expenditures for water and sewer programs in northern communities and settlements. And the Northern Revenue Sharing Trust Account Management Board has allocated 1 million on an annual basis to meet emergency repairs for communities and water systems. We see in 2004, or 2003 that that amounted to \$300,000.

This year, as of this time, we are unaware of any emergencies that had arisen. It’s still early in the year and the experience is that . . . well actual expenses for 2002 were 1.2 million. So it can vary quite a bit simply by unexpected occurrences. As we go through the upgrade to the northern water and sewer infrastructure, one would expect that emergencies would be less common as infrastructure in general improves.

The other program, the water and sewer program itself, is a capital infrastructure program. There’s a five-year capital plan in place there to address the ongoing and rather large needs of the North in general.

**Mr. Borgerson:** — And just one other question. Regarding what is essentially an administration fee to Sask Environment for leases and land sales, the auditor’s report indicates that it is \$430,000. Is that a historical figure or a percentage of the 4 million that’s collected?

**Mr. Brooks:** — It is a historical figure. It has run in and around the \$400,000 level. It represents approximately 11 per cent of the revenue that’s generated by the activities of Sask Environment in the disposition of Crown land.

**Mr. Borgerson:** — So is that reviewed at all from year to year, or has it been?

**Mr. Brooks:** — It will be reviewed in conjunction with the



memorandum of understanding that we're putting forward with Sask Environment currently.

**Mr. Borgerson:** — Right, thank you. Thank you, Mr. Chairman.

**The Chair:** — Thank you, Mr. Borgerson. Perhaps three areas that I would address before we deal with the four specific recommendations before us today.

First of all, a question to the Provincial Auditor's office regarding recommendation no. 6. And we've already discussed the problem about a lack of a proper agreement between the Department of Government Relations and Aboriginal Affairs and Saskatchewan Environment. Can we assume — the question is to the auditor — can we assume that the primary responsibility for lack of a proper agreement lies with the Department of Government Relations because that is where the . . . that is the location of the recommendation that's in the chapter dealing with Government Relations and Aboriginal Affairs? Or, you know, would you have been able to make the same recommendation to Sask Environment saying that they have some responsibility for lack of a proper agreement as well?

**Mr. Wendel:** — Mr. Chair, I think the recommendation is made here in the context that the department needs to have good information to prepare proper interim financial statements in order to be able to manage their results. So they need to be able to get information on a current basis from Environment, know what's coming, know that it is complete. So I think it initially belongs here for the purposes of making sure that the department can produce accurate interim financial statements and year-end statements.

**The Chair:** — So what you're saying, then, is that the onus is on this department to ensure that the adequate information is available so it can do proper financial planning.

**Mr. Wendel:** — Yes, I would think that would be a good summation.

**The Chair:** — Okay. And then I understand from the department that those steps have been taken and they have been initiated by your department.

**Mr. Brooks:** — And we would concur that the problems that result from having inaccurate information generally fall to the department and to the operation of the NRSTA and it's in our best interest to make sure that that information is as good as possible.

**The Chair:** — Okay. The secondary, I just want to quickly touch on and it's . . . This keeps coming up in every auditor's report that deals with this department and that's regarding the First Nations Fund and the fact that the auditor has been denied access to the fund. You know, I heard about that, you know, immediately upon entering provincial politics some, what — six or seven years ago, and nothing's changed.

Almost, you know, we're almost becoming acclimatized to this report from the auditor. You know, it's almost like if you hear enough about violence on the news, it doesn't affect you as

much any more. And that concerns me that after all of these years and all of these reports that the auditor is still concerned that access is being denied, and I wondered what steps the department is taking. And has the department considered even not funding this, putting money into this trust fund, until the auditor is given access to it?

**Mr. Brooks:** — I would ask Nora Sanders with First Nations and Métis Relations to respond.

**Ms. Sanders:** — Thank you, Mr. Chair. Yes, we've written to them asking that the access be provided, and I just want to outline a little bit of the background to the . . . Of course, the First Nations Fund is in the process of being wound up. Under the new arrangements with the First Nations Trust, the auditor will not deal directly with the trust. The accountability will be with the Department of First Nations and Métis Relations and we'll be audited as to the amount of the information that we can provide about the trust. But with respect to the historical activity under the fund, it is still the auditor that is entitled to receive the information. We've made that request and we'll be encouraging them to make sure it's available as part of the winding-up process.

**The Chair:** — So I guess then the question that follows is, what steps then are you taking to ensure that you will have proper access to the dispensing of these funds and how they were used?

**Ms. Sanders:** — Well as far as the trust under the new arrangement or under the . . .

**The Chair:** — Under the new arrangement.

**Ms. Sanders:** — We already have the first annual report of the First Nations Trust and I think it's quite a good document. It contains a lot of very useful information about how the monies have been received and used. And so we're pleased to see that. It is a bit of a matter of working out arrangements with anything new, and so we request the information. If what's received isn't exactly as we expected, then we go back to them.

And we're still working very closely with the financial staff in Government Relations until we get our own staff on board. They've been very, very helpful with that process of making the requests for information, doing the follow-up, trying to ensure that it's understood why the information's needed, and that it is provided. So it is a process and it's one that's still in development.

**The Chair:** — I guess another two questions follow. Can you assure the Public Accounts Committee that you are receiving full access to the . . . to this fund and to how these monies are spent? And could you tell the committee why the department is given complete access and the Provincial Auditor wasn't?

**Ms. Sanders:** — We are having to request information in some of the areas as well. So it's a . . . but it's a different process. So I think it's hard to compare apples and oranges. I think with the auditor, Provincial Auditor having direct access to the First Nations Fund there was a sensitivity with First Nations about that. And in part that's why we've created a different structure with a trust that's fully managed through the First Nations but

with information that needs to be provided to us.

We're still in the process of working all these things out and I have to say that everything doesn't necessarily happen automatically. We do need to make requests. We have had to make follow-up requests in some cases. But we're monitoring those things and trying to manage as best we can and develop those relationships so that they are used to then making the reports. We're not yet in a matter where it's automatic.

**The Chair:** — Okay, thank you. And I'm sorry; I should have maybe asked my questions in reverse order. I didn't want to pull you up before it was your time, but I hadn't realized that you would be answering the questions.

The third area regarding the Northern Revenue Sharing Trust Account, we saw tabled in the fall session of the legislature a new municipal Act. It's a consolidated municipal Act which would be the Act governing not only small urban municipalities, but also rural municipalities. And with my contact with northern communities there is a real desire by many of these communities to be under a similar structure to municipalities in the southern part of the province. So my question is, when the municipal consolidated Act was on the drawing board, did your department consider trying to include northern municipalities under this new arrangement? If not, then why didn't you do that and if you did consider it, why are not northern municipalities also under the jurisdiction of the new Act?

**Mr. Brooks:** — This was an area of keen interest for all the municipal sectors in Saskatchewan and it certainly was one that was viewed with some interest by the northern municipal sector. The review of the municipalities Act and regulations began with a review and updating of the urban municipal Act. And the review and consultations were a fair way along when the rural municipalities exhibited some very strong interest in revising their legislation and regulations at the same time. And those two processes were blended and consultations were completed in a very successful fashion.

The northern municipalities exhibited some interest. However, the degree of consensus did not seem to be there with regards to folding completely into the municipalities Act. And a determination was made that it was unlikely that we would achieve the necessary consensus and in consultations to legitimize rolling them into the municipalities Act within the time frame that was acceptable to the urban municipalities, who had already experienced some delay by looking at the consolidation with rural municipalities Act. So we are still going to review The Northern Municipalities Act and ensure that the very best parts of the municipal Act that are relevant and realistic for the North are reviewed with them to see what can be put forward for reviewed legislation and regulation.

**The Chair:** — Because the northern communities don't have an association like a SARM (Saskatchewan Association of Rural Municipalities) or a SUMA (Saskatchewan Urban Municipalities Association) to represent them, it's much more difficult for them to consult and build up consensus. I mean, there were some questions earlier about this advisory group which, you know, not only includes elected officials, but also administrators and that sort of thing. It's not the same as a, you

know, as a SUMA or SARM process.

What would your department be doing to facilitate the ability of northern communities to properly, you know, discuss these kinds of issues without sort of feeling like big brother government is looking over their shoulder and trying to direct them, you know, in the outcome that they would want, rather than perhaps what might be best for northern communities?

**Mr. Brooks:** — The department does work with the Saskatchewan Association of Northern Communities Services Incorporated, commonly called the New North, and they act as the representative of the northern communities representing the 35 towns, northern villages, northern hamlets, northern settlements in the northern administrative district. And they were incorporated in 1996, and their mission statement does read to promote the interests and action on behalf of northern communities in the northern administrative district of Saskatchewan.

So they have provided that contact point for Government Relations to work with on these areas. And we do meet with them on a . . . four times a year with northern round tables, and we do facilitate bringing them together with all relevant government departments. And we have found them a useful mechanism and point of contact on a wide variety of issues. They were the group we consulted with on the municipal legislation as well as getting some feedback from all other areas, Northern Revenue Sharing Trust Account Management Board as well.

**The Chair:** — Could you inform the committee as to when this council . . . Did you call it a council?

**Mr. Brooks:** — It's Saskatchewan Association . . .

**The Chair:** — Association. When this association was made aware of the consolidation of the municipal Act, how many times was it dealt with by this association. And have they put forward a formal response or position on coming under the auspices of the new Act?

**Mr. Brooks:** — We didn't bring the full amount of that material with us today and are willing to provide that to you. I can tell you that we met with New North in September 2004 and the discussion of municipal legislation made up over half of the agenda items that were discussed. That wasn't the first time we had discussed the issue with them and we'd have to go back and review our records just to see when that was — likely in December 2003. So we can provide that information to the committee if you so desire.

**The Chair:** — Okay, we'd appreciate that. And could you . . . and just briefly could you indicate what you feel the chances are that in, you know, the foreseeable future — and you know, I'm thinking within a matter of a year or two — that in fact northern communities may request to come under the auspices of this Act and be treated equally with municipalities in southern Saskatchewan?

**Mr. Brooks:** — I guess it would be probably best to say that we are going to put some considerable effort into reviewing the legislative changes in the South with the New North group and

with others in the North to understand what they might perceive as benefits for them. We would want to see a considerable consensus arise out of the discussions to facilitate moving forward and recognizing the provincial interest appropriately through that process. Without going through the process it's hard to understand where that would come out.

**The Chair:** — Thank you, Mr. Brooks. Are there any other questions?

The four recommendations that we have to deal with, I believe, fall under your auspices, your section of Government Relations and Aboriginal Affairs. So perhaps with the agreement of the committee we'll move to recommendations 2, 3, 5, and 6.

Recommendation no. 2 is on page 159 of volume 1 of the 2004 auditor's report. I will read it. It reads:

We recommend that the Department prepare a strategic plan for Northern Revenue Sharing Trust Account setting out its goals, objectives, and priorities.

I guess I would entertain a motion in this regard and then we can discuss the motion. Mr. Yates.

**Mr. Yates:** — Thank you, Mr. Chair. I'd move we concur and note progress.

**The Chair:** — On a motion to concur, note progress, is there any discussion on the motion? Seeing none, we'll call for the question. All in favour? That's carried unanimously.

Recommendation no. 3 on the same page states:

We recommend that the Department approve an annual business and financial plan for Northern Revenue Sharing Trust Account before the beginning of its fiscal year.

Again is there a motion? Mr. Hagel.

**Mr. Hagel:** — Mr. Chair, again I'll move that we concur and note progress.

**The Chair:** — Again a motion to concur and note progress. Discussion on this motion? Mr. Krawetz.

**Mr. Krawetz:** — You noted, Mr. Brooks, in your comments you said that in the future the business plan will be something. How far, how far into the future is that?

**Mr. Brooks:** — We hope to have that in place for the next fiscal year. The department approved the 2005 budget prior to the commencement of the 2005 year and for the next year we hope to have the annual business plan in place for the next year.

**The Chair:** — All right. I hear some informal discussion to the motion. Are we ready then for the question? All in favour? Again carried unanimously.

We will move to recommendation no. 5 on page 160. The recommendation reads:

We recommend that the Department establish a

development program to ensure that Northern Revenue Sharing Trust Account staff have the required competencies.

Again, is there a motion? Mr. Borgerson.

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

**The Chair:** — Again a motion to concur and note progress. Is there any discussion on the motion? Seeing none, we'll call for the question. All in favour? None opposed. It's carried.

And recommendation no. 6 on page 161:

We recommend that the Department documents its agreement with the Department of the Environment to administer lease and land sales for Northern Revenue Sharing Trust Account.

Is there a motion? Mr. Yates.

**Mr. Yates:** — I'll move we concur and note progress.

**The Chair:** — Again a motion to concur and note progress. Is there any discussion on this motion? Seeing none, we'll call the question. All in favour? Again that's carried unanimously.

Mr. Brooks, I'd like to thank you and your officials for answering the questions put to you. And I would ask that Ms. Sanders come before the committee and I believe she has a statement.

Ms. Sanders, I apologize if you have a great deal of material. I was under the understanding because the recommendations were primarily in Mr. Brooks's area that this would take less time. And I'm hoping that we can stay on schedule and be completed by 10:30, but if we aren't, it's certainly the Chair's fault. Ms. Sanders.

**Ms. Sanders:** — Thank you, Mr. Chair, and I think we can be brief this morning. I very much appreciate the opportunity to appear here this morning with the people from Government Relations and to speak to you about the auditor's report.

As you know, First Nations and Métis Relations became a separate, stand-alone department October 1st of this past year, and so we're still in the process of separating out our financial affairs, if I can say it that way. And as you have noted, the bulk of the material in the auditor's report related to the other part of the former department.

I'd like to speak just briefly about a couple of the things noted in the auditor's report in relation to what is now our department. With respect to the Métis and off-reserve First Nations strategy, we're very pleased that the Provincial Auditor has recognized the work that's been done to establish a sound foundation to coordinate action across government on the goals set out in this strategy, and that monitoring and reporting of performance in this regard has improved. So we appreciate that noting of progress.

And with respect to recommendations 8 and 9, we're pleased

again that the auditor has noted that we have implemented measures to improve the reliability of information and reporting with regard to the Aboriginal employment development program. That's a very important program for us because it does relate to trying to increase the number of Aboriginal people in the workforce. And we think it's very true as well when the auditor notes that although progress has been made there's more work to be done.

We're very pleased to mention some of the things that are in progress right now or in place or becoming in place. We're developing a database that will cover the 61 partners who have signed partnership agreements under this program and will include the positions in those departments.

As you know, this program is based on the notion that First Nations and Métis should consider themselves eligible for any position, not just targeted positions in an organization. So the partner organizations make it known what positions there are and then the program is intended to help support people to gain the training or the information they need to become eligible for those positions.

So this database, it's been developed but it's still in the process of having all the material included and it will continue to grow and adjust as new partners come on and as partners have changes in their circumstances. But I think that that's very much in keeping with what the auditor has noted.

So in this respect and in just generally in relation to publicizing the information about the program, our efforts are continuing and we very much recognize that there's room for improvement.

So that's really my opening remarks. I want to thank the auditor for those comments and I want to thank you for the opportunity to appear here this morning.

**The Chair:** — All right. Thank you, Ms. Sanders. Are there any questions? Mr. Hart.

**Mr. Hart:** — Thank you, Mr. Chair. Ms. Sanders, you mentioned that the partners that signed a written agreement under the Aboriginal employment development program. I heard you use the term general positions, you know, or employers should make known what positions they have available. But then, you also used the term targeted positions.

Under this program, are there targeted positions within a workplace or is it the other concept where employers make known what positions they have available and then the First Nation and Métis people acquire the skills if they don't have the skills to fill that? Could you just expand on that a bit just to so better . . . fully better understand the operation of that program?

**Ms. Sanders:** — Yes. I can clarify. This program does not work on the basis of targeted positions. It simply works with employers to look more generally at whether there are barriers in the workplace, provides cross-cultural training, and encourages employers to develop career plans for individuals so that they can aspire to any position in the organization. And so that's part of the idea through the database that's being developed, to include a list of what positions there are in

different companies.

And I think the staff that work in this area tell me that what they find in working with companies and working with employees, that sometimes Aboriginal people didn't know what positions there were, didn't know which kinds of things you could aspire to, or what training would be required to get yourself to that place. So this is intended to make sure that all those options are open to them in a supportive way.

**Mr. Hart:** — You mentioned Aboriginal people didn't know that the positions were available. How does the program accomplish that then? If an employer has a number of positions that are available, how is that information communicated to Aboriginal persons who are seeking employment?

**Ms. Sanders:** — Well one of the really exciting developments this past fall was the unveiling of a poster campaign that showed . . . profiled different Aboriginal people that are in a range of different types of employment. But almost more important than that, at the same time was launched a resource kit that's being provided to all the schools, or I think it's the middle school type of an age of young people. But it includes a lot of information about different kinds of employment and also includes, you know, if you want to be such-and-such type of a job then you need to take grade 10 math or science or whatever so that young people can start planning as to what their needs are.

And then I think in the arrangements with each of the individual companies, they will each have their own plan but they're encouraged to go out to make contacts with First Nations communities, advertising — and I think through this Web site — of all the positions. And yes, one of the things that we often work with, and those companies in, is to share in the initial year the cost of a company hiring an employment . . . Aboriginal employment coordinator to get the program launched for that company. And the idea of us sharing that initially is that they will carry that position on as a long-term fixture in their company.

**Mr. Hart:** — So would it be fair then to categorize the employment development program more of a general awareness program rather than a program that actually links individuals and employers? Would that be a fair assessment of your program?

**Ms. Sanders:** — I think it's more multi-faceted than that because it does work with each employer that signs an agreement to develop their own plan. And that may include training for a group that, if there's a group of jobs that Aboriginal people could do but don't have the training for or those kinds of things, then that company might implement that. So we would work with them both to look at eliminating barriers and also to see what other kinds of things could be supported.

So I think it varies a little bit company to company but a lot of it is informational. And a lot of it is helping those already in the organization understand whether they have created unintentionally any cultural barriers simply by the way things are structured and so on. And I think it's aimed to be done in a way that's helpful. Any of us as managers want to know, is

there something we could do better. And this is the kind of approach that this program takes.

**Mr. Hart:** — Good, thank you. Mr. Chair, I have no further questions.

**The Chair:** — Mr. Krawetz.

**Mr. Krawetz:** — Thank you. Thanks, Mr. Hagel, I know he might have a question. Ms. Sanders, I'd just like to clarify — the department program, the Aboriginal employment development program, does the employer list include the Aboriginal casinos that operate in the province?

**Ms. Sanders:** — Apparently, Mr. Chair, that . . . the casinos are not signatories to partnership agreements at this point. We have currently 61 agreements, so I don't know who they all are although I've probably seen it, but they are not one of those group.

**Mr. Krawetz:** — When a goal of the program is to promote the employment of qualified Aboriginal . . . And I know we, you know, we have a very contentious issue in the province right now regarding the smoking bylaw and . . . for the province and how it is being administered at . . . the situation in casinos that are run by the Aboriginal people. And when we look at 61 agencies or employers, prospective employers that are signed on by agreement to try to promote Aboriginal employment, it has become a very contentious issue, especially in Yorkton.

And I'll just briefly indicate to you that in Yorkton, back July 1, 2004 is when the city of Yorkton instituted a no-smoking bylaw, and there was agreement with the Painted Hand Casino that in fact they would follow that. And they did. Since then of course, with the provincial Act coming into force on January 1, now the decision made at the Painted Hand Casino level is they will follow the other . . . the lead of all the other casinos and they are currently — and I use that word — they are not going to follow the restricted smoking bylaw within the casino properties.

As a result there has developed . . . I think all of the good work that maybe 61 agencies are doing in terms of employing Aboriginal people, there is now a lot of resentment by many employers that the field is no longer level, if I can use that term, especially in the city of Yorkton, because that is now, you know, unbalanced.

And I'm wondering whether . . . Your question now, that they don't belong to that partnership, tells me a great deal in terms of working in a unified manner across the whole province with all prospective employers — doesn't seem to be there. And that's not a matter of the employment of qualified people.

What I'm looking at is that, you know, the Aboriginal employees that are employed in casinos are protected. I mean, there's great concern about second-hand smoke and we've looked at that as a society across the whole province, yet it's not going to be implemented at the casinos that are not part of your . . . they are not signatories to your agreement. So I'm wondering how your department is going to look at, you know, dealing with this, I'll say, very contentious issue in the province.

**Ms. Sanders:** — Well I think it's clear that these are all a very complex series of relationships. But just thinking of the casinos and their employment practices, my understanding is they make a great effort to employ Aboriginal people and quite successfully. And I think it's natural that they as an Aboriginal organization may not feel the same need for the assistance of our department in how to go about that than some other employers might. So certainly we're, you know, endeavouring to continue positive relations with them on a range of fronts. And as you point out, there are many, many issues that we work on together. And I don't take it as any lesser commitment to Aboriginal employment that they're not signatories to the Aboriginal employment development kind of an agreement.

**Mr. Krawetz:** — Thank you.

**Mr. Hagel:** — Thanks, Mr. Chair. Just one question, Ms. Sanders. With the experience of the Aboriginal employment development program, does it also focus on attachment for summer employment of students to workplaces?

**Ms. Sanders:** — Well yes. And that . . . Again, every employer could have its own plan. But that's a very logical way to follow, because often a young person through summer employment gets that experience that either helps them connect with that employer long term or helps them see the range of employment possibilities that are there. And sometimes what First Nations and Métis youth are lacking are the kind of mentors that they might have through knowing people in different careers or professions. And again through summer employment they may well be able to gain that. So that's something we very much encourage.

**Mr. Hagel:** — Thanks. And secondly, is the experience of summer employment attachment related to post-secondary students only, or does it also include potentially K to 12 (kindergarten to grade 12) students, or maybe, actually, K to 12 students?

**Ms. Sanders:** — Yes, I think it could be either depending on the particular employer and the type of business they're in or whatever. But I think we probably see it more with the post-secondary.

**Mr. Hagel:** — Right. But there is some K to 12 attachment experience that's included in the 61 agreements? Or at this stage is that something that's potentially?

**Ms. Sanders:** — I don't know that it would be spelled out in the agreements. It might be something that an employer would, in developing their own plan . . . Like once they have the agreement then they develop a plan, multi-faceted, with our assistance of the things that will help them as an employer have a greater Aboriginal contingent in their workforce. So I can't speak for each of those, but I believe there are some that would include pre-post-secondary, but the emphasis is probably on the post-secondary.

**Mr. Hagel:** — I guess I was just . . . It would make a great deal of sense to me, if the objective is to meet the future projected employment needs, at the same time to expose Métis and First Nations students at the K to 12 level while they're still making course selections about requirements related to post-secondary

training, that if there are possibilities of opening those up to K to 12 students, that probably would be a helpful activity in the long run, both for employers as well as students generally. Thank you. Thanks, Mr. Chair.

**The Chair:** — Mr. Borgerson.

**Mr. Borgerson:** — Yes. Just a question in terms of process. A resource kit is developed for middle year students, for example. Your department then, I'm assuming, would coordinate getting that resource kit out to middle year students through Saskatchewan Learning and they, in turn, through NLS (Northern Lights School Division).

**Ms. Sanders:** — That is correct.

**Mr. Borgerson:** — And your department as well, then, would connect with individual First Nations or through FSIN (Federation of Saskatchewan Indian Nations) education branch in terms of getting this into First Nations schools.

**Ms. Sanders:** — Yes. It's just getting started, so we're in the process of the distribution. So I think it's primarily happened so far in the public school system. But the next step will be working with FSIN to make sure that it's in their schools as well, in the schools on the band reserves.

**Mr. Borgerson:** — Thank you.

**Mr. Hart:** — Thank you, Mr. Chair. Ms. Sanders, you mentioned that you have 61 agreements signed with employers, and I know I occasionally see news releases. For instance, the University of Saskatchewan, I believe, is one of the employers that has signed the agreement and so on. Is it possible to get a list of all the employers just for our own information? Could you provide that for the committee?

**Ms. Sanders:** — Certainly. We'd be happy to do that.

**Mr. Hart:** — Thank you.

**The Chair:** — All right. Seeing no further questions, as the Chair was prepared to take full responsibility if we got off schedule, I'll take complete credit for the fact that we're to the minute on schedule.

We want to thank you, Ms. Sanders, for appearing before the committee and answering all the questions directed to you and thank all of the officials from Government Relations and Aboriginal Affairs for appearing this morning.

We will take a 15-minute recess and promptly resume our hearings at 10:45. We're recessed.

**The committee recessed for a period of time.**

#### **Public Hearing: Finance**

**The Chair:** — Committee members, we'll resume Public Accounts Committee if I could have everyone's attention. And we are now moving on to Finance and we are chapter 6 of the 2004 report volume 3. We have Finance officials with us, including the deputy minister, Mr. Styles, of whom we will ask

for a response, if he so chooses, to the auditor's report momentarily and also the chance to introduce his colleagues.

First of all though, we will have that summary of chapter 6 provided by the auditor's office. I understand Mr. Montgomery will be making the presentation, so the floor is yours.

**Mr. Montgomery:** — Thank you. Good morning, Mr. Chair, committee members. I plan to guide you through the recommendations for the Department of Finance that are included in chapter 6 of our report.

In this chapter, we report the results of the audit of the Department of Finance and the entities it controls for the year ended March 31, 2004. We continue to report concerns with accounting used for the General Revenue Fund financial statements. Also, we continue to be concerned with the use of the General Revenue Fund to report on the government's financial performance. In addition, the chapter contains four new recommendations for your attention.

Our first recommendation relates to the Department of Finance. In April 2003, Finance implemented the first phase of its planned changes to the financial and human resources computer systems used by all departments. This first phase included modules for the general ledger, accounts payable, revenue recording, and cash management.

Implementation of the cash management module presented significant problems. Finance was unable to reconcile the main bank account's recorded balance to the bank records for most of the year and did not complete the documentation of procedures for reconciling the General Revenue Fund's main bank account until June 2004. Finance performed some procedures to mitigate the risk of loss. These included daily reconciliation of cash receipts to the bank deposits and comparison of the cashed cheque listing from the bank to a list of cheques issued.

Timely bank reconciliations help ensure that the bank makes only authorized withdrawals from the bank account and that all deposits are put into the bank account. Also timely bank reconciliations helps to ensure the accuracy of financial reports. Finance produces the monthly financial reports for all departments. Inaccurate reports can result in poor decision making. When bank reconciliations are not performed promptly, there is an increase in the potential for loss due to fraud or error.

Therefore on page 192 we recommend that Finance reconcile its recorded bank balance to the bank records promptly. We also note that at the time of our report, Finance's reconciliations are now current.

Our second recommendation relates to the Public Employees Benefits Agency, PEBA. PEBA administers pension plans and benefit plans under the authority of The Financial Administration Act. It is also allowed to provide management assistance to benefit plans not administered by PEBA.

PEBA arranged with certain employers to pay health care premiums on their behalf. At year-end, money received from these employers exceeded premiums paid by \$220,000. The surpluses remained in PEBA's bank account. The Financial

Administration Act does not permit PEBA to retain surpluses for health care plans unless they have been designated as benefit programs by cabinet. Cabinet has not designated these health care plans as benefit programs, therefore PEBA had no authority to retain the surpluses.

On page 194 we recommend PEBA return the surpluses to the employers or have the plans designated as benefit programs by cabinet as required by The Financial Administration Act.

The last two recommendations to bring to your attention relate to the Saskatchewan Pension Annuity Fund. The fund is administered by the Public Employees Pension Board. The fund provides annuities to members of the Public Employees Pension Plan who choose to buy annuities from the fund. The board buys fixed-term investments and uses the cash received from these investments to pay annuities. To ensure the fund has adequate cash to pay the annuities, the board needs to forecast and monitor cash inflows and outflows. The board does not forecast and monitor cash flow needs and has not established guidelines for staff on how to manage cash shortfalls. The board has been given the legislative authority to borrow money and has established a line of credit with the bank to cover cash shortfalls.

Twice during the year, the board did not have enough cash to pay annuities. To pay the annuities, staff borrowed money from the Public Employees Pension Plan without informing the board or senior management. The fund is not allowed to borrow money from the Public Employees Pension Plan. The board later repaid the amounts borrowed, including interest.

On page 196, we recommend that the Public Employees Pension Board monitor regularly the Saskatchewan Pension Annuity Fund's cash flow. We also recommend that the Public Employees Pension Board use the borrowing authorized under The Financial Administration Act for the needs of the Saskatchewan Pension Annuity Fund.

Mr. Chair, that ends my opening comments. We'd be pleased to answer any questions.

**The Chair:** — Okay. Thank you, Mr. Montgomery. Mr. Styles, if you would care to introduce your colleagues and provide a response to the auditor's report, then we'll get on with questions.

**Mr. Styles:** — To my right is Brian Smith, the executive director of PEBA, and to my left is Terry Paton, the Provincial Comptroller.

Just a couple of comments in response to the four recommendations. Generally accept the recommendations, don't have a concern with them. Depending on which one you're talking about, either we have or will be taking actions to address the issues that have been raised by the Provincial Auditor. With that, I would be open to questions.

**The Chair:** — All right, Mr. Styles. Questions? Mr. Krawetz.

**Mr. Krawetz:** — Thank you, Mr. Chair, and good morning to you, Mr. Styles, and to your officials.

Two or three areas that I'd like to explore this morning and the first one would be regarding the testing procedures that were, you know, with the main bank account and establishing a procedure that would, in fact, reconcile the bank account information. Has that, I guess small glitch, has that been corrected and are we in a process of ensuring that the new system that has been put in place is operating at, you know, the required goals and objectives that you set out for it?

**Mr. Styles:** — Maybe I'll have just a few comments and then Terry, who's a bit more the expert at this, can maybe address it. What it was, was a delay in implementation. And so again, with the size of system, the number of changes that we're implementing all at one point in time, we were slightly delayed on the one module.

We did put in additional testing mechanisms, okay, during the interim. The module was then successfully implemented, okay, and has been in use for quite some time. It's been fully tested and, you know, no problems have been found with it. In point of fact, the new module, with respect to bank reconciliation, allows us to carry out the reconciliations quicker than we could previously. So there is . . . Some efficiencies have actually been gained, I guess, from the implementation.

So it was only for a short period of time and again the existing or the new MIDAS (Multi-Informational Database Application System) system has been fully implemented, tested, and appears to be very, very successful.

So with that, maybe Terry has a couple of other comments he may want to offer.

**Mr. Paton:** — Yes. The only thing I'd add to that is that, as Mr. Styles indicated, we are completely current on our bank reconciliations now. We should be completing our December '04 reconciliation as early as the end of this week. So, you know, we're only a couple of weeks behind in terms of preparing them now. So that's much more current than what we would have been in the past.

**Mr. Krawetz:** — Thank you, Mr. Paton. Mr. Paton, a question then. Are you confident that in the delay of implementation of that module, that everything operated in a fashion that, even though it was delayed, it was still accurate and the information that has since been produced is . . . you have a level of confidence that everything operated in an acceptable fashion?

**Mr. Paton:** — Yes. And we're completely confident in the system now. As was pointed out, we did a number of procedures throughout the year to ensure that cheques on a daily basis were being reviewed and reconciled to our reports. As well, deposits were being reviewed on a regular basis.

And it was more in the area of adjustments that were going through the system that we had to make sure that the new system handled those properly in the future.

**Mr. Krawetz:** — This type of restructuring of how the system that's now in place is operating, how often does that occur and when do we anticipate that, you know, with technology changes, is this something that will occur every second year or are we looking at it as a long-term solution now that we . . . as

your, well you know, department, you will not be confronted by this delay in the next short while?

**Mr. Styles:** — Well in terms of new system changeover, RES (revenue and expenditure system), I think, was in place for around 15 . . .

**A Member:** — Eighteen.

**Mr. Styles:** — Eighteen years. So it doesn't happen very often. You know, I think the challenge with the new system isn't so much that you have to change from that to something brand new. But in the future, you have upgrades and so you'll get new operating systems that might come in and you have to do an upgrade or, potentially, they might add more functionality, okay, to it.

But I don't think you will see in the future the same type of complete shift from one system to another. I think that was kind of an event of the past. But in the future, again I think it's more you get upgrades to a particular type of system that you've purchased. I would assume we wouldn't face this issue for, you know, another 10 or 20 years at the very minimum.

**Mr. Krawetz:** — Good. Thank you. My question to Mr. Montgomery. On page 187, Mr. Montgomery, you report that for the year ended March 31, 2004, there were approval . . . there was an approval by government of about 207 million by special warrant and then the special warrants were included in an appropriation Act. Is that normal procedure for government to first issue special warrants and then follow up on these warrants by an appropriation Act?

**Mr. Montgomery:** — Yes, Mr. Krawetz, and the law requires us to report that in our reports.

**Mr. Krawetz:** — Okay. You have no concern . . .

**Mr. Montgomery:** — No, no.

**Mr. Krawetz:** — . . . as to the fact that there was anything omitted or everything is as you have included in the report.

**Mr. Montgomery:** — Correct.

**Mr. Krawetz:** — Good, thank you. Mr. Styles, you also indicated that, or the auditors indicated that there is a need to correct the employer contributions that are made to PEBA to purchase health coverages and that in fact in the auditor's opinion there was at least \$220,000 worth of surplus that had been recorded in the, in PEBA and this money actually belonged to the employers. Do you agree with that and has it been corrected?

**Mr. Styles:** — We do agree with it. We're in the process of turning the surplus funds back to the employers. I think this was a case of the level of the surplus had grown gradually, year by year by year. When it's minor amounts and you're talking about, you know, new contributions each year, you know, those are netted out or adjusted, okay, on an annual basis. But the amount had grown year by year and I think got to a point where we needed to make that shift and we concur with the Provincial Auditor's observations and recommendations on this.

**Mr. Krawetz:** — For clarification, what employers would be part of this in terms of contributing funds to PEBA and as a result PEBA purchasing, you know, health coverages on their behalf?

**Mr. Styles:** — Mr. Smith will give you a list.

**Mr. Smith:** — Mr. Chairman, I'll use the Liquor Board as an example and in their collective agreement they negotiated so much money to go into an extended health program. We received the funds and put them in the bank and then we paid premiums to an insurer for the extended health coverage. And so at the end of . . . the year-end there was 220,000 for other employers — members of the Legislative Assembly, judges of the Provincial Court, Liquor Board — and so those organizations . . . We have returned the money to all the organizations and now they're paying directly to the insurance company and they're retaining the surplus in their own organizations.

**Mr. Krawetz:** — Okay. Good, thank you. And my final area of question is on page 195 regarding the Saskatchewan Pension Annuity Fund. Could you in a succinct fashion explain what role does the annuity fund play regarding retirees?

**Mr. Smith:** — Mr. Chairman, the annuity fund is for providing annuities for members of the Public Employees Pension Plan. When they retire they can elect to take their money elsewhere to buy an annuity from an insurance company, or buy an annuity and their future payments or their future pension will come from the Saskatchewan Pension Annuity Fund. And so we pay from the date they retire to death, and so the assets are moved from the Public Employees Pension Plan to an annuity fund. It's a different investment strategy, much more conservative. And so we take the income and then a bit of the principal and pay the people every month their lifetime pension.

**Mr. Krawetz:** — Okay. I thank you, Mr. Smith. Now the auditor has expressed concern about the fact that cash flow needs to be monitored. What instances would occur that would produce a situation where the board was not able to access cash and thus have to go to the plan to obtain funds? That, as indicated by the auditor, is not something that should have been done. How does that happen?

**Mr. Smith:** — Mr. Chairman, when all the assets are invested of the fund, there wasn't cash available to make the monthly payroll. And so instead of surrendering some assets at a possible market loss, the funds were borrowed from the public employees plan. That has stopped since June 2004. We're looking at a weekly . . . forecasting cash flows weekly, and we hope to never use the line of credit that we have with the bank, but we're monitoring it much more closely. But that's the situation that we create, a shortfall in cash. The cash just wasn't there. All the assets were there but they were all invested.

**Mr. Krawetz:** — Right. So as a solution, I heard you talk about a line of credit. Are you saying then that the fund has established a line of credit that if indeed investments are all, and I'll use the word tied up, and you can't access those investments, that you have the ability then to go into a line of credit of the fund rather than a line of credit of the plan?



**Mr. Smith:** — That's correct, Mr. Chairman.

**Mr. Krawetz:** — Thank you.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Thank you, Mr. Chair. My question is for Mr. Montgomery. On page 190 you expressed concerns with the way the Department of Finance handles loans receivable from the Crop Insurance Corporation and you outline the effects of not properly recording that transaction. Could you just expand on those four bullets that you have there?

**Mr. Montgomery:** — Yes. I'll start off with accounting, if I may.

**Mr. Hart:** — Go right ahead.

**Mr. Montgomery:** — Accounting in the public sector . . . if the only way you can repay a loan, if the only way a corporation can repay a loan to the government is by the government giving the money to that corporation to pay the loan, then that should not be recorded as a loan. It should be recorded in effect as an expenditure.

Now with Crop Insurance, at March 31, '04 they owed about \$177 million to the General Revenue Fund. And of that, they didn't have assets of about 135 million of that loan that was due to the General Revenue Fund.

Now when they don't have that money, it has to come from three sources. One source is from producers, one source is from the Government of Canada, and one source is from the Government of Saskatchewan. And in essence about 24 per cent, give or take, comes from the province of Saskatchewan.

So our problem is, is the money that is coming from Saskatchewan would have to go to repaying that loan. In our mind about 135 million times 24 per cent equals about 32 million. And that's the problem we have with the loan. We think that part should have been recorded as an expenditure and not a loan receivable.

**Mr. Hart:** — So the way the Department of Finance is recording this, they're actually showing the loan as a receivable. And I'm not sure whether the term asset would be correct, but it's income that the government felt or the Department of Finance feels that it will be coming, or it's leaving the impression that this \$32 million will be received by the Department of Finance at no cost to the government. Is that your concern?

**Mr. Montgomery:** — Yes, our concern is that 32 million of that will come from the Government of Saskatchewan. And therefore under the public sector accounting rules that part of the loan should be treated as an expenditure and not a loan receivable.

**Mr. Hart:** — Because in reality the government has to give the Crop Insurance Corporation the money so that it can give it back to the government. Am I correct in summing it up that way?

**Mr. Montgomery:** — Correct.

**Mr. Hart:** — Okay. So then what you're saying is the overall effect of that is, is that the surplus, the General Revenue Fund surplus was overstated by \$12 million?

**Mr. Montgomery:** — Yes. And the reason why it's 12 as opposed to 32 is because last year the loan was overstated by 20 million. So the change in the loan from one year to the next is 12. So the effect on the current year's General Revenue Fund is 12 million.

**Mr. Hart:** — Okay. And then you go on to say that the accumulated deficit is understated by 32 million because of the . . .

**Mr. Montgomery:** — Because of that, yes.

**Mr. Hart:** — . . . the way the Department of Finance handles this whole area then. Okay, good. Thanks for clarifying that.

I have a question for Mr. Smith and it deals with the concerns that the auditor raised on page 194 in the \$220,000 in excess premiums. You mentioned that, when Mr. Krawetz asked about the employers, you used the example of the Liquor Board, the Saskatchewan Liquor Board. Are the major Crowns like, such as SaskPower, would they fall into that category of employers?

**Mr. Smith:** — No, Mr. Chairman, they were just some of the smaller organizations.

**Mr. Hart:** — Just the smaller organizations. Okay. I don't think I have any more questions at this time, Mr. Chair.

**The Chair:** — Okay. I think I had just a couple of questions here just generally related to the financial overview on page 185. These always interest me because they are . . . they include the estimates and the actual, and I always like to, I always feel reassured if the numbers are pretty close together, and I'm always interested if there's a significant difference. And I noticed that the very first item on the expenditure side is interest on the General Revenue Fund debt. The actual amount was almost \$50 million less than had been estimated. I wonder, Mr. Styles, if you could explain why the estimate was off by that much.

**Mr. Styles:** — Essentially three reasons. I can't give you precise numbers — my apologies — for each one, okay, but essentially three reasons. One is interest rates have been lower in the past two years than were some of our projections and some of, I guess, the people in the market as well, especially short-term interest rates. We've done some borrowing in around 2 per cent, where I think short-term interest rates a lot of people thought would be in around 3, 3.3, something in that range. So lower interest rates has been a significant part of it.

A second part is US-Canadian foreign exchange rates. And again, they've jumped remarkably over I think what anybody had predicted. I think just two years ago they were around 64 or 63 and right now they're around 80, I think it's 82, 83, if I remember correctly on my last numbers. Some of our debt in the past has been denominated in US dollars. Our interest payments are in US dollars; therefore with the foreign exchange

rate changing, okay, we're the beneficiary of that particular movement.

And third, I believe our borrowing was slightly lower in the year in question. Again I don't know the exact amount but I believe our borrowings were slightly lower in the year in question. And so all three would contribute to the fact that lower interest costs.

**The Chair:** — Okay, thank you, Mr. Styles. And then the other variances I notice are in the bottom half of the page under revenue sources, and I'm puzzled by the fact that transfers, equalization, the actual was 41 million while the estimate was 172 million, which is rather outstanding difference. Could you explain that to the committee?

**Mr. Styles:** — I believe . . . The largest percentage of the difference would be attributable to a significant increase in natural gas and oil revenues in 2003-04. Natural gas in the 2003-04 budget the revenues were set at about \$119 million. We ended up with \$210 million. In oil, the budget in '03-04 for oil was \$490 million in resource revenues and ended up being \$774.5 million.

So the increase in both oil and natural gas revenues immediately there's a clawback that works through equalization. I think it's well . . . (inaudible) . . . through the media at the present time, and that accounts for the reduction. Not all of it. There are adjustments as well.

Equalization is a multi-year program. It has three open years in any one point in time so there would also be adjustments from previous years that would have been brought into the mix. But it's largely natural gas and oil revenues that were up substantially higher than originally expected.

**The Chair:** — Okay. Thank you, Mr. Styles. Now there's been a great deal of attention through the media to the fact that the equalization formula has some real problems that needed to be corrected. And the federal government made some adjustments, and we received additional equalization revenues. Would those revenues then have come in the following fiscal year to make up for the shortfall that wasn't anticipated in the year that's under review here?

**Mr. Styles:** — That's right. They have been received in the '04-05 calendar year, and if you have a look at the . . . I apologize. I don't have the mid-year financial report. They'll show up in the mid-year financial report.

There was \$120 million *ex gratia* payment. And then there was the final settlement that we put into the mid-year report as well, and the number escapes me right now; \$500 million sort of rings a bell. So there's been two payments. Both are related to our concerns over equalization going back a number of years, and the federal government has made them, in essence, to address those particular concerns.

Going forward, there's going to be a federal panel to be set up, and they will be reviewing the entire equalization formula.

For 2005-06, our equalization payment has actually been capped at a level amount for all provinces across Canada. So

those that are receiving them will get a set amount. There will be no adjustments on an annual basis and no adjustments for prior years going forward as well for 2005-06.

**The Chair:** — Okay. Well I think you started to answer my next question, and that was, in Public Accounts, you know, we want to see some accurate predictability when it comes to, you know, what major portions of the budget include. Can you assure us that in years going forward that we won't see these kind of variances because of negotiations you've had with the federal government on equalization payments? Can we be assured that in future estimates that we won't see a difference of, you know, darn near \$100 million here?

**Mr. Styles:** — I would tell you that it's probably unanswerable simply because equalization formula is based upon fiscal capacity to the extent that our own fiscal capacity, you know, improves or declines, I mean, either way, depending upon prices of oil, natural gas, potash, coal, uranium. There's a whole variety of factors. You will get swings in equalization payments and I think the same can be said of a lot of revenue bases as well.

Equalization going into the future may or may not be predicated upon the 33 existing revenue bases, but even things like corporate income tax does vary a fair bit after 9/11. I remember the federal numbers, I think the federal government predicted, I think it was 40 per cent reduction in corporate income taxes, expecting a bit of a recession to hit the North American continent. And again that has an impact then for corporate income tax which will then be reflected in your equalization entitlements.

So I would tell you that, you know, some of the variation or some of the variability, okay, is just built into the revenue bases themselves. You do want some variability as well built into the equalization formula because its idea is to act as a bit of a fiscal stabilizer. So if a province does run into a particular problem, equalization should help you, you know, begin to adjust to that so that you're not going to, in one particular year anyways, take revenue and expenditure measures, okay, that are, you know, have a significant impact on your programming and your stakeholders. So I couldn't give you that assurance. In fact, I suggest there'll still be lots of variability.

**The Chair:** — Can you provide the committee with any information regarding ongoing negotiations over the equalization formula? For instance, is Saskatchewan pushing for a ten-province standard rather than a five-province standard? What is the province of Saskatchewan doing in vis-à-vis the way the Atlantic provinces are receiving benefits for their, you know, non-renewable natural resources? We know there's the disagreement between the federal government and Newfoundland which has become quite visible and quite controversial. How does Saskatchewan, you know . . . Is Saskatchewan using this issue for the benefit of our population and our taxpayers when it comes to negotiating the equalization formula into the future?

**Mr. Styles:** — Oh we've long had our own concerns about the equalization formula. When you talk about oil and gas, you know, we've labelled or we've put forward I guess our concerns for about the past five, six years. And even before that there

was some concerns around the way land, for instance, is being treated in the equalization formula.

Tax-back rates that are in excess of 100 per cent are not explainable, are not justified, and we've made that case to them simply on a technical basis. We've also made the argument that when you're talking about a depleting resource, they shouldn't be treated the same as, for instance, income tax or corporate income tax; they're much different. You have an asset; you're actually using then the asset. To consider it in the context of the equalization formula in the same way that you look at the rest of the revenue base is we believe to be completely inappropriate. And there's been a number of academics that have made that case.

We also believe that there's problems around the mining tax base that's been there, and we've put our arguments forward on that for the past two or three years. Things like potash, for instance, at the present point in time are we believe unfairly treated in the overall formula. And we believe that is largely a technical issue, the way that they are defining the calculation of economic rents.

As an example going back to, I believe it was going back to 2002, Saskatchewan was seen to have about 52 or 54 per cent of all the mining profits in Canada. Now we don't believe that to be possible, and again, if you go and you have a look at mining revenues in other jurisdictions at the same time that calculation was being used, it said that a province like Quebec, for instance, had no mining tax revenues. If you go look at their public accounts for that particular year, they do have mining tax revenues. So obviously there's a flaw in the type of formula and the technical detail that they're putting forward.

So we've made, I guess, our concerns known in both areas. We will continue to do that. We would look for some type of a energy adjustment when it comes to oil and gas. We have been an advocate of 10-province standard. There's really two or three different approaches you can take to running an equalization formula. You know, a 10-province standard would be a fairly major adjustment; we believe that would deal with a lot of our concerns.

Alternatively you stay with something like the five-province standard. There should be technical adjustments to some of the revenue bases. We've made our points on that particular approach.

And we've also from time to time advocated, I guess, for something called a macro formula. We're not sure it is the absolute correct answer, but we believe it is one that the commission should have a look at. They should evaluate it and assess it as an alternative model, an alternative approach. And really it begins to look at the macroeconomic numbers for each of the different jurisdictions. It doesn't depend on each of these 33 revenue bases; it takes a much broader and a little different view of things. And again, it is a model that has been used I understand in other jurisdictions, and we're interested in having a look at that.

So there's a number of areas that, you know, we've already made representation to the federal government. And once we understand better when the panel's going to start to meet and

what its approach is going to be, I would suggest we will then make a decision on our formal submission to the panel as well.

**The Chair:** — Are you able to inform the committee as to when we might expect future announcements of changes to the equalization formula or resolution of some of these issues that you've talked about?

**Mr. Styles:** — The federal government has indicated in their announcements, their own press releases, that they anticipate the work of the panel will be done this fall; I would think maybe in the November timelines. They would like to make any changes to the equalization formula effective the '06-07 fiscal year. So that is their stated intention. Whether they're able to complete enough work — the panel is not up and operating yet, nor have the members of the panel actually been named by the federal government — so whether or not they are able to adhere to that kind of timeline, I think is something simply to follow and we'll wait and see. But we would expect to see adjustments beginning in '06-07.

We think there are this idea of a fixed allocation in a particular year, fine for one transition year, but it does carry some risks with it that we've already raised with the federal government and we would hope again that they would put a new program in place for '06-07 that would address some of the concerns that ourselves and other jurisdictions have.

**The Chair:** — Have the provinces . . . do they have two panel members on this panel? I'm trying to remember what the provinces' input is into the panel.

**Mr. Styles:** — We're to provide recommendations on two panel members to the federal government.

**The Chair:** — And can you tell us who those two panel members are? Have they been chosen?

**Mr. Styles:** — They haven't been chosen. The provinces haven't come to a decision, I guess, on who to recommend to the federal government yet.

**The Chair:** — So when might we expect that panel to be made public?

**Mr. Styles:** — I would anticipate that the federal government will probably make the panel membership public mid-February, maybe a week earlier, maybe a week later. It's something like that.

**The Chair:** — So soon, quite soon.

**Mr. Styles:** — That's what I would anticipate. Again it's, you know, they have to work through their own processes. One of the things we've found is that whatever names do go forward, they have to do security clearances on them. That does take a little time as well, as I understand it. So that's our impression. We do have meetings coming up with the federal government. We'll know more probably by the start of February.

**The Chair:** — And I'm curious. What kind of a process are the provinces using to try to agree on who these two panel members might be? It sounds rather intriguing.

**Mr. Styles:** — It is a challenging discussion to say the very least. You have many different interests that are at play here. You have recipient and non-recipient provinces. You have those provinces that are quite energy proficient versus those provinces that are not energy proficient, you know. So there's, there's quite a split of interests.

And trying to work through a process of coming to agreement around two names is proving to be a difficult exercise for the provinces. They're down to, I think, a short list — in the neighbourhood of sort of eight to ten names right now. And I anticipate that'll get much shorter in the next couple of weeks.

**The Chair:** — Very interesting. And just again on the bottom half of page 18, I noticed that the actual revenue from tobacco taxes were slightly higher, about 10 million higher, than had been estimated. In light of the non-smoking regulations that have been, that have come into effect on January 1, do you expect that that will change that number significantly going into the future, not for . . . of course for this year because this is included, but in future years what trends are you expecting in tobacco tax revenues?

**Mr. Styles:** — We released some numbers at mid-year. My apologies, I don't remember the exact tax number for 2004-05, but there will be a loss because of the implementation in the last quarter of '04-05. Again I don't know the exact numbers. My apologies.

The following three years we have estimated that about a \$75 million loss will occur to the province as a result of the implementation of the no-smoking ban, but the loss is on gaming revenues. At this point in time we have no evidence that there will actually be a loss in terms of tobacco taxes, but we are evaluating the literature right now and will have an estimate, of some sort anyways, for the '05-06 budget. But on the tobacco tax side, you know, there's nothing right now that seems to suggest that you're actually going to lose tobacco tax revenues. But we're still evaluating.

**The Chair:** — The fact that the government will lose tobacco tax revenue of course underscores the concern that some business owners have that they will see substantial loss in their revenues. I was in a . . . I was touring my constituency yesterday and there was some quite vocal expression by a few that while the government's looking after itself there's no transition program or funds available for particularly bar owners and others who feel very vulnerable. You know, there's a feeling that the government has, you know, cared for their own needs, they've made the fiscal adjustments that are required, but they are going to have to go through a transition period, lose customers — some of them think forever, some think just for a temporary period before they will come back under the new non-smoking environment.

Did Finance or is Finance considering any kind of transition program if, you know, those proprietors of those particular industries can show significant financial hardship?

**Mr. Styles:** — I believe the government has announced they're not considering that.

**The Chair:** — So they're just on their own.

**Mr. Styles:** — I think the government has made an announcement on the issue or made comments on the issue.

**The Chair:** — All right, thank you. Are there any other questions by committee members? Mr. Krawetz.

**Mr. Krawetz:** — Yes, thank you, Mr. Chair. I forgot one question. On page 184, Mr. Montgomery, you listed the special purpose funds and the Crown agencies that Finance is responsible for. And you indicated, the very last one, SaskPen Properties Ltd. At the bottom you've indicated that:

The government denied us access to this Crown agency; therefore we could not audit the agency.

Could you explain why that happened, and then from the . . . from Mr. Styles as to whether or not this has been corrected?

**Mr. Wendel:** — This is something that's been going on for some time. We've reported in detail to the House about that, and we weren't able to ever get access to this organization. We used to have access to it and then it was denied and then that's continued like that.

**Mr. Krawetz:** — I'm not sure whether the other committee members understand. Could you tell me what is SaskPen Properties Ltd. as a corporation? What does it do for the people of Saskatchewan?

**Mr. Wendel:** — It's a company owned by the pension plans, the government's pension plans, that has invested money in real estate.

**Mr. Krawetz:** — If it's a pension plan entity, then my question would be to Mr. Smith. Could you explain why SaskPen Properties, the financial records of that corporation, were not made available to the auditor?

**Mr. Smith:** — I'm sorry, Mr. Chairman, I can't answer that specific question. The public employees plan is a shareholder in SaskPen Properties, but none of the pension board members or pension plan members are on the board of SaskPen Properties as a corporation. So I can't answer that question.

**Mr. Krawetz:** — Then my question would be to Mr. Styles. Does the auditor's noting of the fact that this was, you know, this corporation was unaudited from the auditor's point of view, is this . . . has this caused you some concern and have you taken any measures to ensure that this is corrected?

**Mr. Styles:** — I'm not fully versed on SaskPen Properties. I understand that it's a . . . this is a historical issue. It's existed for quite some period of time. I understand it was dealt with aggressively by the committee here, we think, kind of 1999. So I don't have a lot of background to it. As I understand it, the difference of opinion — and the Provincial Auditor might want to speak to it, or Ed speak to it — the difference of opinion is on whether or not it's arm's length from the government or not.

So I think that is the bone of contention, but I'd have to go back and have a look at some of the history on this; again I'm not familiar with it as an issue.

**Mr. Krawetz:** — My question then to Mr. Wendel: do you feel that the auditor's office is responsible for the periodic auditing of SaskPen Properties, or on an annual basis? Is it something that should be done by your office?

**Mr. Wendel:** — Under The Provincial Auditor Act it is subject to an audit by my office. And that's our view. And obviously the officials at the government side believe that's not the case.

**Mr. Krawetz:** — Is there a way of . . . I mean, I do recall discussion of this a number of years ago. And I guess as a Public Accounts Committee I can't recall whether we had asked for clarification as to, you know, which is the direction that we should be following as a Public Accounts Committee. And I'm wondering if Mr. Paton or Mr. Styles would clarify what . . . if the auditor's Act states that SaskPen Properties Ltd. should be audited by the Provincial Auditor, I mean I see it no differently than we just discussed the First Nations Fund and with the previous people that we had here, where we're moving in the direction of ensuring that the new creation is in fact meeting the obligations and that there will be transparency. Is there a move at the Department of Finance level to ensure that this organization, in fact, is audited by the auditor if that's the requirement?

**Mr. Paton:** — Mr. Chairman, I'm just speaking from my recollection of discussions that took place five or six years ago. My recollection is that you did have the executive of that organization here appearing before the committee and discuss the appropriateness of opening their books up to the auditor and being subject to audit by the Provincial Auditor and appearing before this committee on a ongoing basis.

I believe there were probably three legal opinions provided in that regard. I think the auditor's office had obtained one, the organization themselves, and I think you actually had the Law Clerk from the Legislative Assembly attend the committee and provide opinions on it. Unfortunately, I don't recall exactly what the disposition was but all I can say is that since that time we've taken no action on it and the committee has not pursued it actively either so I'm assuming that the decision was not to further this inquiry any further.

**Mr. Krawetz:** — Mr. Chair, in light of that might I make a suggestion, that either the auditor's office in conjunction with Mr. Paton's office . . . that we as a committee receive for maybe our next meeting an executive summary of what has happened in the past because I mean it has been brought to our attention as a Public Accounts Committee that, in fact, this did not happen. It's new information to some members because some members were not on this committee five years ago and I think we are obligated to take a look at this again if, in fact, it's still . . . if no action has been taken as Mr. Paton has indicated. Should this Public Accounts Committee be putting forth a recommendation on action? And I would ask Mr. Wendel for a comment.

**Mr. Wendel:** — Yes, Mr. Chair. I have a copy of the '99 report on what happened — and Ed gave it to me — but I'll just read you what the committee said at that time. So the Public Accounts Committee of the twenty-third legislature considered this matter and concluded in its second report, based on legal opinions from the deputy minister of Justice, the Legislative

Counsel, Law Clerk for the Assembly that SaskPen and SP Two — which was another one of these companies — are not subject to an audit under The Provincial Auditor Act and the committee considers this matter closed.

So that was the conclusion of that committee at that time. Now that's fine for the purposes of the committee. I've got a statute I have to abide by. So I continue to have a view from my lawyer that I have an obligation to audit this organization. I don't make a large case out of it. I just say I wasn't able to audit the organization. But that's my view. I continue to hold that view, so I point it out to you again.

This committee may want to reconsider all that and come to a different recommendation to that committee. That's entirely up to your committee, so whatever you wish to do.

**The Chair:** — Mr. Yates, did you still want to make a comment?

**Mr. Yates:** — Thank you, Mr. Chair. I was going to point out, as has Mr. Wendel, that the committee spent a great deal of time reviewing this particular issue in the past and came to a conclusion. Nothing has changed. No material facts have changed since the committee came to that conclusion. And there was a significant amount of work, an investigation of this issue, and then a conclusion. And without any material change, I would question why we would continue to revisit the same issue.

**Mr. Krawetz:** — Mr. Chair, I'm not saying that we should revisit the issue. What my concern is, as a Public Accounts Committee, the auditor has brought something to our attention that some of us recalled and knew that things had happened. And I'm sure that others were looking at this and saying, this is new to me.

So if indeed it is the obligation of the Provincial Auditor to bring this to our attention, we've had a review by Mr. Wendel, as he's read into the record, that in 1999, I believe was the year that you quoted, that that was the decision. At least it's documented that this committee was aware of this, and we received the advice from the auditor as what had happened in 1999. And if it's our wishes that that decision made in 1999 is relevant today, because you've said there have been no material changes, and I think in the opinion of Mr. Styles and Mr. Paton, I believe that they're stating similar situation, that nothing much has changed over the course of these last five, six years, so I have no problem with that. As long as we as members understand that this was brought to our attention and that we have decided that the '99 decision is going to remain in place, I have no problem with that.

**The Chair:** — Mr. Paton.

**Mr. Paton:** — Mr. Chair, I'm sure the information that the member's referring to is recorded in *Hansard*, and I believe the legal opinions would be available through the Clerk's office because they were tabled as documents in this committee.

**The Chair:** — Perhaps then just to bring closure to this issue, between perhaps Mr. Paton and Ms. Woods, the Clerk, we can dig up that relevant part of history that deals with this matter

and have it distributed to all the committee members. And that way the new members on the committee, if they so choose, can refresh and make themselves aware of the issue. Is that agreed by the committee?

**Some Hon. Members:** — Agreed.

**The Chair:** — Right. Mr. Hart, did you have another question?

**Mr. Hart:** — Yes, I just have one or two questions. The auditor and Mr. Montgomery didn't cover it but it's included in this chapter, chapter 6, dealing with the Public Service Superannuation Board and it's an issue that apparently the auditor has raised on a number of occasions. It deals with the board's inability — the Public Service Superannuation Fund and the board that governs it — its inability to know whether retired members are working for the government. The auditor says the board relies on retired members notifying the board upon re-employment with the government.

I see by the information presented by the auditor that there is a net cost of about \$87.8 million in the fiscal year ending in 2004 to the General Revenue Fund for this superannuation fund, and that the liabilities are some 1.6 billion. My question is to the officials from the Department of Finance: why are you not able to determine whether retired members who are receiving benefits from this fund and then return to work for government, why are you not able to determine that? And that'll be my first question so . . .

**Mr. Smith:** — Mr. Chairman, I think that we have done examinations of the pensioners from the Public Service Superannuation Plan and compared it to all of the membership in the Public Employees Pension Plan. We agree with the auditor that we cannot guarantee that . . . Government is so large that we cannot guarantee that all of the small organizations that are part of government, we can't check with those; we don't have the information. And so our preferred recommendation, our preferred solution is to change the legislation to allow members to have their pension and potentially be employed. And that's the resolution that we are seeking, is a change in legislation.

**Mr. Hart:** — Okay. So what part of government . . . You said government is so large and there are some agencies of government, small agencies of government that you cannot monitor who's employed by them. Is that the part or is it the main part of the civil service? Could you just expand on that area?

**Mr. Smith:** — I think we have a couple of issues and one is including privacy as well in terms of giving all of the information of the pensioners to all the organizations that are part of government. Yes, there are agencies, boards, and commissions that are not members of the Public Employees Pension Plan. They contribute to a different pension plan, so it's very difficult for us to administratively find all of the people in organizations.

**Mr. Hart:** — Well it would seem that those people who may be double-dipping, in other words receiving benefits from this fund and also receiving a salary, they would have to be issued T4 slips and the like. Is there not an ability through that to the

income tax requirements as an employer to have some cross-referencing? You know, I have no information to know whether this is in fact a large problem, but it does somewhat concern me that the auditor continues to raise this issue and it seems that there's no ability by your department to deal with the matter. So what you have said is that if we can't deal with it, let's just change the Act so we don't have to deal with it.

**Mr. Styles:** — If I can offer maybe two or three comments on this. And we agree with the observation; it's an accurate observation. The second part of it is there is emerging more and more privacy issues associated with it. There's no doubt about it, the personal income tax information, we can access it through CRA (Canada Revenue Agency), I think they're called now, from the federal government, okay. But there's very tight provisions around it, who can access it and what it can be used for. We would need to get CRA, I think, in some way, shape, or form, okay, to make provision for that kind of a change. I don't believe that they would be open to that. Again, those types of information are very heavily protected.

You know, our preferred approach to this is, again, to change the legislation. The cost of doing this and whether or not this is a policy that the government wants to actively implement, I think, are questions that need to be legitimately answered. If the answer to it is that it is a policy the government does want to continue to implement, then we need to sort out, you know, what the cost of that implementation would be. Because it would be there and it would add to, you know, the administration costs in the sense to deduct from the pension costs, okay, for the plan. So we're very concerned about that. Obviously we want to maximize return for the people involved in the pension plan so our preferred approach is to try to change the legislation.

This question of double-dipping is one that if you look to other provinces — for instance, Alberta — allows you can take your pension plus do some work on the side as well. So other provinces have opened it up and I think it's something that Saskatchewan needs to look at and deal with.

**Mr. Hart:** — Would you have any idea as to the number of people who are entitled to benefits and then rejoin the public service and make you aware that they are receiving benefits? You know, it seems to me this whole system is working on an honour system. The members of the . . . workers who are receiving pension benefits, if they are rehired or a new position or whatever, they're supposed to let you know. Do you monitor that at all? Is there a number, you know, is it 100 people a year, 10, or 1? Or do you have any idea of the number of people that may fall into this area?

**Mr. Smith:** — Mr. Chairman, we have done a comparison. When people are re-employed in executive government, departments of government, they join the Public Employees Pension Plan. So we have taken the payroll for the, what, 7,000 people who are in the public service plan and compared that to the contributors in the public employees plan, and we found three people, I believe.

But we also kept on going. That wasn't good enough because there are situations where you can work for six months of the year, so in fact we eliminated all of the potential matches and

nobody was contravening legislation in departments of government. Beyond that, we know that we have found, I think, two people — one worked in a gaming corporation in Regina who was receiving a pension and working for the Gaming Corporation.

**Mr. Hart:** — Well thank for you for that information there. You've alleviated some of my concerns in that there is some surveillance of this as best as your ability allows and so on, so thank you. I have no further questions, Mr. Chair.

**The Chair:** — Seeing no more nods for the floor, we will then proceed to the four recommendations in chapter 6 of the 2004 report volume 3. The first recommendation is on page 192. It reads as follows:

We recommend that Finance reconcile its recorded bank balance to the bank's records promptly.

Is there a motion? Mr. Yates.

**Mr. Yates:** — Thank you very much, Mr. Chair. I will move concurrence and note compliance based on the statement by the Provincial Auditor.

**The Chair:** — The motion is to concur and note compliance. Are there any comments? Questions? Mr. Trew, just about? Just about, but . . .

**Mr. Trew:** — I was just voting.

**The Chair:** — All right. Jumping the gun there, we . . . Seeing none, we will call for the question. All in favour? Carried unanimously.

We will proceed to the second recommendation on page 194. It reads:

We recommend that the Public Employees Benefits Agency return the surpluses to the employers, or have the plans designated as benefit programs by Cabinet as required by *The Financial Administration Act, 1993*.

Is there a motion? Mr. Hagel.

**Mr. Hagel:** — Mr. Chair, again having noted the comments of the officials I would move that the committee concur and note compliance.

**The Chair:** — Again a motion to concur and note compliance. Mr. Krawetz.

**Mr. Krawetz:** — Just a question. When a recommendation like this has an "or" clause and we note compliance, do we have to indicate for the records — and I guess this is a question maybe for Ms. Woods — do we indicate which of those two suggestions was in fact followed? Would it be beneficial for future reference to your recommendation, Mr. Hagel, that would say that we note compliance with the first half or the first part of that recommendation?

**The Chair:** — The Clerk has indicated that that's the choice the committee has to make so, Mr. Hagel, if you'd like to in your

motion point out which option was complied with, that is your prerogative. You can leave the motion as you first presented it as well.

**Mr. Hagel:** — Yes. Clearly I think it was indicated that the money was returned, so in that, it would be my view procedurally that the motion of concurrence — as long as they've done either — would be appropriate. But I think the officials have made it very clear it was the first option that was acted on and so I would be happy to note that the . . . or to propose that the committee concurs with the recommendation and notes compliance in that the Public Employees Benefits Agency has returned the surpluses to the employers.

**The Chair:** — All right. The motion has been restated. Are there any questions or comments? Seeing none, we'll call the question. All in favour? Unanimously carried.

And we will proceed to recommendation no. 3, which is on page 196. It reads:

We recommend that the Public Employees Pension Board monitor regularly the Saskatchewan Pension Annuity Funds' cash flow.

Is there a motion? Mr. Yates.

**Mr. Yates:** — Thank you very much, Mr. Chair. I would move that we concur and note progress.

**The Chair:** — A motion to concur and note progress. Are there any comments or questions? Seeing none, all in favour? That's carried unanimously.

And the fourth recommendation also on page 196 reads:

We recommend that the Public Employees Pension Board use the borrowing authorized under *The Financial Administration Act, 1993* for the needs of the Saskatchewan Pension Annuity Fund.

Is there a motion? Mr. Borgerson.

**Mr. Borgerson:** — I'll move that we concur with this recommendation and note progress.

**The Chair:** — Again a motion to concur and note progress. Are there any questions or comments? Seeing none, all in favour? And none opposed? That's carried.

That concludes our deliberations on chapter 6 of the 2004 report volume 3. Folks, we're slightly ahead of schedule which allows us to take a little longer time to enjoy the lunch hour, but I would ask you to promptly return at 1 o'clock and we will resume the agenda with the Learning department.

I declare the meeting recessed.

**The committee recessed for a period of time.**

#### Public Hearing: Learning

**The Chair:** — Colleagues, I'd like to reconvene the Public

Accounts Committee meeting. Welcome back. You're very prompt and we appreciate that. We've got a fair bit of material to go through between now and 4:30, and we'd like to stay on schedule. We've done a great job up to this point.

We have one hour to devote to the Department of Learning, particularly relating to chapter 3 of the 2004 report volume 3. So we have the deputy minister of Learning here and some officials. And before we hear from Ms. Durnford, we will hear a summary of the auditor's report on chapter 3 regarding Learning. And I believe Ms. Judy Ferguson is going to present that summary to us. Ms. Ferguson.

**Ms. Ferguson:** — Thank you, Chair. Members, government officials, I'm pleased to present chapter 3 of our volume 3, 2004 report. The chapter starts at page 111 of this report here.

The chapter reports on our audits of the department, its various funds and agencies, for the year ended on or before June 30, 2004, with the exception of the Education Infrastructure Financing Corporation. The audit of the corporation was not complete at that time because management had not presented final financial statements for audit.

We conclude that the 2003 financial statements of each of these funds and agencies are reliable. The department and each of the agencies complied with the law and had adequate rules and procedures, with some exceptions that are outlined on pages 117 to 125 of our report. You will find the exceptions are not new, and, as a result, this chapter does not contain any new recommendations for consideration of this committee.

The department has taken reasonable steps to address our concerns about ensuring only eligible persons receive provincial training allowances and student financial assistance. It continues to make good progress in planning and reporting of performance, except for the financial statements of school divisions. We continue to encourage the department to work with school divisions to improve their reporting, both the reporting on their finances and overall performance.

Starting on page 125 of the chapter, we provide your committee with the status of previous recommendations from two other audits focusing on kindergarten to grade 12 curriculum. In 2001 our office audited the department's processes to maintain the relevance of the curriculum. This committee considered the results of that audit on November 1, 2001. Our 2001 audit found the department had adequate processes to maintain the relevance of the curriculum, except we were unable to determine if the department used the information about resources required to maintain the curriculum.

In this chapter we report the department gathers better information about resources required. However, the department does not yet document an analysis of the collected information or outline in writing the minimum resources required to implement the revised curriculum in all schools. The department needs a clear picture of the overall resources required to implement the curriculum. This picture is important to help ensure school divisions have appropriate resources to implement the curriculum as expected. We will continue to monitor the department's progress in this area.

Next, periodically the department formally evaluates the extent to which the kindergarten to grade 12 curriculum is implemented in schools and recommends either changes or specific action. In 2002 our office examined how well the department monitors implementation of these recommendations. This committee considered the results of this audit on June 30, 2004.

This 2002 audit found that the department had good processes to monitor the implementation of its general recommendations, but needed to improve its monitoring of actions and reporting of progress achieved on its specific recommendations made as a result of its evaluations. In this chapter we report the department has improved these processes. It does better monitor and report on the status of these recommendations.

However, we noted that the practice that the department has is not yet consistent throughout its entire department. We further note that the department plans to change how it evaluates the extent to which its curriculum is implemented. Once these changes are made, we will assess the impact of the changed practices on the ongoing relevance of our above recommendation and report back to you.

This concludes our presentation. We'd be pleased to respond to any questions that you may have. Thank you.

**The Chair:** — Thank you, Ms. Ferguson. Before I introduce Ms. Durnford and ask for her response, I've been informed that we have four new interns monitoring this committee meeting. So I'd like to welcome the four interns here. I'm not sure if any of the potential MLAs (Member of the Legislative Assembly) that you're hoping to work with are sitting around the table, but if they are, I would encourage them to be on their best behaviour and try to be very impressive so that they might convince you that you should pair up with them either for the first half or second half of your time here. But we welcome you to the committee. I hope you enjoy the proceedings and we look forward to interacting with you in the upcoming months.

Now we'll get back to the task at hand. I'd like to introduce Deputy Minister Durnford to our committee, and give you a chance to respond. But also perhaps you might first want to introduce some of your colleagues.

**Ms. Durnford:** — Certainly. Thank you, Mr. Chair. I'm joined at the table by Wayne McElree, one of the assistant deputy ministers at the department. And behind me, who will join as required in the discussion, is Jane Thurgood Sagal, who is the executive director of our curriculum and instruction branch; Edith Nagy, who is the executive director of strategic partnerships and Aboriginal education; Brady Salloum, who is the executive director of student financial assistance; and Nelson Wagner, who is the executive director of our facilities and capital branch; Don Sangster, the exec director of school finance; and Glenda Eden and Trina Fallows, both from our corporate services area. So I have a good array of folks with me today that hopefully will be able to respond to any of the questions that the committee might have for us.

I'll keep my remarks short. I think I'd obviously like to thank you for the opportunity to talk about the progress that Learning has made in implementing the recommendations of the



Provincial Auditor. I'd also just in a preliminary way like to acknowledge the working relationship that we have with the auditor's staff. And I think it's been very helpful on numbers of topics. So I would just like to acknowledge Mr. Wendel and his staff in that regard.

And I think we're very pleased that the progress that we've been making in the department I think has been recognized in this report. Numbers of the areas that we've been working on over the last few years I think are starting to come to some level of fruition, and we're starting to see that in the remarks. So for example, we've taken leadership and a coordinating role in monitoring vulnerable students in the K to 12 system. And we have been able to implement a system now that's able to track students as they potentially move from school to school. One of the fundamental concerns that we had, and many would share with us, is the inability of tracking children if they leave school and to actually know where they are, whether they've entered into another school or not. So we've made progress on that front.

I think we've made progress — and I still have more to make, I think to be fair — around improving processes related to the provincial training allowance and student loan programs to ensure that only eligible people receive benefits. And we've done some I think additional work to ensure that we're verifying critical information for student loan programming because we want to have the integrity of the program preserved.

And I think one of the big areas in which we have made some progress, but need to make more, is working with partners to improve sector performance and financial reporting, and Ms. Ferguson referenced that in her comments. One of the . . . When I went back through the report last evening, one of the things that I was reminded of that is a significant challenge in this area, and the auditor has referenced it, is to ensure that there's clarity and public clarity about the nature of the relationships between government and the sector itself. And it's tremendously complex, and all of these relationships within the sector are different.

So, you know, we have a different relationship between government and the K to 12 sector. There's a different relationship between government and regional colleges, between government and SIAST (Saskatchewan Institute of Applied Science and Technology), or the apprenticeship training commission, or between the universities. And to have the public understand that and to explain that in a way that the public can relate to is an important piece of what I think that we need to do as we work through planning within a sector and improving sort of public understanding of what's going on in the sector and how well we're doing collectively around the education of children, youth, and adults in the province.

So I'll perhaps conclude my remarks there, and I'd be pleased to answer any questions that you might have for us.

**The Chair:** — Thank you, Ms. Durnford. And we'll open the floor to questions. Mr. Krawetz.

**Mr. Krawetz:** — Thank you, Mr. Chair. I'll begin this afternoon's session, and again welcome to you, Ms. Durnford and to all of your officials. Two or three areas that I'd like to

explore.

After reading through the auditor's report back in the fall, there were two issues that I think jumped out at me. And one has since become an issue that is very relevant to me as the member representing Canora-Pelly. And I'm sure, Ms. Durnford, that you are aware that in the course of the last . . . well in the course of 2004 in the community of Canora, there were three suicides, three students within the same school system. And that is, that is just, you know, that is unacceptable first of all, and society and others are working to address what may be seen as concerns and try to ensure that that isn't the path that students see as a solution to, you know, to their problems.

And I guess the question that I have when I look at sharing of information, and I know that education works with many different partners, and I think I heard you refer to them as the different sectors. And I think we're talking about the same issues — justice and social services and education and health — and we're all working, those sectors are all working with the same students during the school day.

However, there isn't a sharing of information and there are times when the education system is the last system to hear about concerns or certain decisions made in justice. And by justice I'm referring to a simple thing as the RCMP (Royal Canadian Mounted Police) placing an order that does not allow students to communicate with one another while a charge is being . . . will be addressed in the court system. But that is never communicated to the school system or there is a delay in communicating that to the school system, and the teachers and the principal are not aware that within the school system an order has been given that students are to have nothing to do with one another and, you know, as a result now because of a suicide those things are surfacing.

So I'm wondering how your department is trying to build a greater understanding between sectors. And I understand about the privacy concerns and the like with social services, but when I hear of officials who say, the students are in school and therefore I have nothing to do with them between the hours of 9 and 3:30, that bothers me. And having been involved in the education system for as long as I have been, it's of concern that we're not building a strategy or a team that's going to ensure that it doesn't matter what time of day, but if there's information that should be shared between health and social services and the education system, that that in fact is done. And I'm wondering if you could outline, you know, where you see the department's focus in terms of addressing these concerns.

**Ms. Durnford:** — Well maybe one of the first things I'll do is ask Edith Nagy, who is the exec director of our Aboriginal education unit, to join me at the table. But I'll make some preliminary comments and if there's anything else that we need to discuss, we certainly can do that.

This is an issue that's been raised, I think, numbers of times before with regard to information sharing between professionals. And in the . . . I think probably, just to take you back a little bit in time and then I'll bring you forward to where we're at.

We had, numbers of us had worked on information-sharing

protocols to try and help people to understand what the nature of their professional responsibility and legislative responsibility might be, and within the context of trying to encourage people to do what you've just described — to share information as appropriate relative to their particular client. What we found when we did that work is it's tremendously complex and it's . . . there's not just one framework that deals with sharing of information but there's numbers of frameworks.

As we've moved forward then, one of the features and the fundamental pieces of School<sup>PLUS</sup>, you know, there's I would say two directions with regard to School<sup>PLUS</sup>. One is with regard to improving of the learning outcomes, student achievement within schools, but the second piece of School<sup>PLUS</sup> is to try to respond to the kinds of issues that you've just described that would bring together potentially a number of members from other sectors, whether it's the social services sector, justice, mental health, and other partners who share responsibility for vulnerable children.

The orientation there is to try and bring these kinds of professionals into the school setting to provide services to students and to try to get past the issues that you've just described around people either not knowing, teachers not knowing who in the health sector — potentially the mental health sector or addictions area — they should be relating to, who they might need to relate to at the social services area, and to try and get the folks in the school system in a way that it still respects their individual mandate but allows them to work together better.

There are still going to be some issues relative to having people understand what their responsibility is to share information. But we think when you start to get people at sort of local levels and at the school level in, together in these kinds of . . . in schools, that the ability to start to work through that to understand who you should work with, to trust who you should work with . . . Because sometimes it's not legislative mandates that prevent people from sharing information. It's, I don't trust. You know, I'm a mental health worker and I don't trust the teacher to act appropriately with the information. It may be based on nothing other than, I simply am not sort of thinking my way through that, that kind of trust relationship.

So our sense is if you can start to work at that level you will make progress on these issues. I am, you know, very concerned about . . . You know, I am obviously aware of the situation in Canora and very concerned about it. So I'd ask Edith to add anything if you want to on that front.

**Mr. Krawetz:** — Thank you, Ms. Durnford. And while I know that, you know, there are good things happening in many, many different schools and I don't want that to look like I'm critical of the system, but I just think we need to do, we need to do more and we need to do it faster.

And I know . . . I'm not sure whether you are aware, but I'm sure Mr. Sangster back there would be aware of a report, I think, dated back in 1989. And the reason I mention it is because I was chairing that committee and we talked about the integration of school-based services. That was a report done, you know, 15 years ago. And we talked . . . I think one of the participants in that forum said, we have to stop the sectors

working in silos. We have to ensure that they don't work in silos, that we work cross. And I'm encouraged by your words, but those were words that we heard 15 years ago.

And, you know, when I see something as simple as an RCMP officer not conveying the information to a small school setting that says, you know, student A is not to have anything to do with student B, and that information is not conveyed to the school, to the teacher or the principal, and then the teacher in question — because it's a small school and the students are in the same class — then says, well you're in the same small group, now work together. And they don't know that a justice issue has been told, no you're not supposed to work with one another. And that's just, that's just common sense things that we need to deal with differently. So I'm encouraged to hear you say that, you know, that we need to work in that direction.

The big factor, as I've found out over the years though, still is in regards to money — who is paying for it. Are we actually seeing health dollars come from the health budget to the school system to be able to deliver what I will call health needs — you know, the delivery of injections and the kinds of things that students come to school with; you know, severely handicapped people who are in the school system are there because it is the school day and they have a right to be there. But there needs to be additional funding for that kind of system. And I know you . . . we've looked at high cost and low cost and we've looked at meeting special needs concerns through additional funding, and I'm wondering whether or not there is . . . Is there a total plan in place that will allow funds to be transferred if indeed those funds are required to meet other needs besides the education needs in a school setting?

**Ms. Durnford:** — Well I'll make a couple of comments and then maybe I'll let Edith speak to some of the progress that we've been making on School<sup>PLUS</sup> just generally. I think there's been a couple of approaches. I think, and we can certainly get into this discussion in more detail, as you look at the approved expenditures under the foundation operating grant, you would see a lot of movement. If you did an analysis over the last 10 years, you would see a lot of movement of money and particularly a lot of growth in the approved expenditures within the special needs area.

And others, I'm sure Edith could also speak a little bit to the general change that we've made over time on special needs to try and sort of move from just only looking at a diagnosed disability, a physical disability if you like, which is often our traditional notion of disability, to take it into sort of much more of a behaviour-based look. Very clearly we've got numbers of children in the system who have behavioural difficulties, and they may not come from a particular medical diagnosis but may come from, you know, what I would have called in my old social services world, much more coming from sort of situational neglect.

So certainly over time we are trying to reframe the funding in the foundation operating grant to try and recognize that schools need to move in different directions. School<sup>PLUS</sup> would be one of those things. If I speak to the other sectors — mental health, addictions, social services with a small "s" — I don't think the approach has necessarily been to say we will take funds from those departments and put them into the education budget.

The approach has been more to say to those departments, within the context of your mandate, your responsibility — whether it's for youth justice in the corrections and public safety world — can you start to think about how you work on your mandate, and how you relate to the education system to ensure that the population group that you're responsible for actually is achieving good educational outcomes? And what can you do differently to assist that group of young people or children to improve?

And one of the better examples, I think, of progress that we've made on that front is the work that was done between Community Resources and Employment, Learning, and then Corrections and Public Safety, around educating young people in custody facilities. At one point there were numbers of custody facilities in the province that did not have an educational program and it was, you know, it was for various reasons, or if there was an educational program in the custody facility, it wasn't connected to a community-based school. So that if young people came in, participated in the education program in the custody facility, then left, there was little structure to ensure that a learning program developed for them in the facility was then carried out at the community level.

And over the last probably two to three years, we've made huge progress around improving — in the youth custody facilities, for example — what goes on in terms of the education program. Teachers there are now teaching the provincial curriculum, which was progress; they weren't before that. And there's a lot more connection now as youth leave the custody facility and move back into a community school or a community-based school to ensure that there's a real, live connection made there and information is transferred back with the student.

So our approach has been less of one of trying to sort of move budget dollars around, but trying to work with departments to recognize that within the context of their mandate, they also have to produce. They have to think about how they can produce educational outcomes for the young people that they work with.

And maybe I'll stop there and just let . . . if it's all right, Mr. Krawetz . . .

**Mr. Krawetz:** — Sure.

**Ms. Durnford:** — . . . I'll let Edith talk a little bit about the progress we're making on School<sup>PLUS</sup>.

**Ms. Nagy:** — Integrated services are a key piece of School<sup>PLUS</sup>. And what we have done is to put in place some mechanisms that are at the community school division level that bring together the partners around the table — from DCRE (Department of Community Resources and Employment), from the health authority — to determine what the needs are, what the supports are that are necessary for children and youth in that particular area, and bring to bear the resources that they have, recognizing that they are building on structure such as shared services which has existed through school divisions for a number of years and that we have enhanced, I guess, the shared services program to provide additional funding for the integration to happen to a greater extent, in a more concrete way.

And the education and custody piece that Bonnie has talked about is showing some real success in creating those linkages between the school system and the justice system so that children and youth don't show up in schools having come off of a custody sentence, with the school not knowing and developing some protocols around that piece.

**Mr. Krawetz:** — Thank you. You just mentioned, you know, the current structure that is in place using shared services. I'm wondering if you, in light of the fact that we're going to be moving to, you know, much larger school divisions, do you see the delivery of those types of services easier in this larger structure? Do you see it becoming more difficult? What analysis have you done in the delivery of those types of services under that structure in a broad sense?

**Ms. Durnford:** — Yes, I'll make two comments there. One, when the education equity task force did its work and toured the province and held the 81 meetings to come up with a recommendation relative to the map, I think one of the pieces — you know, as I sat with them and heard, sort of, their perspective on why they drew the map in the way that they did — was to try as much as possible to make the larger school divisions start to match up with boundaries for regional health authorities. Because they felt that certainly that that would assist in the better integration of educational programming and health programming.

I think, you know, it wouldn't be any secret but it would be very difficult and is very difficult under the current system, where you may be a school division that's going to be dealing with numerous health authorities. And to try and coordinate health services when you have to deal with numbers of partners makes it very difficult to really start to get at that integration piece. So we're hopeful that the mere fact that we start to have sort of a coalescing of boundaries, if you like — relative to health and educational services — will make integration a simpler proposition.

I think for the most part the task force did a good job of that. There are a few places where we weren't, because of some of the other parameters of the exercise, they weren't quite able to match up with the health authority boundaries. But I think a pretty good job has been done on that front. So I'm very hopeful that that structural change in and of itself will assist in the integration work.

The other point that I would make is with regard to shared services. Shared services has been identified as one of the issues that we need to work our way through and to determine sort of how we're going to move forward in the restructured world. And that issue was actually the subject of a beginning conversation last week with the restructuring coordinating committee who has representation from the major educational partner groups at the table.

So SSBA (Saskatchewan School Boards Association), LEADS (League of Educational Administrators, Directors and Superintendents), SASBO (Saskatchewan Association of School Business Officials), STF (Saskatchewan Teachers' Federation) are all represented there and it certainly has been identified as one of the places that we're going to have to think through in terms of making the transition from our current

shared services arrangements into the newly restructured world. And I think it's another opportunity for us to think about, you know as we work through this process, to think about how the restructuring of school divisions will help us achieve better outcomes for — and educational outcomes and well-being outcomes, I think — for kids.

**Mr. Krawetz:** — Thank you. I believe that our discussions a year or two from now will be interesting regarding how this new structure comes into place and how it will achieve the objectives that school divisions, you know, many school divisions have had over a long period of time.

If I might, Mr. Chairman, I want to switch to one other area, and I know that other members may have some questions.

One of the issues that has been around I think forever is curriculum and the delivery of programs. And I'm still surprised by the number of individuals who come to my office or phone me. And as society has become more mobile, of course there are people changing jobs and moving from city to city, to community to community, province to province, for that matter. But rather than dealing with province to province it still surprises me that many parents will be very concerned about the delivery of curriculum in a grade 10 class, whatever it may be — science or English or — in one community and the same grade 10 class in another community, and the content seems to be different, in their opinions.

And many times you find out that, you know, there are various, there are different factors. Parents don't understand about a, you know, 20 per cent component that's optional and may be dealt with in a different fashion. And they're not aware of English A versus English B, and they don't know those kinds of things. But in the end it still surprises me that there are a number, there are a number of teachers who are in fact not referring to curriculum — or don't seem to be referring to curriculum; I better qualify that — don't seem to be referring to the curriculum guide and understanding the objectives and the goals that need to be delivered for a particular class.

And I know you talked and the auditor's report talks about monitoring how curriculum is developed and how it's delivered. So that's one area that I have a concern with and I'd like you to comment.

The second area, of course, is still with post-secondary education when we hear university professors who claim that a certain level or a certain level of understanding that should have been met at a grade 12 class doesn't seem to have been addressed and students, you know, coming into a university class or into a SIAST program don't have the skills. And I've seen those quotations in the newspaper; they don't have the skills that a university or a technical school expects.

And I know that there is a committee that exists between, you know, post-secondary institutions and K to 12 learning to try to address that. And I'm wondering, are we making progress on that front, or are we still going to see, you know, the extremes on both sides? And I understand that sometimes, with all due respect to university professors, they sometimes tend to exaggerate things a little bit regarding the skills and competencies in the first week of every high school student

graduate's classes. And then after that suddenly everybody becomes a lot wiser. So I'm wondering what progress we've made on that front.

**Ms. Durnford:** — Well I'll ask Jane, who is the curriculum expert — and I'm far from that — so I'll ask Jane to comment on some of the more particulars. I think that one of the challenges that we've got in this area — and this is an observation of mine after having been in the job for five and a half months — is the tension that exists in the system between . . . and the balance is attempted in the system between a level of consistency on what happens and what's taught in the curriculum as against the flexibility that's built in intentionally into the system as well, in order to allow for school boards and school divisions to make some choices about what's sort of pertinent to the learning environment of the children and youth in their particular, in their particular school division. So there is that balancing that has to occur all the way through, and I certainly see that being built in to the curriculum.

Do we have the balance right all of the time? I don't know that we do because I think that there's enough questions being asked, and there was . . . had an opportunity last evening to meet with the Regina Catholic school board, and this was one of the conversations that . . . issues that they raised with me too, is around sort of our student achievements and all of that kind of thing.

So do we always have the balance quite right on that front? I think that's part of what the auditor is encouraging us to make sure that we have the appropriate processes and evaluations in place to know whether we're achieving what we think we should be achieving on that front.

And that's, in this world, is a tremendously complex question to ask and answer because of the accountability relationships that exist between what the department would do and between those responsibilities that exist at the division level and then the responsibility of the individual teacher in that classroom with maybe 25 students in front of her that day.

So there's a tremendous complexity in trying to answer those questions. I'm not trying to avoid responding to your question, Mr. Krawetz, but I'm just suggesting that it's how all of those pieces interact starts to tell you how good the product is at the end of the day.

**Mr. Krawetz:** — Right. I fully understand that, you know, it's a very complex issue, and the delivery of it. My concern though is why do parents feel that student achievement at school A is different than student achievement at school B, because they are dealing with different components of a curriculum when they're taking the very same grade 12 classes. And I know you've heard this from school division, I'm sure, in your short five and a half months.

When we talk about student achievement, I mean, student achievement is everything. It determines scholarships, it determines placement, it determines admission into program, and the like. And, you know, then you throw into it yet teacher accreditation versus non-accreditation, and you start to look at that whole complex issue, to use your words. I agree.

But there has to be a degree of confidence in the system by the public that says, it won't matter whether my student is attending, you know, Wadena high school or whether they're attending Campbell Collegiate in Regina. The classes that are taken, if they are the same classes, that is, you know, English A versus English A, that the material covered will be similar. There may be enhancement based on option, but there will be at least the base that is covered, and that the evaluation system that is used by the schools will be consistent.

And that's the part that I'm hearing more and more from parents, is that they feel that there just isn't that consistency — that either schools, or not necessarily even schools, but division-wide systems, seem to be more lenient, more allowable of a varied program to go on, and in fact that the curriculum isn't addressed at one school whereas it is addressed in another school. And I guess, you know, a simple thing — if I'm only teaching fractions and I teach fractions all year long, my students will get, you know, 95 per cent or better at the year in fractions, but I forgot to teach the other 95 per cent of my curriculum. So that's something that parents bring to my attention. I don't believe it's as great a concern as many parents seem to think it is, but it is still, even if it's just a small component of what is happening out there, we need to address that.

Sorry for a long-winded discussion of that, but that's been a dear thing to me for a long time, is making sure that our students in all parts of the province have the ability to receive an education, but yet that education should be comparable in all instances.

**Ms. Durnford:** — Well I'll make a couple of comments and then perhaps I'll turn it over to Jane, and she can talk a little bit about how we try to achieve some of those goals in terms of the development and evaluation of the curriculum.

Student achievement is absolutely critical. I mean, that's what the education system is about and that's what we have to have a focus on. And I think one of the opportunities that we have in front of us and we need to take advantage of — and there will be lots of debate about how best to do that — is through the restructuring of the school divisions. Because one of the pieces of work that we have in front of us that we want to work through, and I think the auditor's encouraging us to work through, with school divisions is around accountability. And accountability for me means not just financial accountability, but accountability for student achievement. And how do parents understand that and how does the broad public understand what is happening in their school system and what we are achieving within, not just at a provincial level, but also at a local level.

I often use myself as an example of a taxpayer who doesn't have children, who has no sort of natural connection with the school, but how do I understand as a taxpayer what's happening in my local school or in my school division that I have some confidence that those taxes that I'm paying are actually achieving the result that's intended and that I would like.

And I think the auditor is telling us we need to do more work in that area and that certainly accords with the sense in the department, and I think it's an area that will cause some debate as we go through it, because not everybody's in agreement with

how you do that. But I think it's clear to me that we have to make moves in that direction.

But I'll let Jane speak to what's sort of in the current system right now to try and manage some of those issues.

**Ms. Thurgood Sagal:** — So I'd like to speak first to your comment about parents thinking that there's different content being taught in different schools. And I could certainly understand how parents would think that because, as you're aware, our core curricula is intended to assure that it doesn't matter if a student lives in Black Lake or in Indian Head, that if they're in grade 2 they should be learning about the same factors of scientific literacy and some of those factors might be conceptual, some might be procedural, some might be attitudinal, but they'll all be factors that we think are important for students to learn no matter what school they're in.

Now how students go about learning that may differ. So that in northern Saskatchewan I might learn about particular factors through a unit on wild rice harvesting, whereas in southern Saskatchewan I might learn about those same factors through a unit on grain harvesting. But in the end it's really the professional decision making of the teacher looking at his or her particular students. What do those students need to know, what are the factors they need to know, how am I going to teach that within the context of this community, what resources am I going to choose, what instructional methods am I going to choose, how am I going to assess this? But in the end, all of that should be based on this common core curriculum of objectives in each area of study.

So that could explain some of why, I could understand parents might say, gee, content seems to be a little bit different. As to what are we doing with post-secondary institutions who are saying to us, gee, these students don't seem to be ready, and what are you doing in the K to 12 system, more and more we're working at the local level with actual instructors at the universities — so professors — and we tend to then work with grade 12 teachers and have regular meetings to talk about how it is each institution teaches. So how do professors teach, how do high school teachers teach, and then what does that mean for students?

And what we're finding is that in the K to 12 system, even at the grade 12 level, we tend to provide a lot of support for students as you described — that there is an adaptive dimension where teachers will say, I'm going to teach this way; I'm going to allow students to learn through this experience. And there are varied ways of engaging students in learning and in assessing them. Where often in post-secondary institutions, we're finding that there may not have been this variance and there may not have been as much checking up on, is the student in class or not, which in again the K to 12 system we tend to follow up on that. So we're finding some very productive discussions where there is learning for both post-secondary instructors and K to 12 instructors on how to teach, how to assess, and more discussion of how do we support students then in making this transition. Do we in the K to 12 system need to start providing less supports, or do we in the post-secondary system look at providing more supports?

So I would say where we've made progress has been really at

the local level with the particular institutions in that area.

**Mr. Krawetz:** — Thank you for that comment, Ms. Thurgood. Are you confident that . . . and I guess I have two questions. First of all, who should be monitoring that each school at a particular grade level is . . . in fact, the teachers are delivering the curriculum that is being suggested by the department? Who should monitor that?

**Ms. Thurgood Sagal:** — I think the STF (Saskatchewan Teachers' Federation) would say they monitor it through their professional ethics, that teachers are, if you look at their professional ethics, they are mandated to teach the core curriculum.

You're very much aware of the solid working relationship we have with the educational partners in the province where the League of Educational Administrators, Directors and Superintendents, LEADS, and other educational administrators who work closely with teachers through a professional development cycle would also ensure that the curriculum is being taught.

In addition to that we do have some provincial measures that you're aware of where we do provincial curriculum evaluations, where we do have some departmental exams at the grade 12 level, and we do learning assessments at particular grade levels to get a sense of how it is our students are doing over time.

But I would say we all, all of us in the educational system, have responsibility for that. And where the department is providing more supports now is in the area of supporting reflective practice. Because certainly research will show us that traditional ways of teaching teachers when we intern, teach as I do, that helps to some extent. And then in professional development cycle — gee, Jane, you're doing well on this but you should really fix that. But if I am provided with opportunities to reflect on my practice and how I'm teaching, that's the strongest way to move an educational reform forward.

That's why you will have seen us coming out with more supports in that area, but as both the Provincial Auditor's office has stated, and our deputy minister, we need to look more at the pressure side of that balance. And I think through some accountability measures that we would like to collaboratively develop, I think we can get closer to knowing why it is our students are succeeding, what it is that's helping them to succeed, and what we can do to ensure that all of our students succeed.

**Mr. Krawetz:** — Well as the auditor's office has indicated, you know, there needs to be a greater emphasis in ensuring that the curriculum guidelines and that the curriculum is carried out across the province. And, you know, whether or not it be as you've indicated then, where the STF feels that their professional responsibility will be maintained, the public needs to be assured that, whatever system is developed from your department or whether it's in conjunction with the partners — and that's critical as well — is that the public needs to feel assured that that curriculum is delivered, you know, in any community, as you've described, in the same . . . in not necessarily in the same fashion, but the same curriculum is available to the students.

And I think that's critical and I encourage you to move forward with addressing those concerns, because whether they be small, they still need to be addressed to ensure that curriculum objectives are met right throughout the province. Thank you for your comments and your responses.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Thank you, Mr. Chair. I note on the auditor's report on page 118 the auditor has some concerns about the provincial training allowances and the amount of overpayments and unrecovered overpayments seems to be increasing. At March 31, '04 that amount was 3.6, yet a year earlier it was 3.2. And also your department estimates that the amount that's outstanding, the amount that you feel you can effectively recover is growing.

I wonder if you could explain, first of all, why that the overpayments are increasing and why you feel that you will be able to recover less instead of more. If you could address those issues, please.

**Ms. Durnford:** — Okay, thank you. Perhaps what I'll do is have Brady Salloum, who is the executive director of student financial assistance, respond directly.

**Mr. Salloum:** — Thanks. Each year that we continue with the provincial training allowance, we're expending additional funds and there is a percentage of assistance that goes out that is part of an error rate. And so each year what we are trying to do is get our systems in place so that we can be pre-emptive basically and match data between other government departments, like the Department of Health, to ensure that the numbers of people in the family are accurate, to ensure the marital status is accurate from dealing with the Department of Health, so that over time we'll be able to do much more of this pre-emptively so that we will be able to make decisions before the money actually goes out the door.

And I think that the issue about how much is recoverable, it's a moving target. And for example, for the year in question we would have recovered about \$700,000 from processes that we had put in place, those being income tax set-offs through customs and revenue, the federal government. Or through subsequent payments that we make to students, we deduct amounts from those to recover those overpayments. So that's going to vary over time, both the recovery rate and the amount of money that's to be recovered at any given moment.

**Mr. Hart:** — So what you're saying then is a lot of this, a lot of the reason or the main reason for the overpayments is for the same reasons that the auditor outlines on page 124 when he's talking about the Student Aid Fund — the inadequate processes to verify the information on the application form and all those issues that would also relate to the provincial training allowance overpayments. I'm presuming you have the same problem in both areas.

**Ms. Durnford:** — I just make one comment, and Brady maybe can speak to the specifics of this. But one of the issues in this particular program is the provincial training allowance, which is the income support element for adults taking adult basic education, is that with this particular client group, many of them

are, in particular, coming from social assistance or other programs. And their family demographics can change and their circumstances can change often, which makes it very difficult often for us to be able to sort of predict accurately the amount of funding they're going to need. At some points they may have children in daycare; they need funding for daycare. To other points, they may not. So it's a very mobile population, if you like, and the family demographics change.

So that often poses some problems for us just in terms of how the program is constructed. And so the couple of points that Brady is making is if we can connect better with and get accurate family composition information through the Department of Health and better information from Revenue Canada or CCRA (Canada Customs and Revenue Agency) relative to income, these things will help us ensure that the money that goes out the door initially is correct, and we're not put in the position of trying to recover it through overpayments. So anyway, but I'll let Brady speak to the specifics.

**Mr. Salloum:** — One of the things I'd just add to that as well is on the provincial training allowance because what we're trying to do is move people away from dependence on social assistance. And what we've tried to do is, as well, nominate those clients for health benefits so that the transition from social assistance to a new way of both going to school and accessing income support, so that it doesn't result in students being negatively affected. We also nominate students that are on the provincial training allowance for health benefits so they can maintain their health benefits while they're in school, and their children can maintain those health benefits as well.

**Mr. Hart:** — Thank you. You mentioned a number of the people that are qualified for provincial training allowance there and social assistance. And so the staff of the department that had been providing social assistance, would they provide the information? Are you working with that department to verify the information that you're given?

**Mr. Salloum:** — We're working with the Department of Health and we've signed MOUs (memorandum of understanding) with the Department of Health. We're just trying to get our data layouts appropriate so we can connect on a data-to-data basis, systematic basis. But certainly that's the case.

**Mr. Hart:** — With the Student Aid Fund and the problems that the auditor identified as far as the application process, in the middle of page 124 the auditor identifies such things of . . . your department doesn't seem to have adequate process to verify information on, and then it goes on to list a number of categories. I can understand why. You know some of them may be more difficult to verify, particularly vehicles and you know value of vehicles and scholarships and that sort of thing. But the auditor says that you have told them that there are only two types of the seven types of information where there's some problems with that present a significant risk. Which two are you having the greatest problems with?

**Mr. Salloum:** — The two are the numbers of dependents and the . . . this marital status.

**Mr. Hart:** — Okay.

**Mr. Salloum:** — So when we did a risk assessment of all of these variables we actually . . . On a previous report from the auditor it said that we needed to determine whether these people were actually Saskatchewan residents. So to the extent that we could we tried to match our data with the K to 12, of those students that finished grade 12. And in fact there was an almost perfect match that the people coming out of grade 12, there was no . . . all of those people or at least 40 per cent of the people that go on to post-secondary schooling, there was no discrepancy between those people that applied for students loans, they were actually bona fide residents of Saskatchewan. So those were the kinds of things we tried to do.

Out of those seven, the two that we found had some degree of variability were the number of dependents and the marital status. And so what we've tried to do is we've signed MOUs with the . . . We've changed our regulations to allow us to sign an MOU with the Department of Health, and we're going to use the Department of Health as the proxy to determine how many people are there in your family and then get that information back so that we can systematically line up families here and families there.

**Mr. Hart:** — Okay. So is that what the auditor means by . . . when he refers to new student financial assistance systems on that same page, it's those type of things? And are those processes in effect now, and if so how long have those improvements been in place?

**Mr. Salloum:** — We changed the, sort of, declaration that a student has to sign allowing us to get that information from the Department of Health, for example. And we've been working over the year to develop a memorandum of understanding with Health and get the record layouts back and forth between the Department of Health. So that should be in place imminently. I don't recall what the other part of your question was, sorry.

**Mr. Hart:** — No, I think you've answered it because I was trying to get a sense of whether that's in place and up and running, or if it is just being . . . or if it's just in the implementation stage.

**Mr. Salloum:** — We're implementing it now. The other piece is, there are other pieces that we do to try and protect public money. And so for example, with provincial assistance, we award it on a monthly basis to clients. So we're the only jurisdiction in Canada that does that. So that if a student discontinues, then the amount of money — the provincial assistance — is not at risk because they wouldn't have earned those payments.

**Mr. Hart:** — Sure. Could you briefly outline the student aid program itself, sort of the criteria. I was thinking of asking Mr. Hagel as a test, seeing that he was a former minister in charge, but I think I'll ask you instead.

**Mr. Salloum:** — The basic premise of the program is that students should not be denied access to the post-secondary schooling because they or their families have insufficient funds. Now that's a big jumping off point. But the process is, is that a student applies for assistance. And out of the students that are in post-secondary institutions in Saskatchewan — at the universities, and SIAST, and the private vocational schools, and

the private religious schools — of those students, about 40 per cent of them apply for student loans. Sixty per cent of the people pay for their schooling via a variety of different ways. Either their parents pay for it, or they take out personal loans through banks or credit unions, or they work part-time — whatever the case might be.

So of those 40 per cent, they apply to us, we determine need. And there's a whole bunch of different categories of students, and some are considered to be dependent on their parents. And if you're dependent on parents, then we use parents' income to determine whether there is sufficient or insufficient money to help that student with their schooling costs.

Then there's a whole group of people that are called independent of their parents, and students that are then single parents with responsibility for their own families, and married people either with or without responsibility for other children. They apply, we process it, and we provide an award to students. And it's made up of a Canada student loan. And the Canada student loan really is the . . . the federal government is really the one that sets the criteria for who is needy and who is not needy. And we match that federal money with provincial money and we integrate these two things into a package called the Canada-Saskatchewan integrated student loan. That's the front end of the program.

On the back end of the program if a student . . . because then there's an expectation that students repay. On the back end of the program if a person can repay, and about 80 per cent of them just go tickety-boo and everything's okay. But about 20 per cent of the students have some problems and they apply for various measures to keep their loan in good standing. Those measures are called interest relief and students can apply for those programs to keep their loan in good standing for up to about five years after they finish school.

**Mr. Hart:** — Good, thank you for that overview. Mr. Chair, I have no further questions.

**The Chair:** — Mr. Borgerson.

**Mr. Borgerson:** — Yes. I think what I'll do is just make a comment and ask for a response and it has to do with K to 12 curriculum. The chapter we're dealing with ends by saying that:

The Department intends to focus more on performance and outcomes, rather than detailed examinations of processes. This will change the nature of . . . curriculum evaluation recommendations it receives.

And when I think of processes, I think of what Ms. Thurgood was referring to in terms of the methods, the strategies, the resources that teachers use in the classroom, which is essentially the style of teaching or the methodology of teaching that a teacher uses. So what we're seeing here then is a shift away focus . . . away from focusing on that to focusing on performance and outcomes.

Of course the simplest outcomes would be score based outcomes, but as we all know the curriculum is much more complex than that. In fact there are social and behavioural and affective as well as cognitive outcomes that we are now looking

at. So I'm just raising the question of the complexity of focusing on performance and outcomes and how able the department feels it is to address that very complex area.

**Ms. Durnford:** — Well this will supplement, I think, the comments that Jane's made already. I think, you know, there's a huge debate if you like amongst the literature and many of the practitioners about how you understand student achievement. And I mean, one of the questions that I was asked last evening as I went to this particular school board was, are we going to introduce standardized testing . . . or reintroduce standardized testing.

One of the things that the department has commenced in the last couple of years which starts to look at some of these dimensions at a bit more of a systemic level is what we call the provincial assessment for learning program. And we've gone through one cycle with this — and it's about 70 school divisions participated in this assessment — and basically it was looking at mathematics assessments. And we were looking at mathematics assessments I think for grades 5, 8, and 11, and to try and get a sense of how students were doing on that front.

I think in the past the department has done provincial assessments, but the data has always remained at the provincial level which is not particularly useful when you're looking at school division improvement and potentially improvement even in a classroom. And so I think one of the steps that we're trying to work through here in this program is to ensure that this kind of data that's organized along numbers of fronts would allow . . . isn't just collated at a provincial level, but is also taken down to the school division level, and potentially the school level as well, so that people can start to interact with it at a much more local level.

We go out and explain you know . . . Once we've collected this data, we go out and explain the results at the school division level, and then our hope is that school divisions would take ownership of that information and use that information locally to start to adjust or change their instructional practices as they need to. But it is you know . . . We have as I've said, we've got about 70 school divisions participating now. Our hope is that as we go through the process of restructuring and into the new restructured school divisions that all school divisions will participate in this.

We're planning on doing a reading assessment for grades 5, 7, and 10 this coming April to start to provide information around how well our students are doing at those levels with reading.

Our hope is between the combination of things that Jane's described and this piece, that we'll have a much more full view of how well we're doing in the educational system and that we'll be able to give information in a way that's helpful to the people that need to have the information.

One of the struggles we've had is we just collate data at the provincial level. Well that's not particularly helpful if you know a school board member in, you know in rural Saskatchewan, I want to know how my school division is doing. Or if I'm a teacher in a grade 10 class I want to know how my individual students are doing. Or if I'm a school principal I want to know how well my school is doing. So we need to get information out



at numbers of different levels and we're starting through this process and through some of the processes Jane's described.

**Mr. Borgerson:** — Thank you. Don't get a teacher going on education, you know, Mr. Chair. I know we're out of time so . . .

**The Chair:** — I heard the bell ringing so . . . In fact, committee members, I had a couple of very good questions but I'll forgo in order to try to stay on schedule. Ms. Durnford, I want to thank you for appearing before us. There are no recommendations in this chapter of the auditor's report, so we don't have those matters to deal with. We thank you and your colleagues for appearing before the committee . . .

**Ms. Durnford:** — Thank you.

**The Chair:** — . . . and wish you well. We will just take a very short break to allow the people from Learning to leave and the people from Environment to take their place.

### Public Hearing: Environment

**The Chair:** — Ladies and gentlemen, we will reconvene the committee. We are now moving on to chapter 9 of the 2004 report volume 3, the Environment chapter. And we have folks here from Sask Environment including the deputy minister, Ms. Stonehouse.

I should make you aware of a letter I received late yesterday, and I apologize that this letter could not be distributed to you sooner. It was distributed to you this morning, but I didn't receive until just about 6 o'clock last night and it just wasn't possible to distribute any sooner. It is from the Department of Justice, and in case you don't have it in front of you, I'll just quickly advise you that as Chair:

I am advised that officials of the Department of Environment will be appearing before the Standing Committee on Public Accounts on January 18 (the letter says). You will be aware from news reports that the Department of Environment and the Department of Community Resources and Employment recently reported incidents involving certain financial irregularities within those departments and that the matters have been referred to the RCMP.

It would, of course, be usual for your committee to pose questions pertaining to instances where there are apparent irregularities in the management of funds under the control of the department appearing before the committee. However, these specific matters are currently under active investigation by the RCMP. The disclosure of the details giving rise to those investigations could jeopardize the investigations and any possible future prosecutions. This concern obviously applies to the details of the events themselves and the RCMP investigations, and extends to the identity of any individuals who may be under investigation in the program areas affected.

It should also be borne in mind that any detailed public examination of individual circumstances could be harmful to the reputations of innocent people and it is better to

await the results of the formal investigation before proceeding with such an examination.

The Department of Justice does not object to discussions of matters dealing with broad issues of accounting practices, accountability standards, etc. We recognize that it may be difficult to separate these issues from ones involving the particular incidents referred to above but, if this can be done, it would not be inappropriate to have such discussions.

Yours truly, Doug Moen . . . Deputy Minister of Justice.

I make you aware of that letter. Obviously, members of the committee will ask the questions they want to ask, and officials from Sask Environment will answer the questions they want to answer. And I think we understand that is how that is dealt with.

This particular issue I don't think is dealt with in the auditor's report because the auditor was not yet aware of it. It may be a future chapter of the . . . may be covered in a future chapter of the auditor's report. I don't know if there is any comments from any of the members further to the letter, but I felt it was my responsibility as Chair to make you aware of that issue, and the position that Justice had taken.

Further to that, I would also mention to members of the committee that we had requested information from the Department of Environment when they last appeared before us, and I would make you aware that also yesterday I received a letter from the deputy minister of Sask Environment. And there is a paper here regarding policy on single engine air tankers, our SEAT (single engine air tanker) report; I have an internal/external air quality reports, quite a large package. Thank you for sending this to us. So if . . . I'm not sure. I think . . . Am I the only member of the committee that received this? So if there are other members that want to view this, you can borrow my copy or probably can get these also from Sask Environment. I just want to make you aware that we had received that information.

That being said, we will have a summary of chapter 9 from Bashar Ahmad, from the Provincial Auditor's department. And then, Ms. Stonehouse, we'll let you introduce your officials and respond. Mr. Ahmad.

**Mr. Ahmad:** — Thank you, Mr. Chair, and hello again. This time I will provide an overview of chapter 9 of 2004 report volume 3.

The chapter begins on page 225 of the report, and describes the result of our audit of the Department of Environment, and the Crown agencies and the special purpose funds it manages, for the year ending March 31, 2004. In this chapter will be many of the issues that we have reported in the past. Your committee considered those issues in 2003 and 2004, and concurred with our recommendation. The department's management continues to work toward fully addressing those recommendations.

We make two new recommendations in this chapter. The first recommendation on page 231 requires the department to establish processes to collect money due from others. The

department had about \$8 million in accounts due from others. However, it has not provided any written guidance to help staff collect those amounts, and the staff did not use the guidance provided in the Provincial Comptroller's financial administration manual for recording and collection of public money.

We did not see any evidence of regular review and follow-up of accounts receivable to assess the collectibility of those accounts. At year-end, the department estimated that it may not be able to collect about 1.8 million of the total 8.5 million due from others.

Our second new recommendation is on page 232. It requires the department to follow its processes to reconcile all its recorded bank balances to the bank's records. The department's established rule requires staff to reconcile the recorded bank balances each month and require management to review and approve the reconciliation. Regular bank reconciliation provides a check that all charges and deposits to the accounts are proper and further provides a check on the accuracy of the accounting record.

The department did not reconcile all of its bank accounts regularly. At year-end, the department had not reconciled its bank balances for the last five months.

And that concludes my comments. Thank you.

**The Chair:** — Thank you very much, Mr. Ahmad. Ms. Stonehouse.

**Ms. Stonehouse:** — Thank you. With me I have basically my executive committee. On my left, Alan Parkinson, the associate deputy minister of compliance, fire and forest division; on my right, Dave Phillips, assistant deputy minister, resource and environmental stewardship division; directly behind me, Bob Ruggles, assistant deputy minister, planning and risk analysis division; and Michele Arscott, the manager, finance, management, and administration.

I have some opening comments.

**The Chair:** — Yes, please.

**Ms. Stonehouse:** — Okay. Thank you for the opportunity to speak to the auditor's findings. We've been working hard in the department during the past year and a half to significantly improve our management accountability.

The Provincial Auditor's findings in this report are examples of some administrative processes which needed to be addressed, and we have addressed them as I shall outline briefly. I will also touch briefly on the publicly reported incident of financial irregularities.

But first I thought it would be helpful to provide an overview of the range of initiatives which we have been implementing as part of a new accountability regime in the department. These initiatives address a broad range of management accountabilities, including internal financial controls. A strong accountability regime provides the basis so that good decisions can be made, goals can be realized, and performance can be

recognized and assessed.

So first, on the question of improved management accountabilities. As you know, Saskatchewan Environment has been managing a significant organization restructuring announced last February. We have dismantled the complex matrix organization which was in place with its many shared responsibilities. We've established direct, line-of-sight reporting and accountability within the organization. This has enabled us to clarify expectations and specify discrete responsibilities for each manager.

This restructuring included transferring our service bureaus, where the financial processing occurs, to report within the finance and administration branch which establishes protocols and guidelines for financial management performance.

The restructuring also consolidated our financial processing activities from 16 sites across the province to four sites. We've increased supervision and training of staff at these sites, we've tightened specific controls in a number of areas, and we've increased monitoring by means of regular report-outs to ensure established protocols are followed.

The specific deliverables expected of each manager are set out in our operational plan and we've instituted quarterly reporting of progress on that plan. We've also incorporated into each senior manager's performance objectives a set of leadership accountabilities which articulate principles to guide manager behaviour. The senior management team participated in a one-day workshop on accountability and it has been a regular feature in my communications with staff since I came to the department. As well, all of the department's managers and staff in leadership positions were introduced to our new leadership accountabilities at a workshop in Prince Albert this past fall.

We've been active in addressing respectful workplace issues, including providing all managers and supervisors with guidelines for ensuring a respectful workplace and dealing with issues of respect in the workplace. We've provided avenues such as a toll-free phone line for staff to raise concerns outside the chain of command, and we have begun a systematic training program for all staff.

We have significantly revised our delegated authorities to ensure those approving expenditures are managers with budget responsibilities. This has generally increased the level of authority required to approve expenditures in the department. It has also addressed some issues of segregation of duties. In addition to financial decisions, our new designated authorities regime also . . . delegated authorities regime also identifies human resource and administrative decision-making authorities.

We have initiated a process which will eventually result in systematic risk assessment for our department programs and services. Our first steps were development of program charters and involvement of staff in some preliminary assessment of risks related to environmental, economic, social, and operational factors. The next step will be more refinement of risk analysis including more specific focus on financial risks.

Although we had a most difficult budget this year, we strengthened our finance and administration branch by

redirecting five positions within the branch to increase our internal audit capacity to two FTEs (full-time equivalent) and add a budget manager. We are recruiting a designated accountant who can assist our current staff to better understand the need for internal controls and discipline processes, and who can assist our managers to implement more rigorous monitoring and financial analysis. We are also moving to decrease the ratio of supervisors to staff in the various financial processing areas in Regina. Although we're not fully staffed in all these positions yet, we are confident the increased capacity will serve us well, as we have already seen from the recruitment we have completed.

We undertook through our union-management committee, a survey of staff respecting their ideas for improving our efficiency and effectiveness. We have investigated every suggestion and some have led to changes in procedures and some of the changes have yielded savings, not necessarily from the specific staff suggestion, but from the opportunities we found when we looked where they pointed.

As I've tried to demonstrate, we've had a particularly strong focus on improving accountability within our department. All of these initiatives were begun in the last year to 18 months. It will take time for them to become fully operational and part of the routine operations of the department, but I believe we've made significant progress and will benefit greatly from these changes over time.

Given recently publicly reported events, I would also like to make a few brief comments regarding the reported case of financial irregularities in Saskatchewan Environment. I do so bearing in mind the status of the ongoing police investigation and the letter the committee has received from Saskatchewan Justice outlining the need to limit our discussion of the matter. I'll address two questions: how did the department identify the problem and what was our response.

The array of accountability measures which I have just outlined has significantly increased our ability to monitor, identify, and address any financial irregularity. This particular incident, I suppose sadly, is evidence that our new accountability measures are indeed having an effect. As a result of some of these new measures, suspicious payments in a particular program area were discovered. The manager took action to determine the extent of the problem and followed up.

The employee was suspended, security measures were undertaken, the comptroller was notified, the department began an investigation assisted by the SPMC (Saskatchewan Property Management Corporation) investigation unit. On the advice of SPMC and Justice, the RCMP were notified, the Provincial Auditor was notified. An RCMP investigation is now underway and the department's investigation continues as well.

Any financial impropriety is unacceptable in the provincial civil service. We take this situation very seriously. It's a source of shame or embarrassment to some within our department, but I am more inclined to mark progress on our strength and accountability. Our staff are hard working, dedicated, and conscientious. The improprieties of a few should not be generalized to the many who are conducting themselves responsibly.

Collectively, we want to ensure the highest level of accountability continues to guide our actions and ensure that we can quickly identify and act on any improprieties. We welcome the assistance of the comptroller and the Provincial Auditor to assess our internal controls and identify areas for further improvement.

Now with respect to the specific recommendations before us on today's agenda. We welcome the advice and appreciate the work of the Province Auditor and his staff. With respect to our operational and compliance reporting needs, the department continues to work on this and has begun to prepare, as I said, quarterly performance reports that update progress during the year on attaining our goals and objectives.

Regarding the control of the department's capital assets, we have identified and recorded all the capital assets that we are directly responsible for, and we plan to move to the government-wide accounting system with these items early in 2005-06 to ensure more consistent reporting and management.

With respect to the recording and collection of revenues, the department recognizes the need for improving processes and procedures in this area. We're working directly with the Department of Finance internal audit branch to strengthen our processes and procedures by March 31, 2005.

Regarding the strengthening of controls around bank accounts, the department has made significant progress and is working to have all back reconciliations up to date by the end of this fiscal year.

With respect to complete contingency plans, the department has documented the procedures required to restore the critical information technology infrastructure and has committed to a consolidated documentation of its contingency plan by the end of the year.

And regarding the auditor's recommendations in strengthening the internal audit function, the executive has met with the internal auditor twice this year and now receives quarterly reports on progress on the internal audit recommendations.

As I indicated earlier, Saskatchewan Environment is undertaking work on a department-wide risk assessment. One use of the assessment, once it is more robust, will be to guide prioritization of the internal audit plans.

With respect to the Operator Certification Board needing adequate rules and procedures over revenue, the board has contracted with a government department to receive and record all cash receipts. And it's anticipated this recommendation will be fully met in the current fiscal year.

I've made a rather lengthy opening statement. I believed it would be helpful for the committee to have this context. I welcome your questions and comments.

**The Chair:** — Thank you, Ms. Stonehouse, and I appreciate the statement. I think the members of the committee also appreciated that you did take the liberty to take a bit more time.

Before I do open up the floor to questions from committee

members, I think it would be appropriate for the Chair to indicate that when we scheduled Environment into today's meeting, we had no idea of some of the events that would be occurring in very recent days, and we didn't . . . and I mean, of course . . . and didn't realize that perhaps at some point in time these issues may be very relevant to the Public Accounts Committee. And we recognize that perhaps in some, you know, in some regards it's premature for the Public Accounts Committee to deal with all the details of a matter that's before the RCMP.

Therefore I would ask members to consider whether, in order to stay with the schedule that we have set for ourselves today — and we've only allowed 45 minutes for Environment and we have a couple of other issues on the agenda that I would like to see covered today — that perhaps we use the remaining 15 minutes to do what you wanted to do, ask questions of Ms. Stonehouse either regarding her opening statement or the recommendations in the chapter, whatever you choose. But also that we leave the option open again to revisit this perhaps when it's more appropriate for us to discuss some of these matters. Perhaps the way to do that is not to deal with the recommendations, not to introduce and discuss and approve the motions put forward today. That way we would come back to this chapter at some future date and, you know, when it's perhaps more appropriate to deal more thoroughly with some of these matters.

That's one course of action we could follow to stay on schedule and to recognize the comments made by the Department of Justice and also recognize that Ms. Stonehouse has been, I think, fairly candid with us in sharing what she felt she could share. Mr. Yates.

**Mr. Yates:** — Thank you very much, Mr. Chair. My only comments would be that the issue that you're referring to isn't in the chapter under review. And these specific recommendations, the department has indicated they're making significant progress on. And the issues of this current year will come back before the committee appropriately in next year's report from the Provincial Auditor, and at that time we could deal with those issues. And so our role as the Public Accounts Committee is to deal with the year under review and clearly the events, other subsequent events will be dealt with at the appropriate time.

So I would recommend that we deal with these recommendations in the 15 minutes if possible, because very clearly there has been an indication that there has been some evident improvement and moving forward based on this report.

**The Chair:** — Mr. Yates, yes, I indicated I have no problem dealing with the recommendations if we feel we have adequate time in the 15 minutes that are remaining. But also recognizing that, in fact, Mr. Moen said it was appropriate for our committee to review this issue — it fell within our jurisdiction — and also recognizing that in her opening statement, Ms. Stonehouse obviously wanted PAC (Public Accounts Committee) to be aware of this issue and brought as much information as she felt, she felt was appropriate at this time.

So I mean, do committee members want to leave the door open at some future time? I mean we can pass recommendations on

15 minutes debate, if that's your wish. I mean this committee is yours to determine and direct the Chair as to how you want to proceed. Mr. Krawetz?

**Mr. Krawetz:** — Well clearly I do want to have the availability of this committee to meet regarding the discussions of what may become accounts receivable, you know. I mean, we have a recommendation that talks about accounts receivable, and that may be where we're going to go in the future.

I'm concerned that if the auditor's report doesn't deal with the chapter on the Environment until the fall of 2005 maybe, that it will become dated by the time we get back to it and there may be different members changing. And as indicated, you know, I'd still like it to be up to the Chair and the Vice-Chair to have the ability to bring back the Department of Environment immediately following the conclusion of an RCMP investigation.

We had that — we, meaning a former Public Accounts Committee — had that before us when we were dealing with the SIGA (Saskatchewan Indian Gaming Authority) investigation. And immediately following the conclusion of that investigation, that matter came before Public Accounts because that chapter was literally put on hold until the investigation was complete.

So while I recognize your comments, Mr. Yates, in terms of recommendation no. 2, which is bank reconciliation and the systems — and we've had that with the other departments that we've had before us — I'd still like to ensure that we have the availability to recall the Department of the Environment, if the investigation is concluded within two months or three months. I don't see why we would be having to wait for an auditor's report to bring back the Environment, which is I think what you suggested, Mr. Yates, that at an appropriate time if the auditor makes recommendations on the Environment, that's when it will come back before us. Because if we conclude chapter 9 today and deal with recommendations 1 and 2, then the Vice-Chair and the Chair will have no reason to schedule in the Environment again.

And I'm concerned that that not be the practice, that this committee have the availability to bring back. And I think it's recommendation no. 1. I mean, I have no problem going forward with recommendation no. 2 and dealing with it today. I don't think that has anything to do with the circumstances. But recommendation no. 1 may have some bearing on the outcome, and I say that very candidly as well.

**The Chair:** — Ms. Stonehouse.

**Ms. Stonehouse:** — I can't comment on whether recommendation 1 has applicability to the publicly reported situation, but our department would welcome an opportunity to come back after the RCMP investigation and speak to the concerns that you may have.

**The Chair:** — Mr. Yates.

**Mr. Yates:** — Mr. Chair, in light of that, I would like to move:

That we ask the Provincial Auditor to report back to us at

the conclusion of the investigations with his recommendations and at that time we re-examine that issue.

**The Chair:** — And that's a motion?

**Mr. Yates:** — That's a motion.

**The Chair:** — I guess we don't need a seconder in this committee. Mr. Hagel.

**Mr. Hagel:** — Thanks, Mr. Chair. Just in light of the comments made, all of the comments made too, I would . . . that was a thought that was going through my mind, because I think we do anticipate there's a good possibility we'll want to come back to the department. And I would want to, I would want to do that with as much relevant information as possible. And I think the advice of the Provincial Auditor would be useful for us to have if we're in that circumstances. And I certainly hear the deputy minister indicating the, both a willingness and a desire to do that as well.

So I think this makes . . . it makes sense for us to deal with the recommendations here, pass this motion directing the Provincial Auditor to bring us recommendations appropriately, and then deal with our agenda as planned today.

**The Chair:** — Mr. Hart.

**Mr. Hagel:** — I think that makes sense because that gives us the ability to bring it back when there's something substantial to deal with.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — I would ask the Provincial Auditor: first, are you currently involved in this issue and are you part of the ongoing surveillance of this whole issue? And perhaps you could answer that question first.

**Mr. Wendel:** — It's been a holiday season, so I want to make sure I know where I am on this. Yes, I understand my officials have met with the department officials now and they'll be meeting with the Provincial Comptroller's officials.

What we'll be doing is looking to see what they've already done and doing enough that we can rely on the work that's already done by doing some testing and giving you advice on any additional things we think you might need to do. Our objective then is to come back to you with what went wrong, what needs to be fixed, and what money, if any, was misspent, and then I'll give you those particulars at that time.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Just a follow-up question, would you be doing that in the form of a special report or would it be part of your annual reports, volumes 1, 2, or 3?

**Mr. Wendel:** — At the moment, what you have before you is a motion from Mr. Yates to have me bring a report back to this committee. So I would come back directly to this committee. I would not wait then until I make my report.

**Mr. Hart:** — Okay, okay. I just needed clarification. Thank you very much.

**The Chair:** — Members, I see a lot of heads nodding. Is everyone agreeable to the motion? Are you ready for the question or is there still more . . . Okay, we're ready for the question. All in favour? That's carried unanimously.

All right then. Thank you very much for your co-operation on this issue. This is something we hadn't anticipated. We were able to work through it, I think, successfully. I will now open up the floor to any questions. Recognizing that time is of the essence, I would ask you to be as brief and to the point as possible. Mr. Hart.

**Mr. Hart:** — Thank you, Mr. Chair. I'll try and do that although sometimes that is a bit difficult, as you may have noticed.

Ms. Stonehouse, earlier today we had the Department of Government Relations before us and we . . . our discussions centred around the northern trust account, revenue sharing account, I . . . Here we go, the NRSTA. And we were told by Mr. Brooks that your department collects revenue and then that revenue is deposited or transferred to that fund and the revenues centre around lease fees, permit fees, land sales, and those sorts of things.

And the response that I received from Mr. Brooks to one of my questions is that that whole area of activity is in your department, that Mr. Brooks' department has really no involvement in land sales or anything like that. Could you just explain what it is that you are managing for the Department of Government Relations, and particularly expand on the type of lease fees and some explanation to the term land sales and that sort of thing?

**Ms. Stonehouse:** — Thank you. So any disposition, so any leases or uses of the provincial forest land or the land in the northern administration district, any revenue that it generates for the province is transferred to the northern revenue-sharing trust fund. So we maintain the same processes in the northern administration district as we do in the commercial forest around Prince Albert, for instance.

So if there's a lease for someone to have a recreational property or a lease for an outfitter to have a lodge, the lease fee, if it's in the northern administration district, goes not to the General Revenue Fund, but to the NRSTA. So specifically, it's the revenue to the fund that we're managing.

**Mr. Hart:** — Okay. As far as land sales, could you explain and provide a bit more information as to what types of land is being sold, you know, number of hectares, to whom? You know, just some examples so we can perhaps get a better grasp of what that term land sales involves.

**Ms. Stonehouse:** — Probably the most common land sale is a recreation or a, yes, a leaseholder in a cottage subdivision in the North. And if the person who's held the lease for some time decides they wish to purchase the property in the cottage subdivision, then we will sell it to them at going market rates.

**Mr. Hart:** — Okay. Now the auditor on page 231 indicated that there is some problems with accounts receivable, some eight and a half million dollars — I'm presuming that that figure is not from one year, that's built up over a period of time — and that your staff did not generally use the guidance provided by the Provincial Comptroller's financial administration manual.

Could you perhaps explain, you know, what it is that the auditor is concerned about here and explain why you haven't addressed that. I understand that you're putting procedures in place, but what were some of the basic issues that allowed this situation to develop?

**Ms. Stonehouse:** — I think what the auditor's drawing to our attention is a lack of a systematic process for collections so that we can demonstrate that we have, for instance, within a reasonable period of time, followed up an account that's not been paid, serve notice that we expect it to be paid, provided notice that if it's not paid it will be sent to a collection agency, sent it to a collection agency — I mean that whole systematic process. And we don't have or haven't had in place that kind of systematic approach in a number of areas in the department. So I think that's one aspect of that.

The others, in some of these accounts, an example would be the Moose Range — Moose Range, right — rural municipality. There's a dispute about responsibility for fire suppression costs, and so they're not paying the bill. Well so it sits there, and it's, you know, a quarter of a million dollars or thereabouts, so you know . . .

**Mr. Krawetz:** — So would that particular account, would that be . . .

**Ms. Stonehouse:** — Part of the eight million?

**Mr. Krawetz:** — Well yes, I'm guessing it is. I'm wondering, is that the largest accounts receivable? Are there, could you . . . what is the largest account receivable and who is it with?

**Ms. Arscott:** — The largest account receivable we have right now is an account receivable with Mistik Management for some seedling acquisitions a number of years ago. Due to negotiations of the FMAs (forest management agreement), we've come to agree that we will pursue write-off. We have set up an allowance for doubtful accounts from past years appropriations based on that. And we're in the process of working with Justice to get an appropriate legal ruling, and then we'll be going forward to the Board of Revenue Commissioners accordingly.

Some of our substantially large accounts receivable we have allowed for, and that's why the allowance is approximately 1.8 million. We've done substantial work in the last four or five years to ensure that we have much better management of our accounts receivable within the department.

**Mr. Hart:** — Okay, thank you. As far as the auditor's concerns dealing with the reconciling department bank accounts . . . and I believe the auditor has indicated on page 232 that the bank records for the last five months had not at the time of this report, had not been reconciled. Could you give us an indication of how many bank accounts the auditor is talking about, where

these . . . Who's responsible? I mean, we don't need the names, but you know, the managers or wherever . . . Do you have bank accounts throughout the province? How many people would be responsible for maintaining these accounts? If you could just kind of enlighten us in that whole area.

**Ms. Arscott:** — We have 25 bank accounts that the department is responsible for. Twenty-three of them are field accounts found throughout the province that are used to support the activities mainly through the parks, as well as our field offices. We have one bank account used to consolidate and manage NSF (not sufficient funds) cheques. And we have one major transfer account where we consolidate all of these field accounts as well as all our MasterCard and Visa charges. So there are 25 bank accounts that we're required to reconcile.

Our department takes in over \$8 million in parks alone. At least six of that is in small cash transactions. So that's the type of volume that's flowing through our field bank accounts.

**Mr. Hart:** — I believe, Ms. Stonehouse, you mentioned that you're reducing the number of accounts. Did I hear you correctly? I heard something . . . I thought I heard you say that you're consolidating and reducing the number of accounts that the department has.

**Ms. Stonehouse:** — Not so much the number of accounts — because we're basically making sure that each park has a local place to deposit money, which is important to do when you're getting that much cash — but more we've consolidated the processing of that.

In the past the park administrative staff, having collected the money and deposited it in the bank, would then provide the records to the service bureau, who would reconcile it with the bank account. And this is part of the process here. And the service bureau, although it had protocols established by our finance and administration branch, did not report in that branch, and so their priorities were set separately. Now what we've done is consolidated these into one branch, service bureau and finance and admin so that when Michele, our chartered accountant, says this shall be the way, this is the way then. And so that's the change that we've made there.

I think what was happening here is that our park staff were prioritizing customer service as opposed to record keeping, and what we need to understand is both need priority.

**Mr. Hart:** — So just to be clear, it wasn't . . . the park administration staff, the people who were making the deposits and that sort of thing, they weren't responsible in the past for reconciling the bank accounts? That it was done by you . . .

**Ms. Stonehouse:** — Service bureau.

**Mr. Hart:** — Service . . . And where were those people located? Were they the people that were actually charged with the responsibility of actually reconciling the bank accounts?

**Ms. Stonehouse:** — In Regina.

**Mr. Hart:** — In Regina. But you feel that the process will be significantly improved by combining the two agencies. Or are

you . . .

**Ms. Stonehouse:** — Well we'll have better oversight as a result of restructuring, but I would . . . better oversight and so the monitoring we can do can ensure that we're timely. The real problem here was getting timely records from the parks. So they made absolutely sure that the money got into the bank, and they saw that as the priority. And then the customer coming to the counter was the next priority. And sometimes it took more time than it should have to let Regina know how much money they put in the bank.

**Mr. Hart:** — So have these . . . what is the status of reconciliation of bank accounts currently now with the department?

**Ms. Arscott:** — The current status is that 21 of the 25 bank accounts are fully reconciled. The NSF cheque account, two field accounts, and the major transfer account are still outstanding, but we're making significant progress and intend to have them caught up to date by the end of March 2005.

**Mr. Hart:** — So as far as the . . . you said that there was an account for each one of the provincial parks. When were your staff, when were they able to reconcile those accounts for the park accounts? How long did that take to get that in order, those particular accounts?

**Ms. Arscott:** — Can you give me a little more clarification?

**Mr. Hart:** — Well if I understood you correctly, you said you have a bank account for each provincial park, and so those bank accounts would need to be reconciled, would they not? And the auditor said that there was some of the bank accounts were not reconciled. There was a five-month . . . you were five months behind, by and large. So, you know, the provincial or the park season, you know, other than winter activities, is over. Were you able to get those accounts done up in reasonable time? Or, I mean, they're all done . . .

**Ms. Arscott:** — Yes, absolutely. The 21 accounts that are reconciled are the park accounts. There's just two remaining field accounts that are not, and we are almost done to date in those as well. So all of the park, all of the bank accounts related to park and field operations are either have been or are in the process of being fully reconciled.

**Mr. Hart:** — When you . . . as a result of the . . . or when the process of reconciling was completed, were there any major discrepancies in any of the accounts, anything that just couldn't be explained or anything along that line?

**Ms. Arscott:** — No, the findings on the reconciliations with the field accounts showed no substantial discrepancies at all and the vast majority of discrepancies could be explained and reconciled appropriately.

**Mr. Hart:** — Thank you, Mr. Chair. I don't think I have any further questions at this time.

**The Chair:** — All right. Are we then prepared to move on to the two recommendations? Okay, we will proceed then to chapter 9 of volume 3, 2004 and there are two

recommendations. The first one is located on page 231. I will read it. It states:

We recommend the Department of Environment establish processes to collect money due from others.

Sounds like kind of a sensible recommendation and one that I can certainly understand. Is there a motion? Mr. Borgerson.

**Mr. Borgerson:** — I move that we concur with this recommendation and note progress.

**The Chair:** — A motion to concur and note progress. Is there any discussion? Ready for the question. All in favour? None opposed. It's carried unanimously.

We will move on then to recommendation no. 2 which is over the page on 232 stating:

We recommend that the Department of Environment follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.

Is there a motion? Mr. Yates.

**Mr. Yates:** — Thank you, Mr. Chair. I move we concur and note progress.

**The Chair:** — Again a motion to concur and note progress. Is there any discussion on the motion? Seeing none, all in favour? Any opposed? No, it's carried unanimously.

Thank you very much. That concludes our discussion of chapter 9.

We are slightly behind schedule but considering we had some additional issues to discuss, I think we've done well. We'll tighten up our recess a little bit and if committee members agree I think at about 5 after 3 we'll commence with the next item on the agenda. Thank you, Ms. Stonehouse for appearing and bringing your colleagues with you. We will recess for about 10 minutes.

#### **The committee recessed for a period of time.**

**The Chair:** — Ladies and gentlemen, we will come back to order. Before we commence with the chapter on Labour, the Clerk, Ms. Woods, has presented us with something we requested this morning, so that's quite speedy — the AEDP (Aboriginal employment development program) partnerships to date. There are some 50, 61 of them. We have provided you all with copies.

#### **Public Hearing: Labour**

**The Chair:** — We will commence with the chapter on Labour, chapter 12 of the 2004 report volume 3. We have, on behalf of the Provincial Auditor's department, Jane Knox making, she tells me, a short presentation. And then we have officials from the Department of Labour: John Boyd, executive director of planning and policy division and Margaret Halifax, director, Office of the Worker's Advocate, who will be free to respond. And then we will accept questions from the members of the

committee. So, Ms. Knox.

**Ms. Knox:** — Thank you, Mr. Chair. Members and government officials, I'm pleased to present chapter 12, Labour, of our 2004 report volume 3. This chapter begins on page 259 and has two sections.

First, the chapter reports the results of our 2004 audit of the department. Overall, we conclude that the department complied with the law and had adequate rules and procedures to safeguard public resources.

Second, the chapter includes our follow-up of a 2003 audit of the department's processes to assist injured workers seeking help with compensation claims to the Workers' Compensation Board. These processes are the responsibility of a part of the department known as the Office of the Worker's Advocate.

In late 2003, our audit recommended that the department set clear expectations for assisting workers, align resources with its expectations, and monitor achievement of its expectations. This committee considered and concurred with the audit recommendations on June 30, 2004.

As of October 2004, the department had not yet identified the timeliness or quality of service that it expects for the Office of the Worker's Advocate to provide services to injured workers. Specific performance expectations such as timeliness or quality would help the department assess the nature of resources it should allocate to the Office of the Worker's Advocate and better monitor its performance.

Since our 2003 audit, the department has dramatically shortened the length of time that injured workers wait for help with their claims. Clear expectations and a strong system to monitor performance will help to maintain these gains and improve services to injured workers. We will continue to monitor the department's progress.

And this concludes my remarks. We'd be pleased to answer questions.

**The Chair:** — Okay. Thank you, Ms. Knox. Mr. Boyd and Ms. Halifax, you have a response?

**Mr. Boyd:** — Thank you, Mr. Chair. We don't have a response at this time. I think we could move into responding to questions.

**The Chair:** — All right. We'll open the floor for questions. There are no recommendations in this chapter, but there's material to cover. So, Mr. Hart.

**Mr. Hart:** — Thank you, Mr. Chair. I believe we've discussed this issue in another committee and so on, but I think there are some things that I would like some clarification on. As the auditor has noted that, you know, certainly the wait time has been reduced significantly and the number of cases are . . . claims before the Worker's Advocate office has been reduced. But as the auditor also indicated, they don't see a plan in place to sustain that. Would you care to respond to that statement by the auditor as to what are you going to do, you know, what's the plan to sustain the reduced waiting time? What are your plans, I guess, is the question.

**Ms. Halifax:** — Thank you. The department, for the year 2005 to 2007, has included an objective for the Office of the Worker's Advocate in their performance plan. The objective is fair and timely resolution of workers' compensation appeals on behalf of injured workers.

We've developed the two measures that we want to track. One is the number of files that are in the backlog at any one given time. And the second one is the waiting time that a worker has to wait for the services of an advocate.

When the objective was put into the performance plan, at that point in time there were 62 files in the backlog waiting for service. And the length of time that an injured worker had to wait for our services was nine weeks. And that was in October, November of 2004.

**Mr. Hart:** — And that's your objective, to keep it within those time frames then?

**Ms. Halifax:** — Yes. Within those time frames, I do want to shorten the waiting time. Currently, as of the end of December, we were down to six-week waiting period and we had 31 files waiting for the assistance of an advocate. So I would like to keep it down to about four weeks. But that was the start point when our objective was developed for the performance plan, that was the base that we had — a nine-week wait.

**Mr. Hart:** — As far as from the injured workers' perspective, accessing services from your office for . . . with assistance of appeals and so on, it's only part of the resolution of their, of their problems. The other part is having the file moved through the Workers' Compensation Board procedures.

Are you working in co-operation with WCB (Workers' Compensation Board) to streamline the processes because sometimes injured workers are waiting, you know, for final resolution of their claims, you know, some fairly lengthy times. And I certainly have had an increased number of injured workers contacting my office asking for assistance in helping the procedure come to fruition. Could you elaborate on your discussions with WCB and give me a bit of an insight as to . . . is there some ongoing work in helping streamline the entire process for the injured workers?

**Ms. Halifax:** — Thank you. Unfortunately once the appeal is . . . or the submission is completed by our office and sent to the Workers' Compensation Board, the file then is out of our hands. We lose control of any time frames or anything like that, any standards.

What we do try to do though when a worker initially contacts our office, we will review the file and if we feel that there is something in that file, perhaps information that was overlooked or we feel that more weight should be put on different information, we will try to resolve the issue with the case manager rather than taking it through the appeal process. Unfortunately I do not have numbers or percentages on how many, how many times that is successful for us, but there are times though where we can have the decision either overturned or changed, partially changed so that the appeal does not have to go forward.



I do know that the board is expediting certain types of claims as it goes through the appeals committee process, but other than that we have not been working with the board to expedite the appeals at the first level of appeal.

**Mr. Hart:** — Of the files that come before you, come to the Worker's Advocate office, the requests for assistance in the appeal process and that sort of thing, do you . . . If in your judgment you feel that the injured worker really hasn't got any grounds to request an appeal, do you make those sort of determinations and say to that person, you know you haven't got any grounds here, and close their file as such? Does that happen or . . . Because I also hear from injured workers that, you know, they request assistance, none is given, and they're left to their own resources, and that sort of thing.

So I wonder if you could give me an indication if that does happen, and if so, how many, you know, what percentage of files that come, or claims that have come before, or that request assistance — individuals that request assistance — what percentage would be handled in that manner? Just simply, no, there's no grounds; it's dismissed as such.

**Ms. Halifax:** — Yes, it does happen. There is a provision within The Workers' Compensation Act that gives the Office of the Worker's Advocate the authority to refuse service to a worker if we feel there is no merit to the case. Unfortunately I don't have the number of times or the percentage of times that happens, but I most certainly can get that information for you.

**Mr. Hart:** — If you could, I would appreciate that.

Also the auditor notes that your department expects the requests for help to increase by 50 per cent. I guess the question is, you know, why? What's that based on?

**Ms. Halifax:** — We're not really sure. We think one of the reasons is because our turnaround time is no longer as long as it was, there are probably more workers approaching our office because they don't have to wait for our service any more. When I was speaking with the Workers' Compensation Board representatives I understand that the number of claims has dropped this year, so we can't say that that is one of the reasons.

We are getting more referrals from other agencies; the Ombudsman's office is referring files back to our office that they were handling because of the length of time it took us to respond to the workers. And I suppose it's just word of mouth that perhaps the workers realize that they don't have to wait for as long as they had to before.

**Mr. Hart:** — Of the cases that the department has handled in this area, are you seeing an increase in the number of individuals requesting appeals dealing with the independence allowance for those workers who have permanent functional impairments?

**Ms. Halifax:** — Thank you. No, we're not seeing an increase in those types of issues. We have had those issues all along but we haven't noticed an increase, not since it came to light that there may be some benefits owing.

**Mr. Hart:** — Okay. As far as this 50 per cent increase, is that

attributable, in your estimation, to the more injured workers appealing the decision of WCB? Your office helps injured workers initially access benefits, I believe, and also helps them with the appeal process. Is that correct?

**Ms. Halifax:** — Actually our mandate is just to help . . .

**Mr. Hart:** — . . . the appeal process. Yes, okay.

**Ms. Halifax:** — . . . the workers with the appeals process.

**Mr. Hart:** — If you're expecting a 50 per cent increase in clients, one could, may want to draw the conclusion that the WCB is . . . there are some problems in that shop. Would that be a fair conclusion?

**Ms. Halifax:** — Or workers are becoming more aware of their rights.

**Mr. Hart:** — Okay, all right. Well, Mr. Chair, I have no more questions for this department.

**The Chair:** — All right. Are there any other questions? Seeing none, there are no recommendations that we have to deal with. I have no questions, so you've done a very good job of satisfying the committee. We thank you for appearing before us. And we are able now to move on to the final item of our agenda and likely conclude our deliberations on time today. So thank you very much.

#### Public Hearing: Provincial Auditor

**The Chair:** — Ladies and gentlemen, we will reconvene the Public Accounts Committee. We are on a slightly different tack on this item of the agenda in that the Provincial Auditor is not sitting here as an adviser to the committee, but we are in fact reviewing his fiscal plan, his business plan, for the year ended March 31, 2006. And now that it's 2005, I guess it's the proper time to be looking at the year 2005-2006.

We would welcome Mr. Wendel, the Provincial Auditor, here and two . . . more than two . . . a few of his colleagues. And we are required, committee members, to deal with his business plan and approve it or otherwise, I believe, prior to February 15. So that's why it's on the agenda at this time.

I would draw your attention to the last page of the report, page 78. There are two subvotes, (PA01) and (PA02). Both of those amounts will need motions that the committee will have to deal with.

Once the first motion is made, then we will allow discussion on the entire business plan, and you may direct your questions to the Provincial Auditor and his staff. Once the discussion is concluded, we will deal with the vote for (PA01) and then proceed to (PA02). And then we have one more motion, a third motion we have to deal with to conclude this matter.

So to begin our proceedings, I guess I would ask if a member has a motion. Mr. Borgerson.

**Mr. Borgerson:** — Yes. I will move:

That the 2005-2006 estimates of the Office of the Provincial Auditor, vote 28, subvote (PA01), Provincial Auditor, be approved as submitted in the amount of 5,446,000.

**The Chair:** — All right. You've heard the motion. Is there some discussion or some questions?

**Mr. Krawetz:** — Was it recorded as fifty-five seventy-six or ...

**The Chair:** — See the very small number there? That's to be voted. The rest are statutory expenses.

**Mr. Krawetz:** — Statutory? Okay.

**The Chair:** — And the votable is the 5,446,000.

**Mr. Krawetz:** — Right.

**The Chair:** — Mr. Krawetz.

**Mr. Krawetz:** — Well, Mr. Chair, in terms of understanding the total amount of money that of course is spent as a result of costs incurred by the Provincial Auditor, I mean we note that there is a slight increase overall. In a brief review of the business plan and the auditor's financial plan, I see very little change to the number of employees and the workload that is anticipated.

So I'd ask Mr. Wendel if he could review sort of the highlights of the differences that you foresee in the fiscal year '05-06 versus the fiscal year that we're going to conclude here in a couple of months.

**Mr. Wendel:** — Well I have a brief formal presentation, if you'd like me to give you that?

**The Chair:** — That would be very appropriate.

**Mr. Wendel:** — Thank you. So I'll keep my presentation brief. In summary our business and financial plan sets out what we plan to do and what it will cost to carry out that plan. We discuss the forces and trends that affect our work plan, where we plan to focus our efforts. We explain our key risks and our risk management process. We set out the indicators that we use to measure our success, and for comparison, we also set out the financial proposal for this year, next year, and the previous three years.

I'll also talk about our employees, and how the skills and abilities of our employees determine how well we can serve the Assembly. At any time we have about 57 people organized into five groups. About 30 of our employees are professional accountants; about 15 employees are training to become professional accountants.

Just as a point of interest, on December 3, the marks came out for the uniform final examinations and we had seven people challenge the exams and we had seven people that were successful. And we're very proud of that. In fact, one of our employees was on the honour role for Canada — the top 58 people out of 2,500 candidates — pretty impressive.

So each year, about five professional accountants will leave the office; many will go to government agencies. Each year, we hire about five graduates from the two Saskatchewan universities. Our employees, on average, are about 36 years old and nearly 60 per cent of our employees are female.

And I should have introduced my colleagues, I'm sorry. Brian Atkinson, the assistant provincial auditor; Angèle Borys, the principal of support services, in the red sweater; and Sandy Walker, the manager of administration; and Heather Tomlin in a plaid — I guess plaid — the data administrator for the office. Sorry about that.

In the supporting reports and schedules part of the plan, it's broken into four plans . . . four parts. I just talked about the first part.

In that next part, beginning on page 27, we provide detailed financial information and work plans for several years. This section also contains a renewed strategic plan for 2005 to 2009. I updated it this year so that whoever takes my place when I retire, they'll have something to work with for an extra year or whatever it takes to get a new Provincial Auditor.

In the other information part of our plan, beginning on page 67, we provide answers to questions asked by other legislative committees. These are good questions and all agencies should provide you this kind of information when they appear before you for their estimates.

In appendix 1, beginning on page 75, we provide the recommended estimates for our office. Under The Provincial Auditor Act, we are required to present estimates in the format that this committee recommends. This provision is intended to ensure that the estimates format for the entire legislative branch of government is consistent.

This year, we used the same format as 2004-2005. Under the Act, the committee can approve the estimates we present or change them. After the committee decides our resources, the committee is then to send the estimates to the Speaker and then on to the Standing Committee on House Services.

I want to just make a few other remarks. Legislators need relevant, reliable information to assess a request for resources. We prepare our business and financial plan using the public reporting principles developed by the CCAF (Canadian Comprehensive Auditing Foundation). And those principles are the same ones that the Government of Saskatchewan has adopted for use for the departments and other agencies of the government, where they bring forward their performance plans and annual reports. So we're following the same standards as those.

Legislators need to know if you're delivering the products and services they need. Our operating plan sets out what we're trying to achieve in the way of products and services and our targets to monitor and report on what we actually achieve.

We encourage legislators to review the operating plan and provide us advice on how we might improve on what we are doing. The committee's mandate states that it works closely with the Provincial Auditor's office to achieve the maximum

accountability of the government to the Legislative Assembly.

Legislators also need to know whether a request for resources is reasonable to carry out our operating plan. On page 29 of our business and financial plan is your auditor's report. It gives you assurance that our request for resources is reasonable to carry out our operating plan.

Now I'll talk about our request for resources. Pages 5, 6, and 7 are a summary of the request. As in previous years, we are requesting two appropriations. The first appropriation is for auditing government agencies during the next fiscal year. It is based on what we know about the number of government agencies, the state of their records, and existing professional standards at October 31 last year.

For our first appropriation we are requesting \$5.576 million for the year ended March 31, 2006. This request is \$78,000 more than last year's request of about . . . and a 1.4 per cent increase. We explain on pages 5 and 6 the factors that increase our costs for 2006. We estimate that it'll cost \$44,000 to audit the new agencies the government created in 2005. Also we plan to audit directly the authority and support for payments to Crown corporation directors and executives. We estimate this will increase our audit cost by \$34,000 for next year.

We continue to try to find better ways to carry out our work. For 2006 we plan to maintain our workforce at 57 positions. For the last 10 years we have gradually reduced our planned workforce from 63 to 57 positions. This trend may not be sustainable because of a number of recent events such as Enron. These events have prompted the Canadian Institute of Chartered Accountants to propose changes to the way audits are done. I must follow those standards. We expect these anticipated changes will increase the demand for professional accountants and auditors and change the nature of our work.

Similar standards were recently put in place in the United States. A recent article that I read about the impact of auditors in the US (United States) says that in some cases it takes more than . . . from 50 to 100 per cent more work to audit an agency.

However we can't reliably estimate the impact on our salaries, benefits, and scope of our work, and consequently we have not asked for additional resources. We are still assessing the changes. We will use our contingency appropriation if the new audit standards causes a shortfall in resources for 2006, and include any increase in our next business and financial plan when it comes back to your committee.

Our second appropriation is a contingency appropriation. The purpose of this appropriation is to provide our office resources to respond to unplanned work, pressure to improve the timeliness of our work, and unplanned salary and benefit increases. In the past we kept net financial assets and received a contingency appropriation equal to about one month's salary and benefits to respond to these matters.

We are requesting a contingency appropriation of \$356,000 for 2006. For 2005 our contingency appropriation request was \$355,000. These amounts are about one month's salary and benefit expenses. If we use the contingency appropriation during 2006, we'll make a full report as to why we used the

appropriation and the amount we used in our 2006 annual report.

We forecast that we will use our entire regular appropriation and \$125,000 of our 2005 contingency appropriation. Because of the general election in 2003, the Public Accounts Committee was not appointed in time to consider our 2005 funding request of \$5.498 million. As provided by The Provincial Auditor Act, the 2005 estimates included our 2004 appropriation of \$5.405 million. This left us with a potential \$93,000 shortfall in resources. As I explained to the House Services Committee last spring, we plan to use our contingency appropriation if we incur a shortfall.

We also incurred unforeseen expenses this past year, such as the special investigation we did at the Métis Addictions Council of Saskatchewan Inc., the audit of payments made to board members and senior management of five Crown corporations, and the work on payee information requested by the Standing Committee on Crown and Central Agencies. This work was not included in our regular appropriation last year.

We will make a full explanation for any . . . the final use of the 2005 contingency appropriation in our 2005 annual report on operations. That report will be made public in June 2005.

In closing, for the last 10 years, legislative committees have supported our office's request for resources and recommended the amounts we requested to carry out our work plan, and the committee's support has allowed us to discharge our duties to the Legislative Assembly

And that ends my remarks, and I'd be happy to try and answer any questions you might have.

**The Chair:** — Thank you, Mr. Wendel, and I apologize. I'm in my inaugural year as the Chair of the committee and I'm already a creature of habit. You weren't here and so I got . . . I overlooked the fact that you might have an opening statement. I apologize for that. We appreciate that statement. Mr. Yates.

**Mr. Yates:** — Thank you, Mr. Chair. My question comes from page 30, where we have the statements of revenues and expenditures for the last . . . 2003, 2004, and the estimate for 2005, and then the forecast for 2006, and projections for 2007. I read the notes and I'm trying to understand this.

You talk about on page 32, that salaries are based on 57 full-time equivalents at an average cost of 64,860. And it goes on in the bullet underneath to say that you're anticipating a 1 per cent wage increase July 1 which is partway through the year and a turnover of six staff, and so on. A 1 per cent wage increase, if I look at the estimate for 2005, would be some . . . would be \$36,000 roughly, but yet we see an increase of \$84,000. And I'm trying to understand the . . . Mathematically, I'm having some difficulty, I guess.

**Mr. Wendel:** — Sure, good question. Our estimates for 2005 were 3.713 million. Well you see the three six thirteen? Our estimates for that year were 3.713 million, just as a matter of interest.

But we sometimes experience more turnover in a particular year

than what we anticipate. There's lots of opportunities for young people. They leave, and they go to work for other government agencies or elsewhere. What we do then is backfill with contractual help. We go out and try to hire that staff from CA (chartered accountant) firms around the province and bring them in to help us out.

So while the salaries are down, what we're bringing forward to you is if we have full salaries with a turnover and a 1 per cent increase, and that equates to a 3.697 million. We would have had the same calculation the previous year, and it would have been 3.713 million.

**Mr. Hagel:** — This is just for verification. Sorry, Mr. Wendel, you said the original estimate for 2005 was three seven one three?

**Mr. Wendel:** — That's right.

**Mr. Hagel:** — Okay, but it turned out to be ... its revised estimate is because of movements of personnel.

**Mr. Wendel:** — That and a second item just comes to mind. When we submitted that estimate for 2005 — and you correct me if I'm wrong, Angèle — but I think we included 1 per cent for a July 1 increase last year that never came about. So we're not building in a 1 per cent increase for this year because we've already ...

**Mr. Hagel:** — Just repeating, repeating that.

**Mr. Wendel:** — ... we had that in last year.

**Mr. Krawetz:** — My question is around the second appropriation, Mr. Wendel. And I note that last year as you've reported, you had to access \$125,000 of that special appropriation which you are going to report on at the conclusion.

As I noticed, you had \$375 million that was returned in the way of the appropriation. Yet in the amount of the appropriation, in '04 for instance, it was \$350,000. Could you explain to me why the difference between the appropriation that was allowed by the budget, and then the amount that was returned to the GRF, which is \$25,000 more?

**Mr. Wendel:** — Well we actually, we actually didn't spend our regular appropriation to the extent of \$25,000 besides, and we returned that too. So not only did we not use the contingency appropriation that year — we had no use for it — we under spent by \$25,000 so we returned \$375,000 to the General Revenue Fund.

**Mr. Krawetz:** — Okay. And what did you use to come up with the figure \$356 million?

**Mr. Wendel:** — It's one-twelfth of the salaries and benefits that appear here.

**Mr. Krawetz:** — Okay. So it's similar to the plan that you used to have in force before the second appropriation was actually changed in the auditor's ...

**Mr. Wendel:** — That's correct, we've discontinued with that.

**Mr. Krawetz:** — Thank you.

**The Chair:** — That should be 356,000, correct?

**Mr. Krawetz:** — Thousand.

**The Chair:** — You said million.

**Mr. Krawetz:** — Whoa. That slip of the tongue, boy, those extra three zeros could cause ... I'm sorry there, fellow members, that was a slip.

Mr. Wendel, the other question that I have is on page 43. I noticed that you have there before us the sort of salary components or full-time equivalents, and the average salaries from 1996 to projected 2006. And am I reading this correctly that your initial forecast for '05 was a salary average of \$65,140, but you're anticipating that the actual is going to be sixty-four five. And therefore, for next year you're projecting 64,860, which is, you know, just a little bit more. Because when I look at it, it looks like the salary actually has dropped, but you have to jump over to the other column. Is that an accurate assessment of that?

**Mr. Wendel:** — It is an accurate assessment that the salaries came in ... We're planning for them to come in at less than what we had planned the previous year.

**Mr. Krawetz:** — Right.

**Mr. Wendel:** — So if they're going to come in at sixty-four five eighteen. Now that could change again if we lose a couple of people right now. So it's a mix. So if we lose senior people, then that drops; if we lose junior people, well it doesn't have as much impact.

**Mr. Krawetz:** — You know, you indicated in your report that, I think, you said five on average — five people leave and, you know, more senior people. Is there any ... you indicated that you recruit normally from the two universities in the province; is there any difficulty replacing people? Do we have qualified people who want to join the Provincial Auditor's staff?

**Mr. Wendel:** — Well we certainly were successful again recruiting this year and maybe I'll let Angèle speak to that. She does the recruiting at the universities.

**Ms. Borys:** — Yes. As Fred indicated, we definitely were successful this year in recruiting six new applicants for the '05 year. Hasn't been a problem. I think in the future the issues that we need to deal with will be when ... depending upon the level of staff that leaves. When I'm recruiting at the university it is for our entry-level positions, so we've been successful at entry-level positions.

**Mr. Krawetz:** — Right. Thank you, Mr. Chair. Those are all the questions I have.

**The Chair:** — Are there other questions by committee members? Mr. Yates.

**Mr. Yates:** — I have a general question, Mr. Chair. What would the impact be if, as an example, a 1 per cent increase in the budget . . . Or this represents about 3.4, 3.5 per cent — just quickly in my head — and I look at the average increase have been 2, 2.5. What would the impact be to the office if the increase was less than the 3.5 being asked for? What would the impact be on your ability to function?

**Mr. Wendel:** — Well it could impact our ability to function. We may not hire as many staff. Staff leave, may not replace them, at which point some work won't get done. That would be the impact.

**Mr. Yates:** — Are there ways to save any money in any of the other areas? I'm trying to reflect, you know, in recent years departments of government have been looked at very stringently and kept at zero or 1 per cent or minus 1 in some cases, and I'm . . . and we've been very closely monitoring, you know, some of portions of our operation. I'm wondering if there's any potential savings anywhere in your operation other than, you know, directly in the audit function that would scale back the 3.4 per cent.

**Mr. Wendel:** — Well 80 per cent of our budget is salaries and that's the number of people we need to carry out our work. As to what's left, some of the administration costs, so our . . . that's got a lot of travel to get to the audits. You know, they're out of town, many of them. Employee benefits, that's where the legislation determines what employee benefits we have to have. Agent advisory services, that's we have to have legal advice and we use that particular item to pay for the audit, your auditor, that comes out of here. Training and development, that's been fixed at \$149,000; we've been using that number for years.

And we keep looking for ways to do things better and we do. I think, when you think about the increase we're asking for. We're not asking for any inflationary increases. We're asking for money to pay for work that's new work that's been added to what we have to do. So not only do we have to do the audits we had to do last year, there's new audits to do. So I'm financing that by trying to find better ways to do things, and I'm also having to do extra work at the Crown corporations on executive pay. And so that's additional work that we've taken on. So that's really what we're asking for, is \$78,000 for those items.

And we're . . . Essentially, for the 1 per cent general salary increase, we're absorbing that along with other inflationary pressures that we get on administration and so on. We're trying to find ways to do that.

**Mr. Yates:** — That's all my questions.

**The Chair:** — Mr. Hagel.

**Mr. Hagel:** — Yes, thanks, Mr. Chair. Fred, when you look at the . . . at your work plan for the current fiscal year, are there some cases where you have made priority decisions to do less than what you would ideally prefer to do because of budget limitations? Or is your current circumstance that you felt you had the financial resources available to do everything that in your judgment was required to be done?

**Mr. Wendel:** — Yes, that's been the case for the last several years is that we brought forward a plan to you, a business plan, an operating plan that we plan to carry out, and a work plan. And the committee supported us on that and this is what this brings forward, another work plan to you. And again, if you provide this, this would be satisfactory to keep, to meet our statutory responsibilities.

Now when I say that, there can be new things that happen during the year that I don't know about. Well recently the irregularities; that's not in this plan. So if I'm not able to finance that out of my current appropriation by efficiencies, then I have to turn to the contingency appropriation at that time.

**Mr. Hagel:** — I see. So that's the rule of the contingency appropriation.

**Mr. Wendel:** — That's what that does for me. It allows me to respond to those kind of requests and to do those kinds of things. So I have, by law I have no choice but to investigate those matters and report on them. But I don't build them in. I build in only what I know about last October. So if anything happens after that, new agencies are created or some of these situations arise, then I have to get involved.

**Mr. Hagel:** — I know I've had the . . . been able to participate in the unbridled pleasure of dealing with the auditor's budget on a number of occasions over the years. And I do deeply appreciate the importance in the public sector of accountability, which is really what, that's what your office brings. That's the value your office brings to the public sector.

And having said that, I guess I have to admit I'm also aware that line departments, similarly, will have circumstances that will alter over the course of a fiscal year, different from what they had forecast, but don't have contingency, a contingency line built into their budget and will find themselves in having to wrestle with relative priorities in order to meet shifting, demands that have shifted outside of what was forecast. And it sounds as though the auditor's office has been able to avoid having to have to wrestle with that kind of financial juggling, in the healthiest sense of the word, that deputies deal with as they come before the Public Accounts Committee.

And just, I would be interested to know if the increase to the total budget rather than is, I think roughly, in percentage terms, roughly 3.4 per cent is my quick, off-the-top-of-my-head calculation. Of 171 million in total, if it were in the neighbourhood of 1 . . .

**A Member:** — 171,000.

**Mr. Hagel:** — 171,000. Sorry. I've caught the Krawetz-itis here. Sorry. Thanks. We'll be . . . Ken and I will be sending post cards.

One hundred and seventy-one thousand, if it was in the range of 1 per cent increase, which I think would roughly be, roughly in the neighbourhood of a 55,000 increase, therefore about 116,000 less. Can you just give me some understanding of what the . . . I mean, I've heard your general reference to that, that might be a couple of positions. Then would be, the implication of that amount of budget less, you know, than requested here —

what would be the implication in terms of making judgments about work plan prioritization? Because ultimately, at the end of the day, your office, like any other office, doesn't exist to create employment. It exists to achieve an objective.

**Mr. Wendel:** — Just as a reference point or another comment, when you're looking at page 77 and comparing the estimates for 2004-05, as I explained in my opening comments, those were estimates for 2003-04, and they just repeated them for 2004-05. In other words, there was no increase built in last year because they got the estimates for the previous year.

**Mr. Hagel:** — Right, but they had a 1 per cent salary increase built into that which you ended up not requiring.

**Mr. Wendel:** — No. No, the 1 per cent salary increase, if it were to be there, you would have to use what we asked for originally last year, which was 5.498 million. That doesn't appear on this page.

**Mr. Hagel:** — Okay, okay.

**Mr. Wendel:** — It's just in a footnote at the bottom of the page that what we asked for last year was 5.498 million, or just slightly over a 1 per cent increase. And what we're asking for this year is again 1.4 per cent increase from what we asked for last year.

As I explained, there was no committee last year. I had no chance to come forward and talk about that. The budget was what it was the previous year. So that's required by law to be put in, so I'm not asking it. What I had asked for was an increase last year, a modest one, and this year I'm asking for a modest increase again.

**Mr. Hagel:** — On top of that which wasn't granted.

**Mr. Wendel:** — On top of that, correct, which wasn't granted last year because there was no committee to deal with it.

**Mr. Hagel:** — Because of the timing circumstance.

**Mr. Wendel:** — But that's the only process you can have for getting estimates through if there's no committee.

**Mr. Hagel:** — That's right.

**Mr. Krawetz:** — Mr. Chairman, perhaps if I might, you know, and Mr. Hagel's questions are very relevant questions, but if you take a look at the salary expense and you have to back up one more year, if you back up to '04, the cost of salary was 3.608 million. And last year, it's . . .

**A Member:** — What page are you on there?

**Mr. Krawetz:** — On page 34. Right, same thing. And you can see that the salary only changed by \$5,000 because the 1 per cent wasn't added in because we didn't meet to approve that.

So when you take a look at now where is this year's level going, you have to remember that you got two years built into there. So while it looks like three-point-some per cent, in fact it's not because you're catching up.

**Mr. Hagel:** — Okay. I appreciate that explanation that would . . . just as a matter of academic interest, I would appreciate knowing. It's important, I think, that we play a role in this committee to the Provincial Auditor's office as members of Treasury Board will play to government departments, and have to ask the hard questions that push the issue of prioritization and meeting, you know, the public requirement of accountability as well as responsibility.

So just going back then, if you were about \$115,000 less, what, in your judgment, what would be the risk that would likely be the consequence?

**Mr. Wendel:** — The business plan deals with that in the event that that were to happen. And what we set out on page 26 is the agency's . . .

**Mr. Hagel:** — Twenty-six?

**Mr. Wendel:** — Yes. That we, if we don't get the resources, you know, of course we have to reduce the resources we have to carry out the work. And we would then prioritize the work. And the first things we would not do would be special purpose funds and revolving funds, moving on to agriculture boards and marketing commissions, and then into the CIC (Crown Investments Corporation of Saskatchewan) and related corporations. We would have to continue working our way down. So those are where we thought we would prioritize the work if we didn't get that.

**Mr. Hagel:** — Yes. And does that reflect in your judgment then areas where you have sound reason to believe risks are lower or does it . . . that they're further from what you would consider your core mandate, or what would be your rationale in prioritizing that way, Fred?

**Mr. Wendel:** — Well for the first bunch I would think these receive less attention from the elected members — revolving and special purpose funds. So that's what we would look to, is to do relevant work. So we would look to those; there's less time spent talking about those by members. Agriculture boards and marketing commissions, there's not a great deal of time . . . Well there's time spent on them, but it depends on what's going on with them at the time. So it just kind of, which ones we think are the most important to you.

**Mr. Hagel:** — I see, okay.

**Mr. Wendel:** — So we worked our way down. And I think once we got to CIC and the related corporations, then we would look to the very small ones initially, you know, some of the subsidiaries that they have.

**Mr. Hagel:** — Right. And I mean in the ideal world where if the budget request is approved, but your contingencies required exceeded the contingency request, then you inevitably would have to come back and use this as a guideline to prioritize then over the course of the fiscal year, I would assume.

**Mr. Wendel:** — Well I think if the committee felt that our regular appropriation should be reduced, I would try and operate within that. So it wouldn't be going through the contingency appropriation . . .

**Mr. Hagel:** — No, no, I . . . Yes. But I was saying because you'll have your contingency fund that you're requesting for those matters that arise over the course of the year, but — above and beyond your annual, predictable requirements — but if you had an odd year where your contingency demands exceeded your contingency line on your . . . on the budget here, then would you then come back requesting increased contingency funding or . . .

**Mr. Wendel:** — We'd come back and ask for a special warrant.

**Mr. Hagel:** — Oh, okay. All right.

**Mr. Wendel:** — I would ask for a . . . I'd have to come back to the committee with a new plan and say, can I have a special warrant and . . .

**Mr. Hagel:** — Yes, yes. For reasons A, B, and C.

**Mr. Wendel:** — Yes.

**Mr. Hagel:** — Yes. Okay, thanks.

**The Chair:** — Mr. Yates.

**Mr. Yates:** — Thank you. What would you anticipate the impact would be on decreasing the contingency appropriation, if any, on your operation — noting that it hasn't been spent in a number of years.

**Mr. Wendel:** — It would depend on the year, Mr. Yates. If I had a very large issue that I had to deal with, I could run it up fairly quickly. It depends what comes up.

This also allows us to respond to requests from this committee or the Crown and Central Agencies Committee, so it's got several purposes. But it can also just be, I'll get to an organization and I'll find there is some misspending and there's been some irregularities. Well my work just goes . . .

**A Member:** — Mushrooms.

**Mr. Wendel:** — . . . mushrooms out at that time. And I don't know how long it's going to take me to look at the Department of Community Resources and Employment at this time. I don't know what's involved yet. So that's going to take some planning and some review, and the same with Environment.

We're also planning . . . The plan we've got this year says that I'm asking for money to audit Saskatchewan Indian Gaming Authority. That's on the basis that it's running properly now, okay? It may not be when I get there. If it isn't and it goes over budget, well I have to get that somewhere. Like we have a budget for each audit and we are required to . . . our staff are, their performance evaluations are based on the ability to meet those budgets.

**The Chair:** — Mr. Krawetz.

**Mr. Krawetz:** — I just have one question, Mr. Wendel. Under expenses, when you talk about rental of space, who is the landlord and what costs do . . . I noticed that the costs are projected to rise by \$5,000, which is more than 1 per cent. Is

that due to . . .

**Mr. Wendel:** — As a note to the estimates shows, we have a 10-year lease with the landlord and in the lease there's cost escalation for utilities and taxes and a number of things. So that would just be the normal escalation clause trying to forecast out what we think will happen in the way of rates.

**Mr. Krawetz:** — So the forecast of \$5,000 is just building in the fact that the landlord wants a greater payment due to power costs and everything else that the landlord is incurring, and they're passing them on to you, the lessee?

**Mr. Wendel:** — Yes.

**The Chair:** — If I could ask just a few questions, I'll just follow up Mr. Krawetz. I'm just curious. Who is the landlord? Is it SPMC or is it another source?

**Ms. Borys:** — S & U Homes is the name of the landlord. Yes.

**The Chair:** — Okay. All right, Mr. Wendel, just curious. How would the cost of your office compare with the cost of the Provincial Auditor in Manitoba, a province of similar size to Saskatchewan, do you know?

**Mr. Wendel:** — We have roughly the same number of employees so probably similar. A lot of their expenses don't appear in their appropriation. I think they're like some government departments. Their employee benefits are paid through the Department of Finance as government departments are, like pensions and so on, so it's not directly comparable. But in the terms of the number of people they have to do their work, I think it would be similar. I think there are close to 50 people. I don't know exactly the numbers.

**The Chair:** — Do you measure your work and your performance against other provincial auditors and also, you know, the private sector auditors?

**Mr. Wendel:** — Well we measure our work against the private sector auditors fairly frequently because we work very closely with the appointed auditors so we know what it is that they do and what we do so we have a pretty good idea as to how we measure up with them.

Insofar as the legislative auditors, it isn't that close but what we are doing is working on benchmarks for auditors to measure their performance and try to have a consistent basis across Canada that we have the same performance measures. But we're not there yet.

**The Chair:** — So if you are aware of what the private sector costs are, I know in many instances like health authorities are audited by, you know, a private sector auditor. Would that be costing the province more or less than if your office had the resources and did those audits?

**Mr. Wendel:** — Well the way the current Act reads it costs more to have two auditors and that's what you have when you have appointed auditors involved. Like under the law, I'm still the only auditor for the Legislative Assembly. I have to tell you whether those financial statements are reliable, whether they are

safeguarding their assets, whether they're complying with the law, and whether their accountabilities needs to be improved. So I have to work through an appointed auditor. So whenever you have that it costs more to have that but it's a public policy to have them.

The government has a policy that it wants to develop that expertise in Saskatchewan and keep that business here so they give them work in the public sector. You know, that's entirely up to the government to do that. I try to work as efficiently as possible with that regime.

**The Chair:** — Okay. And then another question. I suspect I should know the answer to this but I don't. Who audits you and what is the annual cost of that audit?

**Mr. Wendel:** — Well you appoint the auditor and it's Virtus Group and that auditor has the same responsibility as I've got. And they have to make a report to the Legislative Assembly about what they find about whether we are putting up reliable financial statements, whether we're safeguarding our resources, whether we're complying with the law. And we go a step further here. What you also get is you get an auditor's report as to whether or not my request for resources is reasonable to carry out the business plan that's contained here. You don't get that . . . I don't do that anywhere else. Like, I don't do that for anybody. So in that respect, you get one additional bit of service.

Now I have to turn to somebody else to kind of . . . the cost of. Just go ahead, Brian, yes.

**Mr. Atkinson:** — For the year ended 2004, our costs were approximately \$20,000 to Virtus Group.

**The Chair:** — All right. On page 72 of your business plan, there's a note regarding travel and it indicates one of the reasons for an increase was because of travel related to auditing SGI (Saskatchewan Government Insurance) subsidiaries and also health indicators report. I think the health indicators report was just one . . . Was that one particular trip out of province? I'm wondering what that was and also how many trips, how many people, and where to in regards to SGI subsidiaries.

**Mr. Wendel:** — That would have been trips to Toronto and a trip to Prince Edward Island where there's two subsidiary corporations for SGI.

The health indicators report, we're part of a joint audit team made up of legislative auditors from several legislative offices that go to Ottawa and audit the Canadian Institute of Health Information indicators, to make sure the information that's coming forward on that report is reliable. So we have a person assigned to that that goes along on that audit team.

**The Chair:** — So that would just be one person. And in each case when there's travel, it's just one person that goes to do the audit or is it a team?

**Mr. Wendel:** — It was two people who went on the insurance. Is that right?

**A Member:** — Yes.

**Mr. Wendel:** — Two people were on the insurance travel and one person on the Canadian health indicators.

**The Chair:** — And so for the future, are you anticipating that there'll be more of these activities, or is that a constant, or will there be a reduction?

**Mr. Wendel:** — Well, I think those two subsidiaries continue to exist. There are some out-of-province subsidiaries that also are at other Crown corporations that are beginning to get larger. We will then have to do something with respect to those too.

So as they get large enough, our risk goes up and we have to do . . .

**The Chair:** — How do you decide when the risk is large enough that you have to do an audit?

**Mr. Wendel:** — Well it's based on materiality of the organization we're auditing. And usually we use a percentage of revenue or a percentage of expenses and then also try and decide whether or not there's some other sensitivity factors to that. So it's not just dollars. Like, is it a sensitive organization. In other words, is it important to legislators at the moment; are they very concerned with what's going on there.

So it has a financial portion and a sensitivity portion and that's how we make our judgments.

**The Chair:** — And a final question regarding page 77. And I'm just wondering why the change between the estimates in 2005-2006 versus 2004-05. There are two additional items — capital asset acquisitions, and you show a deficit of \$73,000, and then there's capital asset amortization and you show a positive, I guess, a positive expense, if I can use that term, of \$81,000.

**Mr. Wendel:** — Well what the . . . The government's moving to an expense-based budgeting where they're going to be budgeting based on the amortization expense of capital assets. So that's what this is doing. Used to be you'd budgeted your capital asset based on what you bought for that year. So now we're showing that our amortization is slightly more than what we're planning to buy for the coming year. And that's the impact if you go on the expense basis, and the subtotal before that's the expense on the expenditure basis.

**Mr. Toth:** — So is that computers, pencils, paper clips, or . . .

**Mr. Wendel:** — There would be . . . I'll leave that to . . .

**Mr. Atkinson:** — Mr. Chair, for a number of years we've provided this committee, through our report, our estimates on two bases. One is the expenditure basis that includes capital assets as an expenditure during the current period, and also on the expense basis where you don't include your acquisitions and capital assets during the period as part of your expenses. What you do is you include the expense of the asset as it's consumed. And we've provided that for a number of years. We've always had two schedules in here. One is on the expense basis and one is on the expenditure basis.

The estimates process has changed, as you indicated, so it now



includes the appropriations on the expense basis. And what's provided on page 77 is a little mini-reconciliation so you can go from the expenditure, which says the total appropriation is on the expenditure basis of accounting, and it just does a reconciliation back to, if this was on the expense basis of accounting, what would be the total expenses of the office. And that reconciliation has been provided here. It's also supported by the schedules within the business and financial plan itself.

**The Chair:** — I understand that. I'm just curious about what the assets might be because if you're renting, you're renting office space . . . Is it office equipment? Is that what we're talking about primarily?

**Mr. Atkinson:** — Primarily, yes.

**The Chair:** — I assumed that's what it was but I . . .

**Mr. Atkinson:** — Primarily.

**The Chair:** — Are there any more questions or comments? We're dealing with the motion? Mr. Hagel, you may catch your airplane yet.

We have a motion that we are considering. Perhaps, because it's been some time, Mr. Borgerson, you would again read that motion to refresh our memories?

**Mr. Borgerson:** — Yes.

That the 2005-2006 estimates of the Office of the Provincial Auditor be approved as submitted in the amount of 5,446,000.

**The Chair:** — Any other discussion or questions regarding the motion that we are considering? Seeing none, we'll call the question. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — None opposed, that's carried. We'll move then to, I believe it's subvote (PA02). Is there a motion? Mr. Borgerson.

**Mr. Borgerson:** — Yes, I'll move:

That the 2005-2006 estimates of the Office of the Provincial Auditor, vote 28, subvote (PA02), unforeseen expenses, be approved as submitted in the amount of 356,000.

**The Chair:** — All right. I believe that we discussed this expenditure when we were discussing the entire package. Are there any other questions or comments? Seeing none, then we'll call the question. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — None opposed. That also is carried. And Mr. Borgerson, I believe you have yet a third motion to present to the committee.

**Mr. Borgerson:** — I certainly do, Mr. Chair. I would move:

That the estimates as approved be forwarded to the Speaker as Chair of the Board of Internal Economy pursuant to section 10(4) of The Provincial Auditor Act.

**The Chair:** — You've heard the motion. I believe that is the responsibility of this committee. However, are there any questions or comments on the motion? Seeing nothing but smiles, I will call for the question. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — None opposed. That too is carried unanimously. There is no more business on the agenda, so, ladies and gentlemen, we have concluded . . . Oh, Mr. Wendel, you have some concluding comments?

**Mr. Wendel:** — I just want to thank the committee for its support again. It's very much appreciated and we'll work very hard to keep that support. Thank you.

**The Chair:** — Thank you, Mr. Wendel, and I think you do know that this committee does appreciate the work you do and also the support that you give this committee. I do sense that something's not right when you're not sitting here to my left and look forward at our next meeting to you being back in your usual position.

So thank you very much and also your officials who are with you, and your entire staff. If you would pass that on on behalf of the Public Accounts Committee, that we do appreciate the work that your office does, and also remind them that we'll still be keeping an eye on all of you. Thank you, thank you. And Mr. Wendel, thank you to the Provincial Auditor's office.

There is no other business on the agenda. We have concluded 15 minutes early. We have not set a date for the next meeting, but will certainly inform you when that will occur. I declare this meeting adjourned.

The committee adjourned at 16:14.





