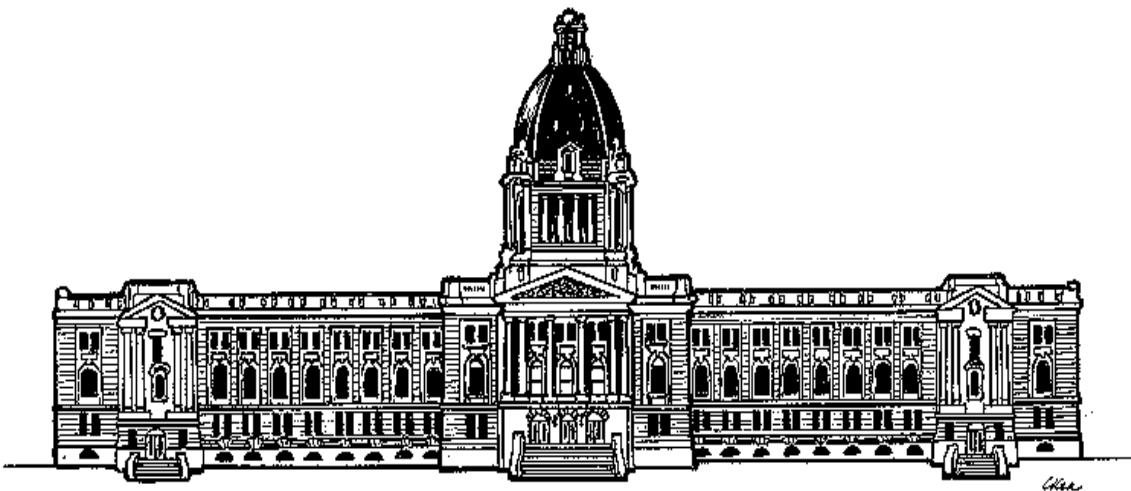




STANDING COMMITTEE ON PUBLIC ACCOUNTS

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2007**

Mr. Elwin Hermanson, Chair
Rosetown-Elrose

Ms. Joanne Crofford, Deputy Chair
Regina Rosemont

Mr. Lon Borgerson
Saskatchewan Rivers

Mr. Ken Cheveldayoff
Saskatoon Silver Springs

Mr. Michael Chisholm
Cut Knife-Turtleford

Mr. Andy Iwanchuk
Saskatoon Fairview

Mr. Kim Trew
Regina Coronation Park

[The committee met at 10:30.]

The Chair: — Good morning, ladies and gentlemen. I'd like to welcome each one of you to the Public Accounts Committee meeting. We have two items on the agenda today. Firstly we will be dealing with the chapter on Environment, chapter 5 in the 2006 report volume 3. We intend to deal with this matter from 10:30 to roughly 11:15 at which point we will move to chapter 22 of the same report, the chapter dealing on Labour.

As is our custom, we will get a quick overview from the Provincial Auditor on the chapter that we are dealing with, then we will ask the deputy minister to respond, hopefully again fairly briefly so that we can get to questions by members of the committee. Therefore we will ask Bashar Ahmad of the Provincial Auditor's office to review chapter 5 on the Environment. The floor is yours.

Public Hearing: Environment

Mr. Ahmad: — Thank you and good morning, Mr. Chair, members, and officials. Chapter 5 of our 2006 report volume 3 begins on page 187. This chapter reports the result of our audit of the department, its special purpose funds, and Crown agencies for the year ended March 31, 2006. To complete our audit of two Crown agencies, that is Watershed Authority and Operator Certification Board, we worked with their appointed auditors, Meyers Norris Penny and Mintz & Wallace respectively.

We also report the result of our follow-up of two previous audits relating to the department's processes to regulate air emissions and its processes to regulate the quality of drinking water. In this chapter we make three new recommendations and repeat a number of recommendations we made previously. At the time of our 2006 audit the department had not fully addressed those recommendations. Many of those recommendations resulted from our investigation of improper use of public money during 2004-05. In June 2005 your committee considered and agreed with those recommendations.

The department should prepare a plan setting out how and when it will fully address all those recommendations. Delays in implementing some controls increase the risk of improper use of public money without ready detection.

Now I will briefly talk about our new recommendations. Our first new recommendation on page 192 requires the department to verify and collect forestry fees promptly. We made this recommendation because the department had not verified the annual return for all the forestry companies for the year ended March 31, 2005 and March 31, 2006. Delays in verifying annual returns result in delays in collecting forestry fees and may result in loss of public money.

Our second new recommendation on page 196 requires the department to identify its future human resource needs and develop strategies to address any competency gaps. The department has determined its current human resource needs but it needs to identify any competency gaps in current resources and determine its future human resource needs and how it would address those gaps.

Our third new recommendation on page 198 requires the department to prepare a complete business continuity plan. Without a complete and tested business continuity plan, the department may not be able to respond to unforeseen incidents without significantly affecting its normal operations. Our follow-up work showed the department has addressed our recommendation for regulating the quality of drinking water but it needs to do more work to fully address our recommendation for regulating air emissions. That concludes my comments. Thank you.

The Chair: — Thank you, Mr. Ahmad. We appreciate that review of the chapter. I failed to mention at the opening of the meeting that we have one substitution. We'd like to welcome Ron Harper here, who is a substitute for Joanne Crofford. Welcome to our committee. That is the only substitution we have.

Also I believe this might be the first appearance by the deputy minister before the Public Accounts Committee, Mr. Alan Parkinson, deputy minister of the Department of Environment. If you would like to introduce your colleagues that you brought with you, we would certainly appreciate that so we would know who was there. And then we will offer you a time to respond to the auditor's chapter and then as I mentioned we'll open the floor to questions. So, Mr. Parkinson.

Mr. Parkinson: — Thank you, Mr. Chair. To introduce the officials I'll start behind me. To my right is Mr. Rob Spelliscy, the director of our financial management section. To his left is Mr. Joe Muldoon, the assistant deputy minister, environmental management division and Dave Phillips, assistant deputy minister of conservation division. To my right we have Ms. Donna Johnson, executive director, finance and administration branch and Mr. Bob Wynes, the acting executive director of our forest services branch.

The Chair: — All right. Did you care to respond to the auditor's report?

Mr. Parkinson: — Yes. And as you requested, I'll try to be as brief as I can. Saskatchewan Environment last appeared before the Public Accounts Committee in March 2006, related to some 25 matters which were included in reports issued by the Provincial Auditor during 2005. And we note that through the dedicated efforts of department staff, 10 of those 25 recommendations have been fully addressed and were consequently removed from the auditor general's 2006 fall report.

Those recommendations fully addressed included improvements to the department's annual report related to capital assets, implementation of a at-risk internal audit plan, regular internal audit reporting to senior management, establishing appropriate segregation of duties over the collection and receipt of public monies, and establishing a culture of fraud awareness within the department.

The department has also fully addressed the Provincial Auditor's previous recommendations on water quality, including documenting quality control reviews of waterworks inspections and following up on water quality monitoring. The

department has also been able to fully address one of the previous air quality recommendations by obtaining minister's orders for waiving permits for minor sources of air contaminants.

Since the 2005-2006 audit, the department has made progress on the other 15 recommendations previously reported. The department continues to take incremental steps in strengthening internal controls, training staff on financial policies and procedures, undertaking risk-based internal audit reviews, reviewing and implementing appropriate segregation of duties for employees responsible for the disbursement or expenditure of public money, and improving financial reporting.

Since 2005-2006, the department has secured incremental professional accounting resources which have contributed to the progress made on addressing the Provincial Auditor's financial recommendations and led to an improved focus on compliance with financial policies and appropriate staff supervision.

In response to the Provincial Auditor's recommendation that the department assess the risk of loss of public money by employees in positions of trust, the department has implemented the Public Service Commission guidelines for criminal record checks. It is nearing completion of a dollars-at-risk assessment within each branch as a means of determining the adequacy of the government standard blanket fidelity bond coverage. The department will complete this assessment with input from the Saskatchewan Finance, the Public Service Commission, and Saskatchewan Property Management.

The department has improved its collection processes and procedures by giving clear instruction to its revenue unit staff and by hiring account receivable collection staff. The Provincial Auditor comments on page 199 that the 2006-2007 audit will include a review of the adequacy of the collection policy. The department anticipates that this recommendation will be removed subsequent to this review.

With respect to our operational compliance reporting needs, as the auditor notes on page 198, the department has completed a plan to strengthen its compliance activities and results which include objectives, measures and targets, and reporting needs and a mechanism for regular review and updates. The Provincial Auditor will be reviewing the adequacy of this plan during the 2006-2007 audit, and the department anticipates that this recommendation will be removed in the short term.

Department progress on addressing the auditor's previous air quality recommendations includes the central delivery of the air program, approval and implementation of a permitting policy and air monitoring directive, assessing gaps in staff capacity, and developing public reporting mechanisms on air quality.

The Provincial Auditor included three new recommendations in his fall 2006 report. The first new recommendation is that the department verify and collect forest fees promptly. To improve timeliness of verification, the department has hired a forestry accountant and is examining an option to have the external auditor of each forest company complete a review of the reconciliations prior to submission to the department.

A second new recommendation is that the department identify its future human resource needs and develop strategies to address any competency gaps. The department is in the process of identifying critical competencies and will then proceed to identify human resource needs and gaps. The department will address these gaps through training of existing staff and external recruiting strategies, including attending career fairs, hiring summer students, and promoting diversity in our workforce. Note that the department's human resource plan is aligned to government-wide corporate human resource plan.

The third new recommendation is that the department prepare a complete business continuity plan. The department is building the components of a business continuity plan into its current emergency response plan. Our risk assessment has been completed to identify critical programs, and the department is now 75 per cent complete in addressing the specific information technology people and equipment required to restore services in the event of a disruption. Security and disaster recovery responsibilities will be built into the service agreement with the Information Technology Office.

So that about sums up our remarks and we thank you for the opportunity. And we're now ready to answer questions from the committee.

The Chair: — Okay. Thank you very much, Deputy Minister Parkinson. Just to update the committee that we are in flux this morning. Mr. Cheveldayoff has been called off to an appointment and so we have, substituting for Mr. Cheveldayoff, Nancy Heppner, the Sask Party Environment critic, for our first chapter, and Mr. Glen Hart will be substituting for him on the subsequent chapter on Labour. With that notification, I will open up the floor to questions. Ms. Heppner.

Ms. Heppner: — On page 92, the clarification and collection of . . . Sorry. First of all I should welcome you here and thank your officials and yourself for your time.

Page 92, the collection of forestry fees. The auditor has indicated that there's a lag time in the collection of this. What is the reason for the delay in the verification and collection of forestry fees?

Mr. Wynes: — One of the things, it's not a very straightforward process. The dues and fees on timber products are payable by volume. And just for expediency reasons, the large companies measure the wood that's coming in by weigh scales and then we subsequently designate certain loads that must be scaled in terms of measured for volume so that we develop conversion factors. So by design, it takes some time between the actual wood going over the scales to collect all the data for the different strata and convert that so that we can collect the proper dues and fees.

There is an estimated volume that's done based on initial weigh scales. And then we subsequently have to verify that once the final scaling is done, and that takes some time to create those conversion factors. So there is initially fees that are collected quite promptly. And it's the verification once all of the data that is available for the conversion factor, that's the part that takes some time. So it's not all of the . . . It's just the correction that takes some time.

Ms. Heppner: — What's the current . . . I'm not sure if lag time is the proper term, but what's the current time frame between the initial assessment and then the final collection, on average? Is there . . .

Ms. Johnson: — Well I think it's important to note here when it comes to the forestry revenues, the forestry companies do make payments on a regular basis. And they self-assess on the basis of the amount of timber they've harvested. They report the volumes that they've harvested, and they'll pay revenues to us. And those revenues are collected in a timely fashion. What takes some time is the final reconciliation — the final calculation of the conversion factors and the confirmation that the amount of revenue paid by the companies over the year is the correct amount of money to have been paid. And, you know, depending on the size of the company, there is usually a correction, if you will, on the estimated amount that they paid versus what the final amount should be.

And the conversion, the final conversion factors are provided to the company by the department about three to six months after their fiscal year-end. So typically they'll pay the majority of the fees if . . . And in some cases they overpay their fees because their self-assessments and their conversion factors that they've been using might be a bit off from what our final calculations will be. So we'll have overpayments as well as underpayments.

The Chair: — Mr. Hart.

Mr. Hart: — Yes. What percentage of the total fees . . . You mentioned sometimes there's some overpayments, but I'm guessing more often than not there's underpayments. Perhaps I'm wrong. But when the year-end corrections are done, what percentage of the total fees would those corrections represent? Like are we talking a lot, you know, 10 per cent or more or less? I wonder if you could give us some indication of how much money is outstanding, you know, at the end of the year.

Ms. Johnson: — If we were to look at the 2005 fiscal year for instance, the correction that was made on the Weyerhaeuser account was about 700,000. And as a per cent of the total forestry revenues that year that would have been less than 10 per cent, a little more than 5, more than 5 per cent but less than 10.

Mr. Hart: — Does the department have a policy or practice in place where perhaps some of the large forestry companies like Weyerhaeuser used to be . . . Did you do quarterly verifications or was there just an annual reconciliation done?

Ms. Johnson: — Just the annual reconciliation.

Mr. Hart: — You know, when you're looking at \$700,000 or perhaps sometimes more, you didn't consider doing a quarterly reconciliation which would have kept the account more current and probably dealt with, you know, some oversights or mistakes on a more current basis and therefore making it much easier to do the reconciliation. Was that ever considered?

Mr. Parkinson: — Essentially the answer lies in the seasonality of the forest sector activities, whether they're harvesting fall, spring . . . or fall, sort of late winter, summer-types of activities and when they go across the scaling

assessment. So the seasonality makes it difficult to do anything more than an annual adjustment.

Mr. Hart: — Well I mean, if you have the bulk of the wood coming in during the winter months, it would seem that perhaps if that's the first two quarters, perhaps even the semi-annual reconciliation may have been, you know, fairly logical and fairly easier to do. I mean, it's just a suggestion that I would throw out. I realize that we don't have the . . . Weyerhaeuser's currently are . . . you know, that plant is not operating and so on. So I just thought, you know I'd throw that suggestion out and thanks for the information.

The Chair: — We don't have a response.

Mr. Parkinson: — I wasn't sure one was necessary. It was a suggestion and we've noted it.

The Chair: — All right. Mr. Borgerson.

Mr. Borgerson: — Just a follow-up question on that. With this particular amount of money — this 700-and-some thousand dollars — was this an issue of lag time in terms of the time between their verification and our reconciliation? Is it a question of lag time or was this a question of inaccurately reporting on the part of . . . I'm assuming this is Weyerhaeuser. Yes. Was this inaccurate reporting on their part?

Mr. Parkinson: — Just the lag time due to verification. So they're estimating what their harvest volumes are and then there's just the period of time that we have to go to verify that. So . . .

Mr. Borgerson: — And I know you've explained this, but if you could . . . How do we verify what they have weighed out? What is our process of verifying that their numbers are correct? Because I think this is important.

Mr. Wynes: — Yes, I'm probably not explaining it very well. But the dues and fees are payable based on the volume of wood that's harvested, cubic metres of wood that's harvested, and the only expedient way to measure the amount of wood is by weight. So the reconciliation, part of the reconciliation process, the verification process is actually setting up a number of stratum that we sample, you know, different types of wood, different areas, essentially quality of wood that we anticipate is coming in, so that we have an adequate number of samples that are taken from each type of wood that's coming in, each area of wood.

And we make sure that there's enough samples taken where we actually have . . . The companies have people that go out and measure the volume of wood in a number of sample loads and we can compare that to the weights that were documented for that load when it came over to the scales. And then we can add all of those samples together.

Obviously one or two samples isn't enough. We need a large number of samples for that stratum. And that's one of the reasons we can't do it quarterly is because we'd need to accumulate that sample. The cost for industry would go up substantially. If we needed an accurate number of samples in a quarter for each one of those stratum the industry costs would

be quadruple, essentially, assuming that they're not quite because the volume of wood is different at different times of the year because of the seasonality of harvest. But just even the idea would quadruple, essentially, the costs for industry in terms of documenting the amount of wood and for our staff to go out and do our check scaling on the industry's checking of those sample loads.

So essentially by collecting all those samples where we actually go and measure scale . . . It's a bit confusing. Scaling refers to actually measuring volume as opposed to weigh scales. But when we actually go and measure the volume in those loads that's how we create those conversion tables and subsequently are able to say, okay, well this amount of weight that went over the scales equals this amount of volume. And we can correct the payments that were made based on the estimated conversion factors we'd use initially.

Mr. Borgerson: — So if I've got this right, there's a tricky little balance there between sort of balancing accuracy with cost-effectiveness. Are you comfortable that you have the resources to do as accurate a job as possible in terms of verifying what they've harvested?

Mr. Wynes: — Yes, I'm actually very confident in that. Right now we've started . . . There was a competitiveness report that was done with co-operation from various departments and with industry. And one of the suggestions was to look at the scaling information to see if there was an even more efficient way. And we are just starting a review of how we have broken the forest up by stratum and looking at the data to see whether we're collecting in some cases too much.

You can look at an accuracy and determine whether collecting more samples would increase your accuracy or whether we're maybe even collecting too many samples in some areas. So we've had the scaling program in effect for enough years now that we have enough data that we can look back and do a thorough assessment just to see if there's opportunities for streamlining or other areas where maybe we need to do more intensive sampling.

Mr. Borgerson: — Okay, good. Thank you, Mr. Chair.

The Chair: — Thank you, Mr. Borgerson. Before we go to Ms. Heppner, I would like to make a couple of observations and then ask a question.

I read through this chapter yesterday in preparation for our committee meeting, and I have to admit that I was more troubled reading this one than I have been reading many chapters for quite some time as the Chair of the Public Accounts Committee. I just kept reading the same type of information, and it's information that has come to this committee in previous reviews with different deputy ministers, different ministers in the department over the years.

But on page 192 . . . And we've just been talking about the measuring of, the verification of the forestry fees. But it's the wording. It's not so much the issue as the words that are used that trouble me:

The Department must promptly verify the annual returns

[of] the forestry companies submit . . . At the time of our audit, the Department had not verified the annual returns . . .

The auditor says, "We . . . [have] found no evidence that the Department's employees had informed senior management of the delays in verifying the returns of forestry companies."

Then we go to the next page, 193, second paragraph, partway in:

However, employees continued to have difficulties complying with the established policies. We found instances where there was no indication who received the goods and services. Also, employees did not always check for proper approval of invoices before paying them. The Department's internal auditor advised senior management that employees do not always comply with the segregation of duties policies for processing payments.

And then a little farther down it talks about that the manuals include direction, and then it says, "The Department has . . . established an authority grid." So it's done some things to correct this, and then we read in the last paragraph:

However, employees do not follow the established policies for processing payments and reconciling accounting records. We found payments without properly approved invoices. Also, we found employees did not agree (reconcile) revenue billings to the accounting records on a timely basis.

It says, as of "March 31, 2006, employees had not reconciled all license and forestry revenues . . ." The next paragraph says, ". . . the Department needs to improve its direction to employees for safeguarding inventory." And the next paragraph says, "The Department did not provide timely guidance to staff for counting and valuing inventory."

And then on the next page we read, ". . . the Department lacks adequate processes to supervise the completion of the capital asset processes."

The next paragraph:

The Department has not made progress in ensuring its employees follow established processes. Employees do not update the capital asset records properly and do not record the location of capital assets. Employees do not regularly reconcile the capital asset records to the financial records . . .

The end of the paragraph, ". . . the Department incorrectly dispensed capital assets of \$750,000." On the next page at the top paragraph it says:

The Department's year-end financial reports contained several errors for the year ended March 31 . . . The Department's year-end financial reports included \$1.7 million owing to others. The Department did not know who this amount is owed to and why. The Department's financial reports also did not record \$13 million in rental expenses to other Departments. The Department also did

not know the full amount of forestry fees it . . . owed at March 31, 2006.

Last paragraph on the next page, 197, says, “The Department does not have a complete and tested business continuity plan.” And the next paragraph on the top of page 198 says, “. . . we found the Department still does not have a complete written and tested contingency plan.” And half ways down that page, “The Department has yet not defined and documented its compliance reporting needs.” And at the top of the next page 199, we read:

. . . the Department has established rules to agree (reconcile) its bank balances to the bank’s records promptly, including an independent review and approval of completed bank reconciliations, it still has not reconciled all bank accounts promptly. At March 31, 2006, the Department still had not reconciled its key transfer bank account since 2003.

This is not a good culture. I mean, I left out a lot of stuff, but all the way through there there’s some places where employees don’t seem to be taking direction. There’s other places where management seemed to be not providing proper direction. And this culture seems to have gone on since . . . This report talks about 1999. And yet every time before a Public Accounts Committee, people such as yourself . . . And I’m not questioning, you know, that the department is trying to correct this. But in spite of all these efforts, the report from the Provincial Auditor comes back that we have not seen progress.

Can you explain, you know, is there a cultural problem with this department that’s different than other departments? All departments have problems, and they attempt to fix them and usually are fairly successful. But the problems seem to reoccur more in Environment than any other department that comes before the Public Accounts Committee, and I’m at a loss to know why.

Mr. Parkinson: — I think I’d answer . . . but I may be describing some initiatives that we in the Department of the Environment have undertaken in the last nine months or so. First off we did . . . well I personally did a bit of an internal assessment, and I looked at how the department was organized and how it was aligned. And in November of this year we realigned the sort of working operations of the department so that we sort of regrouped a number of our business areas so that they were more kind of complementary in terms of how they were functioning within our organizational structure.

On top of that we have instituted what we’re calling a senior managed performance improvement project, or a performance coaching project, for our senior management grouping. And the intention of this project is to establish how we would describe a line of sight between where the department and where the government would like to see the department go in terms of its resource management and environmental outcomes.

And through this sort of senior management initiative and establishing the line of sight between where senior management wants the direction to go and where it finally occurs on the ground in any of our operating areas, that we’re trying to increase the transparency and the line-of-sight accountability along those particular lines.

We have a strategy that spans some 250 strategic objectives, and we are trying to establish through our senior management performance initiative a way to create a series of performance indicators for senior management to ensure that the department is on line with what the expectations of the department are by government itself.

Within the organization we’ve had up until this year considerable difficulty recruiting qualified staff to undertake a number of financial management positions. That has since been rectified over the course of the last, oh I think, the last 12 to 18 months. And we’ve been bringing these staff on.

And in my opening remarks when I referred to a number of recommendations that we have completed from the auditor’s recommendations and the ones we anticipate being addressed over the next year, there is probably a direct sort of cause and effect between the addition of these professional financial management staff and our ability to cope with some of the auditor’s recommendations but more importantly the application of those recommendations as they occur throughout our organization.

So the combination of a better, more qualified financial management staff, a long-term initiative to enhance senior management performance, and an increased line of sight between where the department needs to go and how that will be carried out by our front-line staff are all initiatives that are being undertaken. And that’s all occurred within the last eight months.

Prior to that the department did in 2004 undertake a fairly fundamental restructuring of the department where we moved from a regionally delivered program structure where programs were at the policy level developed by centralized branches and at the operational level to deliver through a series of regions. That, I think, contributed significantly to some confusion and accountability within Sask Environment. And the sort of restructuring in 2004 into a series of focused business functional units, where we still have got some 53 field offices distributed throughout the province, there’s a greater degree of policy and program control as those are managed through focused business units.

The Chair: — Well, thank you. You’ve partly, I think, addressed and answered my questions with regards to the restructuring in 2004. We are still having a report as of 2006 that some of these issues have not been corrected. What are you doing differently than the last time this department came before our committee that would give me confidence that your, you know, your employees out in the field are going to take seriously the policies and procedures that you put in place?

Mr. Parkinson: — The things that we’re doing differently relate to the senior management performance initiative that I discussed. Within our 252 strategic objectives, we’ve got a Cognos computerized performance management system which has been introduced within the last, I think, 12 months. We’re now using that system to ensure that there is a greater accountability for the actions that our staff are undertaking with respect to program delivery. We have put in place the financial management staff that I had talked about earlier. We’ve done training with senior managers to ensure that financial

management practices are fully understood throughout the department and are understood by both managers and staff undertaking them.

Through the management reporting initiative and the sort of performance management initiative overall, we are putting in place, I think, a management performance review system in place in order to ensure that where we have difficulties or we have programs or staff that are wandering off track or are not complying with the rules of the department, that we've got that line of sight so we can spot that and take corrective action.

Within the overall program the 2004 initiative took place. There was probably some confusion by the staff as we kind of moved them out of regional operations and into program operations. We think that we've got that aspect clarified in the minds of staff as to where their responsibilities begin and end. And we think that with these more recent initiatives that it sort of completes that initiative that was started in 2004. And we're looking to monitor results as they occur over the course of the last fiscal year and going into the new fiscal year as well.

The Chair: — Just briefly, because time is running out, what assurance can you provide the committee that when this department appears before the Public Accounts next — which likely will not be this year, it likely would be next year — that we will not be reading the same report from the auditor with the same problems regarding lack of direction and lack of following directions within the department?

Ms. Johnson: — Well I think I'd like to answer that question by offering a little more information first of all. In 2004, late in 2004, of course our department discovered the financial irregularities and on the heels of that discovery we did within about a . . . It was September 2005 we were able to hire another chartered accountant who worked in our internal audit area. So within the 12 to 15 months following that discovery we spent the majority of our professional accounting expertise looking for the problems in our department. And in looking for them, we found them. And I believe that they're all pretty well documented in the auditor's chapter.

Since then, in '05-06 — so for the year that's being reviewed here today — we were able to increase our accounting staff by about twofold from the '04-05 year when the irregularities were discovered. But our experience was that that still was not enough financial, professional financial expertise for a department our size. So in '06-07, we have again expanded our financial expertise. We now have on staff eight accountants, people with designations from a CGA [certified general accountant] through to a CA [chartered accountant] designation, and these people are now keying on ensuring that there's proper supervision, that the policies are understood and that they're communicated through the department.

It will still be a matter of time to ensure that the employees are properly understanding and applying the policies. But I'm confident that we will continue to make significant progress when we're here again within a year and that we will see a number of these recommendations be cleared once the auditor has an opportunity to review the year-end at March 31, '07.

The Chair: — Thank you for that answer and I hope that's the

case. Ms. Heppner, you have a question or two and then I think Mr. Borgerson wanted in with a question too. And then we have three recommendations to deal with. So, Ms. Heppner.

Ms. Heppner: — Well I had a list of questions but, Mr. Chair, you hit every bit of highlighted bits I had here, so I will ask on one specific. On control over bank accounts, it's on page 198, you just mentioned that in 2004 report, when the irregularities were discovered, there was action taken to correct those irregularities. In 2004 it was recommended that bank balances and bank records were reconciled and properly maintained. Yet in 2006 the auditor's report says the department still has not reconciled these bank accounts since 2003.

As of today, has the department fixed this problem? Are these records up to date as of today?

Ms. Johnson: — They are much closer than they were a year ago. As of today, the department continues to have 24 bank accounts. Twenty-three of the 24 bank accounts are reconciled in a current way, which is to say that within 30 days of receiving the bank statement, those accounts are fully reconciled.

The 24th bank account is our transfer account and the account that the auditor highlights in his report. That account is reconciled via an automated bank reconciliation system. So we have some custom software that we use for doing the bank reconciliation. Given that we're dealing with thousands and thousands of transactions that come in each month, we're not able to deal with that account in a manual fashion.

So that account, the system that we use to reconcile that account crashed in August 2003. So that is why . . . The crash was a significant event for us. We ended up creating a new bank reconciliation system to replace the old one. The old one was not replaceable or rebuildable, so we did have to create a new bank account reconciliation system. And it does take time to work the bugs out of new systems. So the transfer account was last reconciled March 2003, prior to the crash in August 2003.

Since then we have been taking measures to ensure that our revenue records are properly handled. We are collecting of course the revenue as we always have through the field offices and the parks. The deposits are made regularly in one of the 23 other bank accounts. Those deposits then have to be transferred into the key account. We match all of our transactions to ensure that we transfer amounts out of that key account into the General Revenue Fund.

So we have been taking steps, but the reconciliations right now are for 2003-04, '04-05, and '05-06. They are more than 95 per cent complete. We're working on all of these years at the same time. And my staff is hopeful that within a matter of weeks we'll have those three years reconciled for that key account, and then we'll be doing the reconciliation for '06-07. And that reconciliation, I'm expecting, will again take a matter of months. So we're expecting to be current within the end of the first quarter or possibly the second quarter of '07-08.

Ms. Heppner: — All right. On page 196 it says, "The Department's financial reports also . . . [do] not record \$13 million in rental expenses to other Departments." I was just

wondering what the reason was behind not recording \$13 million in expenses.

Ms. Johnson: — Well this is a communication problem I guess that we had . . . is the best way to describe the problem. In fact the \$13 million that's being referred to are department payments to Saskatchewan Property Management department. And the original observation that was made was an observation that when one looked at the inter-entity, year-end schedule that . . . The department prepares a series of year-end schedules. One of them is a schedule that identifies all of the inter-entity transactions — so transactions between our department and other not arm's-length organizations, so organizations that are outside of the GRF [General Revenue Fund] but so not a department but a Crown corporation or a Treasury Board Crown.

And in any event, the year-end schedule for March 31, '06, did not include payments to SPM [Saskatchewan Property Management] because SPM was a department for that year. So the payments that we had made to SPM were recorded on another schedule, the inter-department schedule. They were not to have been recorded on the schedule, and we had some communication challenges. I don't know if staff at our department didn't properly answer a question of the auditors or what the case was, but in fact this is not a problem. The department recorded the payments on the correct schedule.

The Chair: — Thank you, Ms. Heppner. And I apologize for taking time and going over what you had planned to do. I guess I had it on my . . . It was bugging me, and I had to get it off my chest. Mr. Borgerson did you have question? I think Mr. Hart has a quick question. Is there . . .

Mr. Borgerson: — Just a quick . . . We're about to move to the new recommendations, but you indicated at the start that, of the 25 past recommendations, past matters, that 10 have been addressed. You give a bit of an indication in . . . You've indicated that there's progress on most of the other 15. And as the Chair has asked, could you give us a sense in terms of those other 15 of the kind of progress you would expect by the time the next auditor reports, either just in terms of how many out of that 15 do you think you'll be able to fully address or even naming some of them specifically.

Ms. Johnson: — I hesitate to suggest how many of the outstanding recommendations would be removed because of course it's subject to the auditor's review, and it's the auditor's decision to determine whether or not the department has taken enough steps to remove the recommendations.

However having said that, I am able to say that we've made substantial progress respecting the segregation of duties. The auditor noted in the chapter this year that the segregation of duties with respect to the collection and receipt of revenue had been appropriately addressed, and he removed reference to that. But the segregation of duties respecting disbursement or expenditure of public money remains. That one, I believe, we have made substantial progress, and I'm hopeful that we'll be able to see that removed in the next chapter.

The bank reconciliations as I just mentioned, again substantial progress made in the past year. Again it'll depend on the timing.

I understand how the auditor reviews things, and we are not current as of today. I don't expect us to be current with that key transfer account as of March 31 because to do so would mean that I'd have to get the 2006-07 bank reconciliation finished in the next couple of days, and I know that's not going to happen. So that recommendation may remain outstanding another year. Again on the other hand, if it is cleared up by the end of the first quarter, it's possible that the auditor would consider the subsequent defence as being significant progress.

Establishing processes to collect money due from others, again in his chapter the auditor noted that we had put those processes in place and that they'll be reviewing that this year. So I am expecting that their review will show that the processes are adequate and have been followed. So I would expect that one to be removed.

And the preparation of complete and accurate year-end financial reports, again I expect that one to be removed this year. We certainly have made strides within the last . . . even within the last several months of this year to bring on qualified accounting staff who can ensure that the preparation of the schedules is properly supervised and that there are no more lingering errors.

Mr. Borgerson: — And a quick question for the auditor, when is the next, do we have a sense of when the next review is of Environment?

Mr. Wendel: — We'd be undertaking some of the review now during the last few months before the year-end and then other work after the year-end. So likely the work will be completed towards fall.

Mr. Borgerson: — Good. Thank you. And thank you.

The Chair: — You had just a short question, Mr. Hart?

Mr. Hart: — Yes, thank you, Mr. Chair. I'd like to direct this question to the auditor. On page 193 there's a couple of sentences that I would like some explanation on. On the second paragraph there's a sentence that says, "Also, employees . . . [do] not . . . check for proper approval of invoices before paying them." And then you refer to that, that same lack of procedure, I suppose, in the bottom paragraph.

I wonder if you could expand on what you had found, the lack of proper prior approval or proper approval. And are these kind of oversights and lack of adherence to established policy, are these the kind of things that were occurring at the time when the fraud was discovered? I wonder if you could comment on that.

Mr. Grabarczyk: — The reference being made to here, Mr. Chair, and members, is that there is an authority grid so certain individuals are authorized to approve invoices. And what our findings were is that there was invoices that were not being approved by the appropriate people.

And as far as our previous report, yes, there was instances of the same type of invoices occurring where there was not a proper approval.

Mr. Hart: — Are those practices occurring in that same area of the department as had occurred in the previous occurrences? Or

is it widespread throughout the department?

Mr. Grabarczyk: — It's in different areas.

Mr. Hart: — Okay.

Mr. Grabarczyk: — And I guess part of it, the department has been reorganized as well so that same unit does not exist in the same manner as it did back in 2005, 2004-2005, or even before that.

The Chair: — All right. Colleagues, there are three recommendations in this chapter. Are we ready to move to the recommendations? Is there a motion? No, I guess first of all I should read the recommendation. On page 192, recommendation no. 1 by the Provincial Auditor, "We recommend the Department of Environment verify and collect forestry fees promptly."

Is there a motion? Mr. Borgerson.

Mr. Borgerson: — I'll move that we concur with that motion.

The Chair: — A motion to concur. Is there any debate of the motion? Seeing none, all in favour? Carried unanimously. You're just moving to concur with the recommendation. Okay. And the second recommendation is on page 196. It reads:

We recommend that the Department of Environment identify its future human resource needs and develop strategies to address any competency gaps."

Is there a motion? Mr. Borgerson.

Mr. Borgerson: — I'll move that we concur and note progress.

The Chair: — At this time a motion to concur and note progress. Is there discussion of the motion? Seeing none we'll call the question. All in favour? Again carried unanimously. We will move to the final recommendation on page 198. Recommendation no. 3 reads, "We recommend the Department of Environment prepare a complete business continuity plan."

Again is there a motion? Mr. Borgerson.

Mr. Borgerson: — I'll move that we concur and note progress.

The Chair: — Again a motion to concur and note progress. Is there a discussion of the motion? Seeing none we'll call the question. All in favour? Again carried unanimously. That brings us to the conclusion of our deliberation of chapter 5.

Mr. Parkinson, I'd like to thank you and your officials for appearing before the committee. Hopefully you can come again when the auditor has done some work and bring us good news. We wish you well in your responsibilities to the people of Saskatchewan. We will allow you to leave while our witnesses from Labour take the chair.

And while that's occurring, I would just like to welcome three of the interns with us, the legislative interns. I see at the back of the room Lucy Pereira, Justine Gilbert — Justine is the intern working with me right now — and also Jonathan Selnes. We

welcome you to the Public Accounts Committee. We know you're just fascinated by the intensity and action around the table.

Public Hearing: Labour

The Chair: — At this point we are welcoming representatives from the Department of Labour. We have the assistant deputy minister appearing as well as the director of the office of the worker's advocate.

This part of the meeting, this part of the agenda is chapter 22 of the 2006 report volume 3, Labour. And presenting a brief summary of the auditor's report, we have Mr. Mark Anderson, principal. We welcome you to our committee and ask you to make your presentation at this time.

Mr. Anderson: — Good morning. Thank you, Mr. Chair. We'll be very brief.

I'm here to present our follow-up on the office of the worker's advocate. We originally audited the department in 2003. We examined whether the department had adequate processes to assist workers or their dependants who seek help with their claims for compensation from the Workers' Compensation Board. This was a follow-up of our recommendations.

As we describe in the chapter before you, the department has implemented our recommendations. Specifically the department has set clear performance expectations and it monitors whether it is achieving them. Those are my remarks.

The Chair: — Thank you very much. And again we welcome you, Mr. Nicol, and if you would care to introduce your colleague and briefly respond to the auditor's report. It doesn't look like we have a lot of pages to go through. There are no recommendations, so perhaps this will be a breeze. We'll see.

Mr. Nicol: — Thank you, Mr. Chair. I'm joined by Margaret Halifax who's the director of the office of the worker's advocate. We're very pleased that the auditor's pleased with our work. We take the recommendations very seriously.

Just in a brief history. In late 2002, early 2003, the department had a significant backlog which we have brought to the committee. It's been discussed here many times. We have continued to work to streamline the process involved in assisting workers who are injured, or their dependants, with claims. We've taken it down from a high of 26 months to a wait time of no more than nine weeks.

We're continually striving to find new ways to help workers in a timely fashion, and I think it's fair to say that the lion's share of the credit goes to Ms. Halifax. She is the one who's really driven this process, and so the credit goes largely to her. And we would be pleased to answer any questions you may have.

The Chair: — All right. Thank you for that brief response, and we will open the floor to any questions. Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. I wonder if you could just briefly explain . . . and I know you've done this before. But perhaps just to refresh the committee's memory as to how you

achieved these results, from going from a 26-month wait time to down to nine weeks, what practices did you put into place, and what changes did you make to achieve this much shortened wait time?

Ms. Halifax: — Thank you. There was three main processes that we implemented in April 2003. The first one, we had approximately 600 or over 600 files waiting for assignment to an advocate. We took those files and contacted each of the workers to ensure that they still required our service. As a result of that step, we closed somewhere over 200 files. The injured workers had taken the appeal on their own or they had decided not to go to appeal.

The second thing we did, I began a regular assignment to the workers' advocates. Each advocate was given five new files every month. Prior to that the advocates had taken files as they felt they could work on the files, so we had a minimum number in assignment.

The third step was, we split the files into two categories: a brief service category and what we called the backlog. Brief service category were those files where the worker had not been to any level of appeal. In those cases we provided advice and information to the injured worker so that they could take the appeal to the board on their own. The backlog files were those files that were at the second level, final level of appeal. They included files where we felt that the workers were not able to take the appeal on their own to the first level. Those files were put into a backlog to await assignment to a worker's advocate.

So as a result of those three steps, we had implemented that in April '03, and by the end of '04 we had reduced the wait time to 36 weeks from a high of 26 months. So we felt that those three steps are what did it.

Mr. Hart: — You mentioned that of the initial 600 files in April 2003, that 200 were closed, and you also mentioned that some of the workers had received help from other people, I guess, in advancing their case. And I would assume that in some cases the workers just didn't seek any additional help or just dropped their request for coverage under the Compensation Board.

Could you give a bit of a breakdown of those 200 files? How many were just kind of, you know, just sort of went away as such, and how many of them were actually moved forward but with the help of outside advocates that are helping some injured workers even today?

Ms. Halifax: — I'm sorry, Mr. Hart, I don't have that information here with me.

Mr. Hart: — Okay. Perhaps when we do the estimates, we can revisit that question. The auditor mentions that you have set clear performance expectations. Is it your goal to . . . Nine weeks, is that the target that you've set? And if so, is it acceptable to the people that you're dealing with?

Ms. Halifax: — That is the maximum wait. I had looked at our statistics last week and the oldest file in our office now, or the one that came in the longest time ago, it was submitted February 20. So that's approximately four and a half weeks ago.

So the wait is a maximum of four and a half weeks. Because the numbers coming in fluctuate, we had established a nine-week maximum as the wait. So there will be some times where the wait is nine weeks. I would like to keep it at four or four and a half weeks, and that remains to be seen if that will remain consistent.

Mr. Hart: — I'm sure the injured workers would agree with you to keep the wait time as short as possible because what happens — what I've seen by dealing with a number of injured workers — is that while they're in this process, their lives are on hold. And, you know, in our lives perhaps four weeks go by quite quickly. But in their lives, it's a long time. And plus the fact is once they access, once their file moves forward to the Compensation Board, there is sometimes can be quite a lengthy delay. Do you monitor the time that files take to move through the processes at the board? And if so, what are you finding on the average?

Ms. Halifax: — Yes. When we receive decisions from the Workers' Compensation Board, those decisions are distributed or circulated within our office or within our branch. And I've noted that some of the decisions that we have received that were written up in late February, early March of this year, we had submitted those appeals to the board in August 2006. So in some cases there is a significant wait once it gets to the second level or final level.

Mr. Hart: — Well thank you for that because I'm sure I'll be discussing those with the board but thanks for your information. Mr. Chair, I think that will be all the questions I have this morning.

The Chair: — All right. Mr. Borgerson.

Mr. Borgerson: — I would like first of all to congratulate you on your work and what you've accomplished in terms of providing a service to workers in the province. Do you have a sense of how we compare, how the performance of your office compares to other jurisdictions, to other provinces?

Ms. Halifax: — Yes. We've got statistical reports that our national organization publishes annually. These reports are distributed amongst the members of the national organization. The turnaround times, or the wait times, they are anywhere from one week to approximately seven weeks nationwide. So we fall into, I would say, into that category. So we compare, I would say, favourably with the rest of Canada or the advocates' offices in Canada.

Mr. Borgerson: — Okay. That's good. Thank you.

The Chair: — Are there any other questions? Looks like maybe it was a breeze. Ms. Halifax, just a closing observation. I just wonder if you're open to being seconded to the Department of Health and being in charge of knee and hip replacements.

Ms. Halifax: — I'm probably getting much too old for that.

The Chair: — I doubt it. We want to thank you for appearing before our committee. It appears there are no other questions. We thank you for your positive report. And unless there is something here that escapes me which I don't see, I think we

can close the meeting. So I declare it adjourned. Thank you very much.

[The committee adjourned at 11:37.]