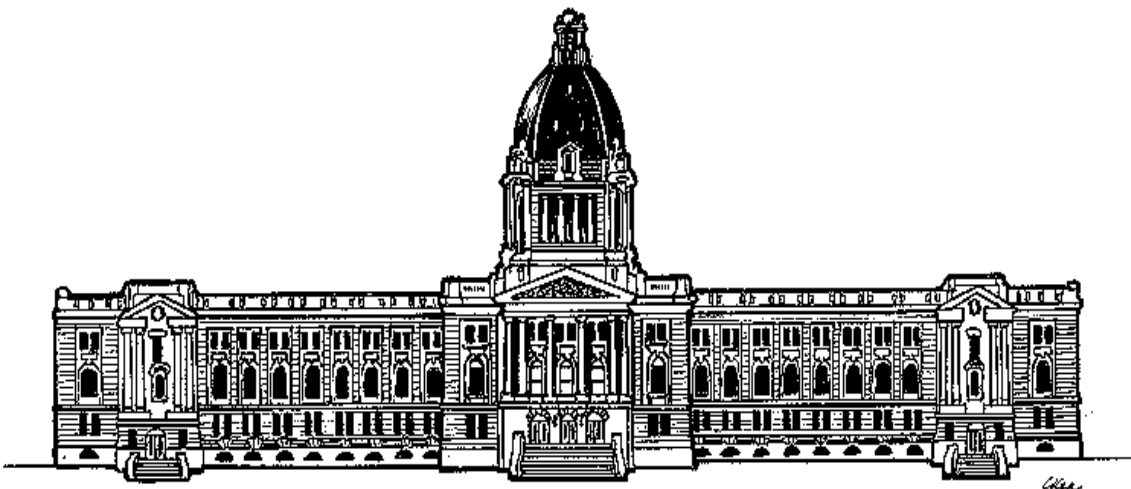




STANDING COMMITTEE ON PUBLIC ACCOUNTS

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2007**

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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. It is the hour or the half hour when we begin our Public Accounts Committee meeting. I'd like to welcome each one of you here. This morning we have the chapter 11 of the 2006 report volume 3 under review. The title is Agriculture and Food. The proceedings will continue until 12:45. There are five recommendations that we should be prepared to deal with before our time elapses.

I have one substitution this morning. Substituting for Kim Trew is Kevin Yates. Is that immediately? Is that for the entire . . . [inaudible interjection] . . . immediately? All right. So we have that on the record.

Public Hearing: Agriculture and Food

The Chair: — I would like to welcome the deputy minister of Agriculture, Mr. Harvey Brooks, to our committee, with several of his colleagues from the department. Just in a few minutes we'll encourage you to introduce your colleagues and then respond to the auditor's report, but first I will ask Andrew Martens, principal with the Provincial Auditor's office, to provide us with a brief summary of chapter 11. Mr. Martens.

Mr. Martens: — Thank you, Mr. Chair. Chapter 11 contains our report on the Department of Agriculture and Food for the year ended March 31, 2006, and its agencies. These agencies are listed on page 296. Except for the matters described in this chapter, the department and its agencies had adequate controls to safeguard public money, they complied with legislative authorities governing their activities, and their financial statements are reliable.

On page 297 we report our findings on Saskatchewan Crop Insurance Corporation. We worked with the appointed auditor, KPMG, to complete our work. We have two recommendations. First:

We recommend that the Saskatchewan Crop Insurance Corporation should establish a process to correctly record and verify all changes to insured crops.

We make this recommendation as some branches did not verify that the coverage changes recorded in the corporation's systems agreed to changes requested by the insured persons.

Our second recommendation is that the corporation should:

. . . establish a process to investigate claims that exceed expected losses before paying them.

As a result of a lack of adequate processes the corporation lost public money totalling \$286,000.

On page 300 we report our findings in the Saskatchewan Agricultural Stabilization Fund. We worked with the appointed auditor, KPMG, to complete our work. Our office and the department disagree on the interpretation of Canadian generally accepted accounting principles for recording revenues from government transfers between government agencies. As noted

in past years, we are awaiting further guidance from the CICA [Canadian Institute of Chartered Accountants]. At this time however the CICA still has not completed its project to clarify principles for recording transfers.

We also report two new recommendations. The first is that the department should:

. . . follow its established processes for preparing accurate and timely internal financial reports and year-end financial statements [for the fund].

We make this recommendation as the department did not prepare quarterly financial reports for the first two quarters and have prepared inaccurate reports for the third quarter for monitoring operations. The department also prepared inaccurate year-end financial statements and submitted them for audit.

Second, we recommend that the department should:

. . . prepare and provide the Legislative Assembly with the Fund's annual report and audited financial statements by the date required by law.

On page 303 we report on the Pastures Revolving Fund. We recommend that the department should complete the preparation of guidance to staff concerning the fund's financial reporting policies and procedures and include this information in the fund's financial policy manual. The department provided an updated manual to us in April and we are currently reviewing it.

On page 305 we describe our audit of the department's succession management processes. Expected changes in the labour force during the next few decades will increase the government's risks related to finding and keeping skilled employees. Succession management helps agencies to plan ahead to reduce these risks.

Using the criteria set out on page 306, we concluded that the department had adequate processes for succession management in 2006 with one exception. We found that while the department's succession management processes helped it to identify the competencies it needs and to monitor the available supply of people with those competencies, the department did not analyze which of its objectives would be most at risk and how they would be impacted due to the forecasted gaps in these competencies.

In general the department had good processes to recruit and develop competent employees. For example, the department has worked effectively with its union to implement work and learning plans for most employees. These plans help build the skills the department needs. The department monitors its progress and it plans to further evaluate the results of its succession strategies. We recommend that the department:

. . . analyze the impact of anticipated workforce competency gaps on its capacity to achieve its objectives.

In summary this chapter contains five recommendations for the committee's consideration, beginning on page 299. We also

wish to thank the department and their staff for their co-operation during our audits. That concludes my presentation and we'd be happy to answer any questions.

The Chair: — Thank you very much, Mr. Martens. And we will give opportunity for questions in just a few moments. But again, Mr. Brooks, welcome. The floor is yours.

Mr. Brooks: — Thank you. I'd like to introduce the staff with me today. On my left I have Hal Cushon, associate deputy minister of Agriculture. To my right is Karen Aulie, the executive director of corporate services. Behind her is Jacquie Gibney, assistant deputy minister; beside her, Stan Benjamin, the president of Saskatchewan Crop Insurance Corporation; beside him, Terry Dingle, executive director of IT [information technology] services for Sask Crop Insurance; and beside him, Al Syhlonyk, our director of the lands branch in the Agriculture and Food department.

Thank you for the opportunity to respond to the auditor's statements. We concur with most of the auditor's recommendations and would like to note that the auditor did note the department and our agencies have adequate rules and procedures to safeguard public resources except where they have reported.

With regards to the first two issues around Saskatchewan Crop Insurance Corporation, their first recommendation, to establish a process to correctly record and verify all changes to insured crops, we believe we have resolved that. And the second recommendation, to establish a process to investigate claims that exceed their expected losses before paying them, we also have made changes.

Crop Insurance management has adopted the auditor's recommendations, already made improvements for the 2006 crop year, which the Provincial Auditor notes in his reports. We've set the responsibility to make only eligible claim payments and did have adequate processes in place to determine if claim payments or coverage offered were correct. Crop Insurance does calculate over 184,000 individual insurance guarantees, and an error was made in these three instances. I would like to note there was no employee fraud involved in this loss of public funds. The Provincial Auditor did find that we had the adequate rules and procedures to safeguard the public resources, except in this instance.

We did have errors in overpayments totalling \$286,000. SCIC [Saskatchewan Crop Insurance Corporation] had already identified the error for the largest overpayment and had started legal action to recover the funds from the producer involved when the Provincial Auditor's review of the file took place. SCIC has already implemented additional computer system and internal controls which we believe will eliminate these types of errors in the future. And we have now legal proceedings to recover the loss of funds in all those cases.

With regards to the Provincial Auditor's recommendation that the department "follow its established processes for preparing accurate and timely internal financial reports and year-end financial statements," the department in the 2006-07 fiscal year is preparing now accurate and timely quarterly internal financial reports and operational reports and will prepare accurate and

timely year-end financial statements as of March 31, 2007.

The Saskatchewan Ag Stabilization Fund did not prepare quarterly financial reports during the period April 1, 2005 to September 30, 2005 due to continued delays in KPMG and Provincial Auditor finalizing the March 31, 2005 audited financial statements. The department and KPMG worked through the preliminary stages of the 2004-05 audit in April and May 2005. And during the following months, KPMG and the Provincial Auditor came back to the department on many occasions to ask for additional information and further verification of estimates provided by the federal government. On several occasions the auditors were in disagreement, which caused further delays.

The operational reports for the first three quarters and third quarter financial statements of 2005-06 fiscal year were completed and forwarded to the deputy minister on March 6, 2006, and the 2005-06 fourth quarter operational reports were completed and forwarded by May 9. And we believe that we are in compliance with that now.

With regards to the fourth recommendation, that the department provide the fund's annual report and audited financial statements to the Legislative Assembly by the date required by law, the 2005-06 Sask Ag Stabilization Fund annual report, including financial statements, were tabled November 15, 2006. The department will provide all future annual reports and financial statements to the Legislative Assembly by the date required by law.

And with regards to the issue of the recommendation that the department analyze the impact of anticipated workforce competency gaps on its capacity to achieve its objective, the department does conduct a review of human resource planning and succession management and is considering changes that would meet the requirements of this recommendation. The model will be modified to provide for further analysis of competency gaps. So with those comments, Mr. Chair, I'll turn it back to you.

The Chair: — All right. Thank you very much, Mr. Brooks. Before I open the floor for questions, if you could turn to page 295 I just want to clarify some of these numbers. In exhibit no. 1, the numbers comparing 2005 and 2006 — quite a change in crop insurance. How much of the reduction in expenses would be crop condition related and how much would be additional premiums charged to producers?

Mr. Brooks: — Because these are premium dollars reported here, the change from 2005 to 2006 should be totally reflected by the change in level of coverage — being higher in 2005 than in 2006 — and also to a decreased number of acres covered in 2006.

The Chair: — So these dollars are just premiums?

Mr. Brooks: — That's my understanding.

The Chair: — It's not related to payouts?

Mr. Brooks: — We may have a misunderstanding here.

The Chair: — It didn't seem right.

Mr. Cushon: — Mr. Chairman, these are the payouts that are made. And so for the period ending March 31, 2005 would be in essence the 2004 payouts, claims. And the 2006 would be the 2005 crop payouts. And it just, I think it simply reflects a significant reduction in the level of crop insurance claims in 2005.

So this is not premiums. This is what Crop Insurance paid out for the claims in that year and it just simply reflects claim history.

The Chair: — That's the answer that I was looking for. I wondered if it was premium-related or if it was total payouts. It's totally payouts.

The other question I have is that the federal government provided revenue of 255 million in 2005, \$130 million in 2006. Are those two numbers part of the total above, the 780 and the 512?

Mr. Cushon: — They are what the federal government . . . The revenue that comes from the federal government will be two sources. One is their share of the premium, but it's also any funds they advance under the reinsurance fund because it's, of course, the program is reinsured by the provincial government and the federal government. And so part of the money that goes, that comes from the federal government would be also used to make the payments. But part of it also may be also sitting in the various funds because some of the premium is ceded into the reinsurance funds.

And when the auditor puts it all together, he just counts all the money. He doesn't break it down by the particular funds. But essentially it's money going in to pay the claims from the crop insurance program.

The Chair: — Okay. I'm not quite clear on that but I think we'll leave it and open it up for questions and I'll clarify it later. Mr. Bjornerud.

Mr. Bjornerud: — Thank you, Mr. Chair, and welcome to the officials this morning. Just to go a little further to where Mr. Hermanson had gone there, could you give . . . Like, the numbers here are way down for 2006 and 2005. I'm wondering though if that has anything to do with the number of contracts in the province, the number of farmers that have taken out crop insurance, or fewer farmers have taken out crop insurance in 2006 and 2005. But also, are the acres down from 2005 in the 2006 crop year?

Mr. Brooks: — I think we have consensus. The confusion arises because of the fiscal year versus claim year. The amount of participating acres in 2004, which would be the 2005 claim year, are 28.9 million acres. And in the 2005 year, which is the '06 number here, it's 28.6 million acres. So there is only a slight drop in participation between those years.

Mr. Bjornerud: — Okay. Thank you. I guess then my next question would be, and I know different coverages out there — it could be 50 per cent, 80 per cent, 70 per cent, wherever it is. Do we have any indication that farmers are dropping from the

70, 80 per cent coverage down to the 50 per cent coverage?

And why I ask that question is because we've had a number of farmers say to us, we're dropping to the 50 per cent coverage so that we're still in the plan because, as we know, the spring cash advance and operating loans and everything else are tied to being in crop insurance. Do we have any indication that farmers are backing away from the higher percentage of coverage down to the 50 per cent coverage really to just be able to say that they're in the crop insurance program? And I know that that's a tough question to answer, but I just wonder if you have that indication.

Mr. Brooks: — There was a decline over those two periods from a 70 per cent average coverage level in 2004, which relates to the 2005 year there, to 68 per cent in 2005, which was the 2006 year. And in addition to that, we do see some increase in the number of people that are taking out the 50 per cent level of coverage.

Mr. Bjornerud: — Thank you. 2007 now, I believe the contracts have been applied for now at the end of March. Is that right? Do we have an indication where, you know, are acres up for coverage or down? Or have you had time to look at the numbers and see, you know, where this next year comes in at?

Mr. Brooks: — The only information that we can provide at this time is the number of contracts that have been entered into. The seeded acreage report will not be completed until July which will provide, you know, overall coverage levels and the amount of coverage for the province. We can tell you that the number of contracts for 2007 is 27,804 and that compares with 28,317 last year or a decrease of 513 contracts.

And again, we wouldn't know whether or not coverage has increased or decreased till the seeded acreage report's in.

Mr. Bjornerud: — I just want to touch on, in the auditor's report here, about there was a few farmers who were overpaid. Could you maybe just elaborate a little bit on that? I believe if I read down here farther that actually the farmer then had a payout, if I'm understanding this right, and then that money would be deducted from what he still owes. Am I following that properly?

Mr. Brooks: — I'll have Stan Benjamin respond to that for you.

Mr. Benjamin: — So the situation is that the customer's coverage or bushel coverage was inflated due to a glitch in the computer system when changes were made. There was, in fact there are, all computer applications have daily entry checks. We have both hard and soft warnings that check for this type of stuff. And we actually in fact do produce a report that staff is supposed to follow up when these type of situations occur.

And as the auditor noted, that is what in the process failed, is that the report was not followed up and corrected. And then, subsequent to that, the customer registered a claim, and claim dollars were paid against that inflated coverage. And therefore they've been overpaid.

Mr. Bjornerud: — How many claims would have been in that

total year then? Because to me it seems if there was only . . . Is there only three overpayments in that whole year? That looks like a pretty good record to me really if you get that number of claims, but . . .

Mr. Benjamin: — Yes. Now again I'm going to go on an insurance year here. In 2004 we would have paid roughly 34,000 post-harvest claims. And in the last two years, we've paid roughly 18,000 claims. So yes, it's a small number, but it still concerns us, and that's why we've adopted the auditor's recommendations.

Mr. Bjornerud: — Thank you, Mr. Benjamin. I'd like to just move on to . . . I have to leave fairly quickly here, but I have a few questions I really want to get in. The agriculture stabilization fund. And I'm still getting calls on some of the \$10 an acre from last year that farmers feel that they weren't paid that they should have qualified for. Is that program totally wound up now? Is anybody that hasn't been paid out of that or approved actually out of luck?

Mr. Brooks: — Yes, it is all completed and wound up. All appeals have been dealt with and . . .

Mr. Bjornerud: — All appeals have been dealt with. So any farmer out there that feels he still has money coming should not hold his breath is what I'm hearing you say.

Mr. Brooks: — Yes.

Mr. Bjornerud: — Can you explain to me, when the federal government puts money into these programs and cost shared . . . I understand if there's money left over, that's returned to the federal government. Can you explain how that whole program works and what situations would the federal government give you a lump sum of money to pay into a program and then there would be possibly money sitting there at the end?

Mr. Brooks: — In the specific instance of the unseeded acreage program, the federal government did not participate in the provincial program. They ran their own permanent cover program, so there was no cost sharing or participation in that sense. For crop insurance there's a sort of regular reconciliation that goes on, so there's very little instance of overpayment. The province processes the activity of the corporation and invoices the federal government.

Mr. Bjornerud: — And what about the CAIS [Canadian agricultural income stabilization] program then? And I know that's administered by the federal government then. Do they administer the program, make the payout, and you reimburse them for the province's share, or how does that work under the CAIS program?

Mr. Brooks: — Yes, it would be the same process as the crop insurance, yes, and as you described.

Mr. Bjornerud: — It's the same as crop insurance? Crop Insurance would pay out here. Then would the federal government reimburse Saskatchewan Crop Insurance?

Mr. Brooks: — Yes, the same process reversed.

Mr. Bjornerud: — I'm just trying to understand how that works, you know.

Mr. Brooks: — So we would work with the federal government to understand what payments had been made. They would send the invoice to us in that case and then we would reimburse them for the funds after we had assured ourselves of the payment necessity.

Mr. Bjornerud: — Good. Thank you very much. Mr. Chair, I'd pass to one of my colleagues now.

The Chair: — Okay. Thank you, Mr. Bjornerud. Mr. Chisholm.

Mr. Chisholm: — Thank you. My first question is regarding the unseeded acreage program also. Was the \$15 an acre federal payment and the \$10 acre provincial payment based on the same calculation formula? I guess what I'm asking, if you qualified for one, would you qualify for both? Or is there some people who would have received the federal money but not the provincial money, or vice versa if they had made application?

Mr. Brooks: — So the two programs had different criteria. The crop insurance payment was done in a manner consistent with crop insurance criteria. Even if an individual was not in crop insurance, the criteria were applied to his land, which includes the seeding intensity and then the 5 per cent deduction that . . . It was applied to that. For the federal program, they did not apply a deductible and they did not, I believe, apply a seeding intensities, so they would apply their own rules to that. They were separately administered.

So there may be instances . . . All of the same land, you know, I wouldn't, it would be a very unusual circumstance if the land description would be different. So if the federal government was paying for something that wasn't paid for by crop insurance, but the level of coverage would be different between the two programs.

Mr. Chisholm: — So it wouldn't be unusual then for a producer to perhaps qualify for the federal part of the program but not qualify for the provincial part of the program. If, let's say, one quarter of their land was a fair ways away and was affected but their main farming base was able to be seeded, it would sound to me like the federal government maybe would cover the land that wasn't seeded, whereas the provincial government might not.

Mr. Brooks: — All of the same land would qualify, but the difference here would be that if, in the federal government if they had one quarter out of, let's say, 20 that was flooded, they would likely get the federal payment on that quarter. Whereas once they worked through the seeding intensities and deductibles under the provincial program, they would receive, any payment that they would receive would be according to those calculations.

Mr. Chisholm: — Thank you. Because that's exactly the case I was in, and I just thought maybe the provincial government was just tougher to deal with than the federal government and that I hadn't fought hard enough.

But my next question is regarding the CAIS program. Although it's not specifically mentioned in our auditor's report, the federal auditor has come out lately with some real problems with the CAIS program. And realizing that it's probably our single largest expenditure out of the Ag and Food budget are Saskatchewan's contribution to this program, I wonder if you could comment on some of the things that were brought out by the federal auditor with some of the irregularities. And how does the province of Saskatchewan control or have any control over the money that it is spending through this CAIS program?

Mr. Brooks: — We have seen the federal auditor's report and it is, I guess, not surprising the issues that were raised by the federal auditor. And in fact we have been working with several groups to address these issues over the past number of years. And the department has worked with the farm support review committee to identify issues of concern to farmers and to bring those forward to the federal government for improvement. And we've done that over the past years. And that's resulted in a number of improvements. And those have been sort of pointed out by the federal minister. It has to do with the online calculator, various improvements in administrative efforts, and things of that nature.

And in addition to that, the department and the ministry has also been involved in the changes to the program with respect to bankability and just changes to the very nature of the margin-based program to where now we are moving towards an agreement to have some component of a NISA [Net Income Stabilization Account]-like account attached to the CAIS program as well.

Agriculture and Agri-Food Canada has also responded to the federal auditor's report. And we do concur with their response and are working with them on this. We are in the process of moving towards the new CAIS program, if you will. And there will be major agreements at the federal-provincial-territorial ministers' meeting, we believe, in June of this year.

With regards to our capacity to oversee the federal government's administration on this, we are somewhat limited in our ability to get into the books. We rely on producer feedback to a great extent to — either individuals and/or the farm support review committee — to provide us issues that are ongoing and that need improvement. And when those are pointed out to us, we do make an effort to try and get a response out of the federal authorities that are administering the program.

Mr. Chisholm: — Thank you. I guess my question is to the Provincial Auditor. What role does the provincial audit office have on these funds in that they're administrated through the federal government? Is it just kind of a hands-off, a hands-off that a X number — 100 and whatever — or \$1 million has been paid out from the province of Saskatchewan through the CAIS program, but the fact that it's administered out of, with the federal government, does the Provincial Auditor have any role in that?

Mr. Wendel: — We wouldn't look at what the federal government is doing in the way of administration. We would just make sure that the department has paid the money according to the contract.

Mr. Chisholm: — Thank you. We understand that the CAIS program is due for a fairly major overhaul and, like you said, it could be a new program that's more similar to the NISA program. Has there been any movement from Ag and Food to consider administrating the Saskatchewan parts of these programs provincially rather than through the system that we're presently using with the federal government?

Mr. Brooks: — I'll have my associate deputy minister respond.

Mr. Cushon: — We have looked at, previously when CAIS first started up, whether we should look at a provincial administration. I think in looking at it, you know, we've looked at the duplication that would occur if we had 10 provincial administrations, you know, rather than one central administration. And we've also looked at the fact that there was a desire to move this to tie in sort of more seamlessly with the income tax system. And both of those have, I think, have led us to the conclusion that it was more efficient and cheaper to provide the administration, to have one national administration with, you know, one computer system and a computer system that's tied into Revenue Canada to provide that administration.

Now that doesn't mean there haven't been challenges as we've been getting to that system. But I think farmers will find, especially right now when they're applying for their 2006 CAIS payment, that it is more seamless because you get the forms with your Revenue Canada forms, and it is a simpler process. You can pick the data off from Revenue Canada, you know, use a dedicated computer system in Winnipeg. And so we think it's more efficient to do it that way.

Mr. Chisholm: — Alberta operates their own program. I was just wondering if there had been any discussion or comparison of, let's say, the administrative cost of their program per dollar that's making it back out into the producer's hands versus the way we are operating in Saskatchewan.

Mr. Cushon: — We haven't looked at the direct costs in recent years. I know it was looked at a few years ago and unfortunately I don't recall the numbers, but I think I recollect that the federal administration was as efficient as any. And I think the other telling thing is that British Columbia actually hired Alberta to run their program for a number of years at the start. They then made the decision and switched to the national administration. So when they did their due diligence they felt they got, you know, better value for money and all the other things that they wanted from the program from the national administration rather than use the Alberta one as they had seen.

Mr. Chisholm: — Thank you. I'd like to go back to page 299 just for a couple of questions regarding the problems that occurred in the crop insurance and those three claims. I was listening but I missed exactly how that happened. It sounds like it wasn't the producer who provided inaccurate information, it wasn't on the verification of the measurement of the bins or whatever, it was actually within the computer system that failed.

And I guess the next question that would lead from that was, if you got a cheque for a few hundred thousand dollars more than you had anticipated, as the producer, what obligation is there to notify the system that you've been overpaid and to try to

arrange to get that straightened out — from a legal point of view or just from a practical point of view?

Mr. Benjamin: — The situation that happened is that one, when we are calculating the amount of bushel coverage that is allowed for the customer, an error occurs and therefore there's an inflated coverage amount. So you're correct. The customer did not report an inaccurate number at that point.

And as I said, we do have processes in place because we do calculate over 100,000 of these values. And there is always situations that occur that cause numbers that need to be checked. And then the claim, the claim is then processed against those numbers. And I think the second part of your question is: and then an invalid amount is sent to the customer and are they under obligation to pay it back? And under the terms of the crop insurance contract, a loss cannot be paid that does not occur. So the customer is receiving dollars for a loss that did not happen on his farm. The loss was paid on it in inflated coverage.

Mr. Chisholm: — Just further to that on this problem of the person being covered for more than they should have been covered, would that be because of an error in their average bushels per acre or the percentage of coverage that the customer selected, or the price of the product? Is it one or all or . . .

Mr. Benjamin: — No, it is in the average bushel coverage that they're . . . So they should have been covered, for example, 30 bushels per acre and they were covered for 50 bushels per acre. That would be an example.

I want to correct . . . The question earlier was on the amount of claims that we processed in the years . . . I just found the exact numbers. In 2004, there would have been 34,000 post-harvest claims; in 2005, there would have been 9,700; and in 2006, there was 11,000. So I wanted to correct those.

Mr. Chisholm: — That's it for me.

The Chair: — Okay. Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. Welcome to the deputy and his officials. I guess my main concern in going through this chapter was the number of accounting oversights that have taken place and the number of oversights that have been identified by the auditor. And I know the deputy has addressed some of them in his opening comments and I take that to be an undertaking that we won't see them in the future.

You know, some examples: this Pastures Revolving Fund. It said accounts receivable understated by 109,000; capital assets understated by 45,000; unearned revenue was understated by 242,000; and timber revenue was overstated by 143,000.

Just using that as an example, what happened with the accounting processes there to have such large, glaring errors?

Mr. Syhlonyk: — Thank you for the question. There is a number of accounting processes we follow. We process a significant number of transactions, both on the revenue side and on the expenditure side within the Saskatchewan Pastures Revolving Fund. For some of the specifics, and I'll go through

them and once you've had enough of the specifics, just let me know.

For example on the inventory overstatement, we had transferred the Nokomis pasture, provincial community pasture to the federal government, and in turn they had transferred Antelope community pasture to the province. The Nokomis pasture inventory was not removed from the inventory listing. This pasture was transferred to the PFRA [Prairie Farm Rehabilitation Administration] but not removed from the inventory schedule. Some of the inventory was transferred to another pasture, to the Matador pasture. Some inventory was consumed during the year. And some inventory remained at the pasture and was given to PFRA, not included as part of the valuation of assets. As a result, the inventory was overstated by \$10,534 and expenses understated by the same amount. So you take a number of small incidents and they all roll up to the larger findings of the auditor.

A second example, no year-end adjustment was made to expenses for change in inventory, which resulted in expenses being overstated by \$32,705 and accumulated net expenditure overstated by the same amount. For example we had in Antelope park, unearned revenue was not recorded as part of the Pastures Revolving Fund. And so as a result our accounts receivable were understated by \$242,089 and unearned revenue overstated by the same amount. This was the oil and gas revenue that flows into the Pastures Revolving Fund. It was just an accounting process that we hadn't followed through on.

The Chair: — If the Chair could interject, are you suggesting then that the errors as pointed out by Mr. Cheveldayoff on page 304 occur entirely because of the swap of pastures between the federal government and the province, or is that just an example of the type of circumstances that have caused a number of discrepancies in the numbers?

Mr. Syhlonyk: — No, I am not implying that it was all related to the swap of pastures. That was just one example that contributed towards the accounting errors. There's, I guess, at the end of the day we have a series of staff that are engaged in processing expenditures and revenues. And as part of that we have processes in place, but they're not trained accountants and so errors do occur. And that's, I guess, at the end of the day here we try to minimize those errors in terms of accounting. But they do occur and as part of the findings of the auditor, we're glad that those errors are pointed out.

We've taken steps to recognize where the errors occurred, why they occurred, to adequately train staff so that they don't occur into the future. But having said that, the volume of transactions — there always will be some level of discrepancy between revenues that are reported or the processes in which we account for things.

Other instances: we had a situation where our GST [goods and services tax] was not submitted in a timely fashion. That was related to simply a computer processing problem, which it wasn't quite programmed exactly right and so it got overlooked in terms of submitting it at the end of the year. And so the process found that and we fixed it. But those types of situations do occur.

Mr. Cheveldayoff: — Thank you, Mr. Chair. The computer systems have been referred to a couple of times. Does the Department of Agriculture employ the services of the Information Technology Office to run your computer services?

Mr. Brooks: — Could you repeat the question? I'm sorry, I . . .

Mr. Cheveldayoff: — I'm just referring to a couple of incidents where computer glitches were identified. And I'm just wondering, do you contract with the Information Technology Office to run your computer services? And I understand that you do. Have you pointed out these glitches? Have you been able to get some help identifying the cause and rectifying the situation?

Mr. Brooks: — We have very, very good service from the ITO [Information Technology Office] and when the problems are identified, usually in applications, then we take measures to change them. And we've had good results doing that.

Mr. Cheveldayoff: — Okay, thank you. So you're onside with the GST remittance and that's all been cleared up?

Mr. Syhlonyk: — Yes, we are. Yes.

Mr. Cheveldayoff: — Thank you for the level of detail and, I guess, what I wanted to hear from you and I did hear was that you're learning from those situations and looking forward to making sure that the variance isn't as wide. We're recognizing that there will always be some given the volume of transactions that you undertake.

With regard to the Saskatchewan Agricultural Stabilization Fund, there's a note that the department didn't table its annual report in time last year with the Legislative Assembly in the fall of '06, and I understand from the comments that that has been done. Was that the November 15, 2006 date? Was that tabled at that time?

Mr. Brooks: — That was for last year and this year they needed to be tabled in July, and we've already submitted those to the auditor.

Mr. Cheveldayoff: — Okay. So you're well ahead of where you were last year. Were there specific problems last year that led to not meeting those deadlines?

Mr. Brooks: — Yes, I had mentioned a bit of the issue there. We had submitted on time last year. There's an ongoing issue of interpretation between KPMG and the auditor that has yet to be resolved and that that became an issue last year in timely finalization of the reports.

Mr. Cheveldayoff: — Thank you. So your deadline is July. You've already submitted for this year and have you heard anything back with that information that you submitted this year?

Mr. Brooks: — They were just submitted in the last day or two.

Mr. Cheveldayoff: — Okay, thank you. I want to move to the succession management comments that the auditor points out

here and talks about the obvious need for very specialized individuals and specialized training and the concern that the auditor points out, especially in the 2010-2014 year period in the peak retirement years. Can you outline a bit of your HR [human resource] plan, how you're going to address this concern, and any interaction you have with, say post-secondary institutes in Saskatchewan to identify your needs and communicate them with those institutions?

Ms. Aulie: — Yes. We've been doing human resource planning for about the last five years in the department. And one of the things we try to do is we start with the strategic plan of the department, identify some of the key areas that need to be addressed, and then distill that down to the competencies that are required for our employees.

Our efforts to date have been primarily around looking at our management capacity, because a lot of our demographic crunch will come around our middle managers and senior managers. And so our succession plan right now looks at developing a talent pool, identifying the competencies that are required for those folks, and then developing them.

Our future plans though, we need to start looking at our highly specialized positions and our technical staff. And we've been working with the Public Service Commission to identify some of the gaps that we need to address. We've been attending career fairs, working with the educational institutions to identify our needs and really tie it to our recruitment strategy to identify the kinds of folks we need and when we will need them.

Mr. Cheveldayoff: — Thank you. So it sounds like you're fairly comfortable that you will be able to find the specialized individuals that you need from within the province. Is that correct?

Ms. Aulie: — Well I think the whole labour market will be fighting for the same sort of specialties. So part of our strategy will be to try and be a good employer so that people want to come work for us and also to get the word out that we're looking for people. So we're doing the best we can to stay out in front of the labour market crunch that's hitting.

Mr. Brooks: — Just as a further comment, I would say that we are somewhat uncomfortable in our capacity to address the labour market issues in the future, and that's why we're paying such careful attention to this. We understand the competition that is coming with regards to the future labour force that we will require and that, you know, the private sector will require — not just in Saskatchewan, not just in the Prairies, but the western world.

And it will require significant changes in strategy and that we are trying to investigate those things that we think will provide us some capacity to be successful in the future. But this is a serious issue for us.

Mr. Cheveldayoff: — Thank you, Mr. Deputy. Would you have any specific advice that you would give, say, the College of Agriculture at the University of Saskatchewan on what direction they could go, what areas they could train more individuals to meet your needs?

Mr. Brooks: — We do have contact with the University of Saskatchewan. We have had those discussions. They have made changes in their programming and profiling of the college and they've, you know, I guess most visibly a change in the name of the college to Agriculture and Bioresources. They've put new programs in place.

It is, I guess, a challenge. Given that there are fewer students coming from a rural, farm background, getting the same number of students to attend an agricultural college in and of itself becomes more of a challenge. They're addressing that by the, you know, relatively exciting, high-tech opportunities that are available in agriculture and the environmental side as well.

We I guess are trying to work with a combination of student interests, labour pool forecasts, and labour need forecast to identify what is going to be required in the future and feel that they're adequately sensitized to the issue as well.

Mr. Cheveldayoff: — Thank you, Mr. Deputy. Thank you, Mr. Chair. That's all I have.

The Chair: — Okay, thank you, Mr. Cheveldayoff. Mr. Borgerson.

Mr. Borgerson: — On that note, two areas that are highlighted by the auditor are the areas of land use planning and livestock specialists. So are these areas of high need in general or is it just that some of those folks are going elsewhere right now?

Ms. Aulie: — The department traditionally — as you would be aware — focused a lot on their primary production and as we've expanded our focus to sort of going up the value chain, we need folks that are specialized in livestock but not just in terms of, you know, front-line production but processing, marketing, and so forth. So that's an area that we felt was a bit of a gap in our current skill base and so we'll be recruiting for that and also developing our current staff to kind of move up the value chain.

And as well in land use planning, that we're managing Crown land, and we need more skills in working with communities around that land base. So it's just sort of staying in touch with where our plan is going with the industry.

Mr. Borgerson: — Okay. Just one other little piece I was wondering about and that's in terms of timber sales contract revenues, and the revenue that comes from the sale of timber. I'm assuming this is from Crown land; that these are timber leases on Crown land. I'd be interested to know just, yes, where this is, who the revenues are coming from, and what are we looking at for total revenues from timber.

Mr. Syhlonyk: — Okay, thank you. In terms of the timber revenue primarily within the auditor's report, the revenue that was under discussion was related to timber harvesting that occurred on various community pastures, provincial community pastures.

In terms of the timber revenue error, the first one was in regards to the Whitebeech community pasture. The revenue was overstated by \$144,500, and part of the whole process here was we had contracts that were entered into in one fiscal year that

were three-year contracts for harvesting of timber. And as part of that, it was assumed that the revenue or the harvesting had occurred as per the contract. And in essence a lot of the harvesting did not occur in that fiscal year or was deferred and has not occurred to date. And so we had reported revenue which in essence had not occurred, and so that resulted in the adjusting entries.

So there were primarily, I think there was three community pastures in the northeast part of the province that were involved in the timber harvesting projects.

In terms of revenue from timber harvesting on other Crown land in the province — which is the other part of your question; I apologize for not capturing that — the revenue from timber off of other Crown land would flow into the General Revenue Fund as part of Saskatchewan Environment's timber dues. So it would not flow in as part of the Pastures Revolving Fund or as part of the department, line department's revenue stream. And so it's not captured as part of this.

Mr. Borgerson: — So the only timber revenues you're receiving are from the community pastures in the province.

Mr. Syhlonyk: — Yes. In terms of this, yes.

Mr. Borgerson: — Okay. Well thank you.

The Chair: — All right. Mr. Toth.

Mr. Toth: — Thank you, Mr. Chair. The question I have this morning is not directly related to the auditor's report, but a question that has arisen recently is regarding livestock cash advances. Now we're all aware of what takes place in regards to the grain sector — the wheat board does cash advances on wheat and barley, canola growers on canola.

I understand there's some money in place for livestock cash advance at the federal level. However at this time, and the concern that's raised by producers is, there's no one in the province that has been willing to pick up and manage the program. And I'm just wondering has the department had any discussions, and what are your thoughts in regards to the livestock cash advance that's been proposed?

Mr. Brooks: — We are aware of the issue, and we understand that many of the producer groups, livestock groups are in discussions with the federal government around this problem.

I guess our understanding at this point in time is that no particular stakeholder group has stepped forward to administer the program at this point in time and that creates an issue. The province is investigating whether or not we can administer this and whether or not it can be administered as part of some of the funds that we normally administer and which stakeholders would then be eligible for cash advances through that process.

So the one in particular that we're examining at this point in time is the livestock loan guarantee program to see whether or not it would be helpful in this process. We haven't come to a full determination on that at this point in time.

Mr. Toth: — I thank you. And I think that's where the

producers have been coming from when they've raised the question with me is the fact that in the past, ACS [Agricultural Credit Corporation of Saskatchewan] has managed a number of different programs. This one specifically is more federal related. It's federal dollars that has been made available.

I've chatted with some of the livestock organizations and asked them whether or not they've given some thought to them. I guess they all have. The unfortunate part is most of these organizations aren't specifically that large, and it's a whole new concept of setting up a whole new avenue of managing that program. And I guess that's why producers have been thinking that in the past as the role ACS has had, whether or not that might fit into a program or a program that's currently there due to the resources that are available to the department.

So, I guess, beyond that, outside of what can be done, I think most of the producer groups like the stock growers and Canadian cattlemen just are not necessarily in a position to rev up a whole new machine and administer a program like that.

So if there was any avenue whereby the department might be able to work with something that they've already had in place or currently have in place and . . . I think that would certainly assist a lot of producers who have turned from the grain sector into the livestock sector but find their cash flow at times can be somewhat limited at periods of the years as well, as their big cash flow period is not necessarily monthly but on an annual basis. So I think anything that can be done to facilitate that program certainly would be helpful to the livestock producers in Saskatchewan.

The Chair: — All right. That was a comment, Mr. Toth, and we appreciate that. Are there any other questions? I have one more brief area I want to touch on. On page 296 of the auditor's report, there is a listing of special purpose funds in Crown agencies. At the bottom of the page the auditor points out that four of those funds are audited by either KPMG or Meyers Norris Penny and the Provincial Auditor works with those. Do I correctly assume then that all of the other funds and agencies are audited directly by the Provincial Auditor. Is that correct? That's correct.

When it comes to the Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund, is that the fund that works with the feeder cattle co-operatives? Have I married the right two players here?

Mr. Brooks: — This is going to require some digging. We can provide the detailed information on that program to you in writing.

The Chair: — All right. I guess the reason I ask is on a couple of occasions I've had concerns expressed by people involved with one of the feeder co-operatives that there isn't a proper accounting, that parts of the legislation that permits these feeder co-ops to exist and its relationship with the provincial government is not being adhered to.

And I just wondered who it is that audits that and makes . . . you know and drills down to that level — to the feeder co-op level — to ensure that in fact cattle are sold when they're said they're sold, and money is dispersed when it's supposed to be

dispersed, and that sort of thing. Who audits that? And who do people turn to if they have concerns about irregularities?

Mr. Cushon: — Mr. Chairman, we do have a series of oversights for the feeder associations. The first level is at the feeder association itself. It's supposed to have a series of internal controls. The cattle are supposed to be branded in the association name. And of course when cattle are sold through our livestock inspection service, we have a mechanism to make sure the funds flow to the person or the association that has the brand on the cattle. So in addition, we do significant auditing from a program point of view of having departmental staff go out to make sure the cattle are branded, that the number of cattle that there's loans out for at an association are in fact there, and there's actual also paper audits to make sure that the numbers match up. So lots of oversight.

We generally find that the system works very well, and the only time we really get into trouble is in that very rare instance where we have somebody who goes the next step and, you know, there's some level of fraud. And that's the only time we've ever run into problems with that program.

The Chair: — All right. I have not heard of any instances of problems except with one co-op, and I know that there have been appeals made to your officials on a couple of occasions. There's concern about, you know, conflict of interest within the association and that sort of thing. And, you know, far be it from me as a mere MLA [Member of the Legislative Assembly] to be able to cut through and find out who's doing what and who's telling the truth. But who would a person appeal to? Like who at the senior level would a person appeal to if they feel that officials in Sask Ag and Food at the level that they would normally first appeal to are not responsive? Where would they go?

Mr. Brooks: — Ultimately any dispute of that nature would find its way to my office, and normally there would be, you know, a direct linkage of producers. And if they contacted the minister's office, that would also find its way back to the administration of the department as well — to my office.

The Chair: — Thank you for that. We have some recommendations to deal with, and I've taken too much time but I wanted to touch that issue.

The first two recommendations are on page 299. The Provincial Auditor in the first recommendation states:

We recommend that the Saskatchewan Crop Insurance Corporation establish a process to correctly record and verify all changes to insured crops.

Is there a motion? Mr. Borgerson.

Mr. Borgerson: — I move that we concur and note compliance.

The Chair: — A motion to concur and note compliance. Is there discussion of the motion? Seeing none, we'll call the question. All in favour? Carried unanimously. Recommendation no. 2:

We recommend that Saskatchewan Crop Insurance Corporation establish a process to investigate claims that exceed their expected losses before paying them.

Is there a motion? Mr. Borgerson.

Mr. Borgerson: — Again I will move that we concur and note compliance.

The Chair: — A second motion to concur and note compliance. Is there discussion of the motion? Seeing none, we'll call the question. All in favour? Again that's carried unanimously.

The third recommendation, bottom of page 301:

We recommend the Department of Agriculture and Food follow its established processes for preparing accurate and timely internal financial reports and year-end financial statements.

Again, Mr. Borgerson, with a motion.

Mr. Borgerson: — And on this recommendation as well I will move that we concur and note compliance.

The Chair: — Again a motion to concur and note compliance. Is there discussion of the motion? Seeing none, we'll call the question. All in favour? Again carried unanimously.

The fourth recommendation is on page . . . No, I guess we're already to the fifth recommendation . . . [inaudible interjection] . . . Oh okay. I did miss it. Pardon me, 302, recommendation no. 4:

We recommend the Department of Agriculture and Food prepare and provide the Legislative Assembly with the Fund's annual report and the audited financial statements by the date required by the law.

Ms. Crofford.

Ms. Crofford: — I'll move that we concur and note progress.

The Chair: — This time a motion to concur and note progress. Discussion on the motion? Seeing none, we'll call the question. All in favour? Carried unanimously. And now we will get to recommendation no. 5 which is on page 306. It reads:

We recommend that the Department of Agriculture and Food analyze the impact of anticipated workforce competency gaps on its capacity to achieve its objectives.

Again, Ms. Crofford.

Ms. Crofford: — I'll move that we concur and note progress.

The Chair: — Again a motion to concur and note progress. Discussion of the motion? Seeing none, we'll call the question. All in favour? That's carried unanimously.

That brings us to the conclusion of chapter 11. And, Mr. Brooks and your colleagues, we want to thank you for appearing before

this committee of the Public Accounts Committee. We've delved through a fair little bit of territory, and we've managed to just about do it on time thanks to the co-operation of your department and the members.

Before we adjourn the meeting, I would just point out to members that we do not have a chapter to review one week from today, but we are intending to meet as a Public Accounts Committee. Two purposes. The first purpose is to go over a report which our Clerk, Margaret Woods, will have in your hands within a day or two, and we will review that report as to its accuracy and completeness. And should it be your will to endorse that report, it will be brought to the legislature before the session concludes. I understand that this might be the last report that this particular committee would bring before the legislature depending on when the next election occurs. So we want to do that.

The second item that I would ask you to consider if all members were here next Tuesday would be that we have a photograph taken of this committee which has been together for quite some time. So think about that. And if you're agreeable to that, you might want to wear your Sunday best, and we'll try to line up a photographer to take a picture.

Are there any questions or comments regarding the report or the photo? Everybody has a look of satisfaction on their face which I would assume means go ahead, Mr. Chair. So thus we will conclude the meeting, and I declare it adjourned. Thank you.

[The committee adjourned at 11:46.]