STANDING COMMITTEE ON PUBLIC ACCOUNTS

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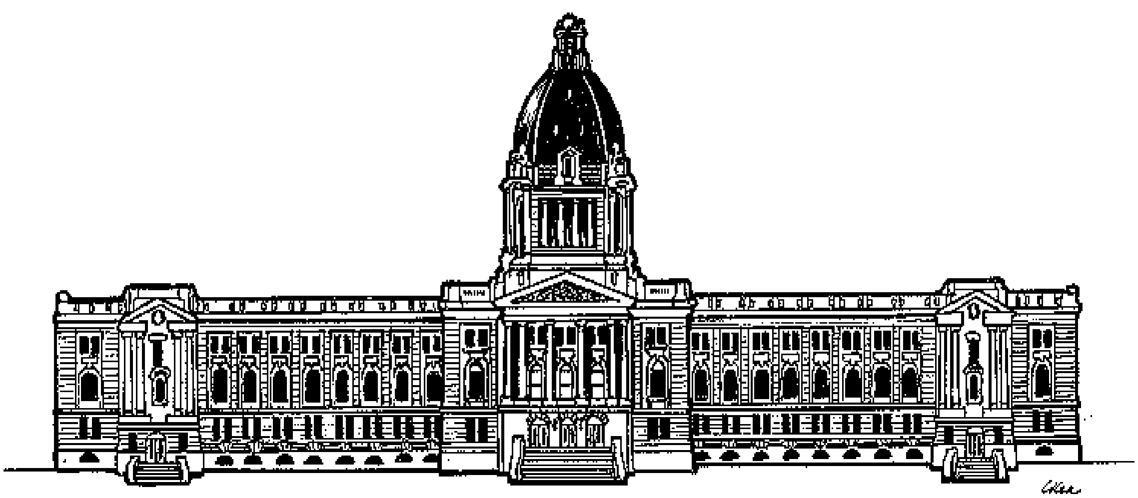

Legislative Assembly of Saskatchewan

Twenty-fifth Legislature

STANDING COMMITTEE ON PUBLIC ACCOUNTS
2007

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[The committee met at 09:00.]

Public Hearing: Learning

The Chair: — Good morning, everyone. I'd like to welcome you to the Public Accounts meeting on this June 26. We have a full day of deliberations, several items on the agenda. The first item this morning is Learning, chapter 7 from the 2007 report volume 1. We have representing the department, the deputy minister, Wynne Young, and we welcome you to the Public Accounts Committee. In a few minutes we would encourage you to introduce the colleagues from the department that you've brought with you, and if you like, you might respond to a summary that will be brought by the Provincial Auditor of the chapter under review.

Representing the Provincial Auditor's office on this chapter is Rod Grabarczyk, principal. And Rod, at this time we give you the floor.

Mr. Grabarczyk: — Thank you. Good morning, Chair, and members. I will provide an overview of chapter 7 of our 2007 report volume 1. This chapter describes the result of our audit of the teachers' superannuation plan for the year ended June 30, 2006.

The Teachers' Superannuation Commission manages the plan. In this chapter we repeat three recommendations we made in our past report. First, we report that the commission needs to improve its governance processes by developing and implementing a strategic plan for the commission that includes the plans, goals, and objectives, a summary of key risks faced and the key strategies to manage those risks, and developing and implementing written communication plans.

Second, the commission needs to approve an adequate information technology plan and information technology policies and procedures based on a threat and risk assessment. And third, the commission needs a written disaster recovery plan for its critical information systems and regularly test that plan to ensure that it works.

In October 2006, your committee considered these matters and agreed with our recommendations. The commission has made some progress towards addressing our recommendation and continues towards fully addressing our past recommendation. That concludes my overview. Thank you.

The Chair: — Thank you very much, Mr. Grabarczyk. And just before I give the floor to Ms. Young, I should point out to all members that again we have Mr. Prebble as a substitute for Lon Borgerson, as a full voting member of the committee again this morning. So welcome again, Mr. Prebble. All right, Ms. Young, we would encourage you to introduce your colleagues and respond if you choose.

Ms. Young: — Very good. Thank you and good morning. I appreciate the opportunity to talk about the Teachers' Superannuation Commission and the progress that's been made both as represented in the auditor's report and progress since that time, which I think is considerable.

Joining me today, to my left, is Dave Tulloch, director of finance with the Department of Learning; to his left, Dave Barnard, the executive director of the Teachers' Superannuation Commission; and behind ourselves is Dawn Court, the new senior manager — second day on the job — senior manager of finance planning for the Department of Learning; Darren McKee, the assistant deputy minister; and joining us from the Teachers' Superannuation Commission is also Shirley Robertson.

The commission, its management, and staff have made considerable progress relative to the items that have been highlighted just now and all items that have been pointed out. The 2007 volume 1 report reflects the progress the TSC [Teachers' Superannuation Commission] has made to the end of June 2006. The audit work would reflect progress up to about September 2006 and any progress after that date has not been reflected. In fact all items that have been provided to the Provincial Auditor's office of the course of the last five months and are now being reviewed by the Provincial Auditor's team in relation to the annual audit which is about to begin, and we are awaiting confirmation on whether there is any additional requests for information.

The Provincial Auditor has indicated that the governance needs improvement, has been stated and the TSC has responded by developing the working strategic plan document. That is, like all other government manuals, a work-in-progress and a document that will continue to evolve. It is in place now and the auditor's office has received a copy of it. And the TSC first focused on the governance manual, which I reported about last time, and then began working on the other specific governance supporting documents.

The TSC responded by developing also a risk assessment and management document which is also a document that will evolve as time moves on. Operational priorities and business challenges have delayed longer the plan than we originally set out, but good progress has been made and we will continue to work in this area.

The Teachers' Superannuation Commission is in regular communication with the Provincial Auditor, and the governance area is one where of course there is constant change. And certainly we believe that we have made good progress and are working with the auditor on the plan that is in to them now.

The auditor also noted, as been said here, around information technology needs improvement. The Teachers' Superannuation Commission has responded by developing an IT [information technology] risk assessment document that also encompass the physical plant security in addition to the IT asset security during 2006, and this document was also provided to the provincial auditors. Moreover the information security and IT acceptable end procedures document was presented to the commission staff and each team member signed and submitted a copy of the document.

Finally the Provincial Auditor asked about a disaster recovery plan and that it was required. The Teachers' Superannuation Commission responded by completing a disaster recovery plan in 2006, although it was not able to conduct the testing of it pending the delivery of some requisite hardware. The hardware was delivered in January 2007, and just prior to March 31 of this year the TSC successfully tested the system and provided the written documentation to the Provincial Auditor.

So in summary of my opening comments I would say that we have made progress in all of the areas and have been working quite closely with the Provincial Auditor in working through the documents. And as work progresses on these we'll continue our communication and partnership with the Provincial Auditor.

The Chair: — All right. Thank you, Ms. Young, for that response. Colleagues, there are no recommendations in this chapter but I do not doubt that you will have some questions. After all, there is an unfunded liability of over $3 billion so that obviously will garner some attention as well as some of the other issues. So we would open the floor for questions. Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. Thank you to Ms. Young and her officials for being at the committee this morning. Let's just begin with taking a closer look at some of the auditor's observations. It sounds like some progress has been made, which is positive. On the governance area I'll ask the auditor: Ms. Young said that some progress has been made. Would you concur with that as far as governance? Any area that still needs to be worked on?

Mr. Grabarczyk: — Well there's two areas that we reported. There is a need for a strategic plan. The commission has provided us with a strategic plan. We're looking at that. Our recommendation also indicates that there is a need to identify the risks that the commission faces and how those will be mitigated. Again, they have submitted a risk document. We're taking a look at that but at this time we have not completed our assessment of those documents.

Mr. Cheveldayoff: — Okay, thank you. To the deputy: anything in the governance area that you wish to elaborate on? Any goals or deadlines that you've set or anything further that you can share with us in this area?

Ms. Young: — No, I don't think so but let me just ask David Barnard, the executive director, is there something else you would add on that?

Mr. Barnard: — I would just share, Mr. Cheveldayoff, that the commission has a calendar, if you will. Over the course of the seven or so scheduled meetings during the year, we have a cycle of how we're going to address the various parts of the governance. So as we go through planning, risk, and so forth, investment policy statements and whatnot, those come up as part of a regular scheduled agenda, if you will. And so it's a continual cycle through the governance activities.

Mr. Cheveldayoff: — Okay. Well it's positive news to hear that progress is being made. The second area was information technology needs improvement. It sounds like you are addressing that as well. Again to the auditor's office: is progress being made in this regard?

Mr. Grabarczyk: — Again a number of documents have been submitted to us and we're taking a look at those. But our assessment has not been completed at this time.

Mr. Cheveldayoff: — Okay. On your initial review does it appear that things are in place?

Mr. Grabarczyk: — There's progress that's been made, yes.

Mr. Cheveldayoff: — Yes, okay. Again back to the officials. Information technology, security policies and procedures — the auditor has said in this chapter that it needs improvement. It sounds like you're making some progress. Do you care to elaborate at all?

Mr. Barnard: — I will elaborate a little. We are working with Provincial Auditor office very closely on IT as well as with the ITO [Information Technology Office]. One of the things, the ITO is a couple of years further along and we're having them, we're scheduled to do a full due diligence. Both the pension plans have been — PEBA [Public Employees Benefits Agency] as well as the TSC — haven't had involvement with ITO because of the sensitive nature of our systems on the pension administration. But they are planning to come in. We were targeting either June or July of this year.

Second, in terms of the IT policies, we've been working on those documents and continuing to finesse them over the course of the last two years and working with Rod and his team and Victor Schwab of the Provincial Auditor's office, who is the IT specialist. When we find some gaps, even as the current review is going on, of our IT documentation, what we're going to be doing is sitting down face to face and making sure that we get this stuff cleared off if there's any final things.

That doesn't mean, if you will, that the yardsticks don't move further down the field. With governance and IT, there's always different expectations. Increasing expectations is typically the direction so we're mindful of those things as well. But we do want to eliminate and satisfy the Provincial Auditor's office that we've looked after this diligently.

Mr. Cheveldayoff: — Thank you for that. The third item was the disaster recovery plan. That question to the auditor's office: have documents been submitted and does it appear that progress is being made in this area?

Mr. Grabarczyk: — That's correct. There's documents that have been provided. We've again are in the process of assessing those but again progress has been made.

Mr. Cheveldayoff: — Good. Thank you. Over to the officials. Any other comments on the disaster recovery plan? Progress is being made and it's in place?

Ms. Young: — I don't think there's any additional comments on that one.

Mr. Cheveldayoff: — Okay. Well thank you. It's always positive when we can note progress in certain areas. The topic I want to turn to now is of course the unfunded liability. The information that we've received here shows that there is approximately $3.1 billion in unfunded liability in this teachers' superannuation plan. To the officials, does the department see this amount to be significant? How serious do you take the fact that this unfunded liability is on the books?

Ms. Young: — Well certainly the amount is a significant amount. I guess, Mr. Cheveldayoff, I would repeat what I had said before and then would turn to Department of Finance officials if there was more. The Government of Saskatchewan has taken a decision to fund the teachers' pension plan in the long term and so have made that commitment, and the past history of this would demonstrate that the commitment is being met. And so yes, it is an unfunded liability but the long-term commitment has been that the government will be paying for this from their funds. That continues to be the government's position on it.

Mr. Cheveldayoff: — Okay, thank you. To the Finance officials, can you elaborate on the plan, when it began and how progress is being made?

Mr. Paton: — Mr. Chair, I'm not sure if I'm the right person to be speaking to this. Perhaps this afternoon when we have Brian Smith with the public benefits agency in to speak on behalf of the Department of Finance, he may be able to speak specifically to the pension plans themselves. I know that they were established quite some time ago. I would be guessing at the early 1930s, 1940s and that those plans have been in existence since that time and have been paid and operated on the same basis as they are today. If you want more specifics, perhaps Brian Smith could speak to that for you.

Mr. Cheveldayoff: — Right. Thank you for that. I will be posing those questions to Mr. Smith this afternoon. In some of the background information that we read for other chapters, it talked about a plan that was put in place in 2000, 2001. I think it was a 50- or 60-year plan and I'm interested to hear how that plan is progressing. I know a number of comparisons were made relative to GDP [gross domestic product] of the province and of course when you've got oil revenues like we have it can make some of those percentages look pretty good. But what I would like to see is the long-term plan for all pension plans in the province.

Mr. Paton: — Thanks, Mr. Chair. I thought you were talking about the pension plan itself. I think the report that you're talking about is one that was tabled at this committee on behalf of the Department of Finance about four or five years ago and it talked about how the pension liabilities would be extinguished over the long term.

My understanding — and the Provincial Auditor can correct me if I'm mistaken here — but I believe that there is a chapter in his report that speaks specifically to that plan and how the government is progressing at this point.

I believe generally things have been favourable and that the plan is on target. So that's kind of a general comment in that the assumptions and so on have carried out to date.

Mr. Cheveldayoff: — Okay. Thank you. Does the auditor have any comments on the plan itself and what progress has been made? And I guess if we wanted to define progress, what exactly has happened since the plan came in place?

Mr. Wendel: — One of the chapters you're going to consider this afternoon will be where we are with the plan after five years. We thought it was an opportune time to bring that information forward at this time. One of the members here at this committee had asked me how are we doing with respect to that plan and so I provided a chapter which you're going to consider. And just generally it looks like we're still on target with the plan that Finance put forward five or six years ago, so.

Mr. Cheveldayoff: — Okay. Yes. I read the chapter and I was just a little unclear on exactly, you know, what progress . . . I guess I need to research more detail on exactly, you know, how the plan is progressing. But I think we've got this particular plan up and I want to talk about the sustainability of this particular plan.

Does the deputy feel that the situation is sustainable at the present time? And if progress has been made from your perspective, can you elaborate on what, you know, what positive aspects have taken place?

Ms. Young: — Can I just ask for a bit of clarification? The plan sustainable — you mean the funding, long-term funding of the unfunded liability?

Mr. Cheveldayoff: — Yes.

Ms. Young: — Okay. Yes. I'm not sure we have anything more to add than what we have stated before around the government's commitment to honour the expenses as they come due for the teachers' pension. That continues to be the plan that we're going forward with. If there's maybe a more specific question, we'll certainly be pleased to answer that.

Mr. Cheveldayoff: — Okay. Regarding the numbers of teachers planning to retire in the near term or in the longer term, is the department comfortable that the resources are in place to pay that amount? Is that a growing amount? When does that amount crest, if you like?

Ms. Young: — Let me give a little bit of background. I am going to turn it to David Barnard to give you some sense of projections and the art and science in that.

The teachers' superannuation plan, you will know, is one of two pension plans for teachers. This is the defined benefit plan, not the defined contribution. Currently, there are about 2,800 active teachers still in the plan, actually still practising. And there are about just over 6,100 that are inactive or retired teachers in the plan. And then with a few other dependants or survivors and the retired teachers in total we have . . . So there's a number that are active in the plan right now.

The total payroll in the plan as of June 7 is around 278 million and the projected retirements that we have for this coming year are approximately 500. And I guess I would say to you that that is the best modelling we can when it comes to people and retiring. And there are certainly models that we use to predict this but they are not . . . Decisions around retirement are made for sometimes very personal reasons, and in the plan and in our financing even a small number of teachers that we believe are going to retire or not going to retire can change the funding actually quite a bit, changing the funding that we need for the pension plan to function. As you know, it's a statutory requirement so what the plan requires is what we receive in terms of funding.

So let me turn it over to David to just say a little bit about the projections that we have and some of the thinking that goes into the modelling of them.

Mr. Barnard: — Yes, Mr. Chair, Mr. Cheveldayoff, and members. Every two years we have a valuation done — 2007, June 30 this year, we're having another valuation done, actuarial valuation. That report comes out usually — and it's on our website, the previous ones — you would find that somewhere around October. Then we move on to, based on the valuation information that was there, the statistics, and all the modelling that's done, we have a financial projections report.

I think your question is answered if you want to look at a public document — and you can pick off the 2005, June 30 report off of our website if you had interest — in section . . . There's various tables in there but you would look into some of the financial projections, get a sense of the membership based on actuarial statistics. It's a science in that regard, as you know. It becomes more difficult and more volatile as we have smaller numbers, if you will, to make those decisions on.

But what we would look at in terms of your specific question, somewhere around it would give an indication . . . I'm looking at section 2 in there if you want to take a note of that, on page 13 of the one that's on the website — you could get a sense of total Minister of Finance contributions which includes matching contributions for active teachers coming in as well as the additional contributions based on the formula that's in section 9 of the Act.

So you would look somewhere around a crest of around 2018 to 2020, somewhere in there, of about $280 million. That's total Minister of Finance contributions that are funded out of the General Revenue Fund.

Mr. Cheveldayoff: — Sorry. So it's 280 at that point?

Mr. Barnard: — 280 million. Yes.

Mr. Cheveldayoff: — And what is it right now again?

Mr. Barnard: — Right now we're about 105.

Mr. Cheveldayoff: — Thank you, sir.

Mr. Barnard: — Yes, that's payroll. That's payroll. That's the payroll that the deputy minister had given. So there's offsetting money. That's the amount of money going out the door. But how the formula works is amounts of money released from teachers who are retiring . . . If there's 500 teachers that retire with a half a million dollars per teacher, then you've got that amount of money that's available to pay the payroll, right? So then the net, the difference between those two would be in — I'm just oversimplifying it here — would be what the Minister of Finance additional contributions would be. So that's all a formula set in section 9 of the Act. Okay. In some of the numbers, again projected payroll, you can see that information in this report as well, okay.

In terms of the existing assets that we have, we are constantly working with the 1.8 billion that's in there to finesse that and tweak that and make that work hard for the people of Saskatchewan. So I think we have some good ideas, lateral thinking that's coming out of that, that we're working with right now. And again, notwithstanding the fact that the government plan, as the deputy minister mentioned, is currently to pay out of the General Revenue Fund, we are also working very hard with the assets that are there at the board and administration level.

Mr. Cheveldayoff: — Okay, thank you. Yes, that leads into my next set of questions regarding the $1.7 billion in assets. And if you could elaborate on exactly what, where the assets are held. And you said that you have some interesting plans there. Can you elaborate on that at all?

Mr. Barnard: — Yes. Thank you for the question. We have a diversified portfolio right now, and that is in . . . I don't know how much detail you want to get to. Most of that is held by Greystone Managed Investments and their sub-advisers, Goldman Sachs, Hansberger, a number of US [United States] equity sub-advisers with that as well. And we have a small amount of private equity with GE Asset Management in co-joint private equity investments around the world.

Those returns that we have also . . . I should just kind of tie some links in together. How we manage that and how we have those assets allocated have a direct bearing to the return of the assets, the long-term actuarial return. That also leads to the blended discount rate that we use in the actuarial valuation which discounts the liabilities back, right. The lower that rate, the higher the actuarial liabilities. So when we have lower discount rates as we've experienced lately and lower implicit returns that are out there, that has a negative impact on the unfunded liability, okay. It's an inverse relationship.

So just to make the links, we're always conscious about our asset allocation. We have investment consultants that assist us in doing all sorts of quantitative work on that as well. The board works with those assumptions as well as how they feed into the actuarial assumptions. Those are all board approved and accepted, debated in the context of the commission meetings that lead to the valuation assumptions that we have for example in this June 30, 2007, valuation forthcoming.

So with the assets in terms of some ideas we've been changing, private equity is a good example of something that helps us get a small weighted lift in terms of the long-term actuarial rate of return which reduces the unfunded liability and has all sorts of other follow-on effects with that as well. But more importantly I think — this would be just my own personal opinion — is the savings that that represents to the taxpayer by virtue that the assets are working harder and recovering what would otherwise have to be funded out of the General Revenue Fund.

One of the ideas we're also just in discussion with, although the authority the commission has is from the Department of Finance, is the Act, statutory trustee, we have the ability to make decisions at the board level of the commission to change assets, mixes, and so forth. And one of the things we're playing with is, since it's an unfunded liability, that we would end up having a diversified equity portfolio eliminate the fixed income and that would possibly save somewhere in the range of 150 million for the people of Saskatchewan.

So what we're doing is just discussing that just to make sure that the Department of Finance is comfortable with that before we proceed to enact on that. Even though we have the authority, we'd like to just be respectful of that relationship. That's just an example, or a couple of examples.

Mr. Cheveldayoff: — Very good. Thank you for that answer. I'm finished with my questioning, Mr. Chair.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — I just have one question. It relates back to the projections and the mention of 2018 as a year of a projected peak. Now according to the auditor's report, the cost to the Department of Learning in '06 was 84.6, page 93. And I'm just wondering if, do you have comparative numbers over the next five years or 10 years leading to that period, just to give an idea of where that 84.6 is going to go over the next number of years?

Ms. Young: — Just so I'm clear, Mr. Chisholm, we're . . . say apples and apples. The 84 million . . .

The Chair: — Right.

Ms. Young: — Is on page . . .

Mr. Chisholm: — 93. That was the contribution by the Department of Learning in '06.

Ms. Young: — Right. That was in '05, '05-06.

Mr. Chisholm: — Okay.

Ms. Young: — The year before, yes.

Mr. Barnard: — Just to clarify the question, you're wanting to know going forward, how we look at that? Those projections?

Mr. Chisholm: — No, just if you have some projected numbers as to what actually happens to that number over the next number of years. Like you mentioned that there's a peak and a valley. But just to get some feel for the 84.6 it was in '05-06, what is that going to be in 5 years, 10 years?

Ms. Young: — We certainly do model out what the approximates . . . But of course as you can appreciate, the further out, the more it is an estimate. And that modelling out would be based on our modelling around retirement patterns of the teachers. And I think the years that Mr. Barnard mentioned were around . . . I think that was the peak end years and that would be . . . So we're modelling out retirements based on age and past retirement practices. And we've had good success with our modelling but it is not exact. And as David said, as the numbers get smaller, then different teachers make different decisions that can actually shift them a bit.

David, do you want to speak about the modelling, the numbers that we do have?

Mr. Barnard: — I'll just speak on two dimensions to this. The same report that I mentioned to Mr. Cheveldayoff earlier — which is the financial projections — those come out biannually and those indicate for each year from the current year, i.e., June 30, 2007, forward until the end of the, projected end of nobody left on the plan, if you will, what those cash outlays will be. Okay? So that's from an actuarial perspective based on various valuation assumptions.

From an operational admin perspective, we mine our database and we have a very I think a strong proxy — and I'll explain why I say that, not just a personal feeling about it — but we have a strong proxy for numbers of teachers that are going to retire in out years, if you will, current year and out year. And we look at adjusting those probably no sooner than the October period. We do another adjustment in December and then we don't do another forecast until about March of the fiscal year.

Although the valuation projections of cash flow are based on the actuarial assumptions, and that's the kind of report that Aon does for us and this is what's on the website, those have actuarial assumptions behind it. What we're able to do now, and I guess this is the second, this is our model, our internal model which we mine our pension administration system, a number of queries out of that, and we look at who's going to be eligible to retire. We use some of the valuation assumptions to say, well what are we seeing in terms of, based on these group statistics, what are we seeing for the percentages of people are retiring? And then we estimate how much money they're going to have to their credit. We do some manipulations and forecastings, if you will, of what those earnings will be at a time that they're expected to retire, and that gives us an idea for our in year budget forecast what we expect to be the monies released, which of course as we talked earlier drives the amount of additional funding either one way or the other.

One teacher can make half a million dollars of difference, as we know. So if 10 people decide not to retire — and I'll talk about that in a minute — that's $5 million, just 10 teachers, that it could go the one way or another. So if 10 teachers don't retire, that's an inverse relationship. Our numbers of expected retirements are down, that drives the amount of additional funding from the General Revenue Fund up by $5 million. This past year for example there were 82 teachers that decided not to retire.

So what we're seeing out there is that we have our best forecasts and best estimates of what we expect people to retire, and then we're also seeing something else since 2003 — a growing group of teachers who are eligible to retire, but have chosen for whatever reason, personal reason, not to retire. That's over 800, almost approaching 1,000, almost approaching 1,000 now, so if you will, a pent-up, you know, a few hundred million dollars worth of money that could be released. That's the subjectivity part. We can't control when they're going to retire.

Now I'm just going to circle back and close off that open loop as to why do I feel strongly about the proxy has been fairly accurate. Well this year we had 82 people that didn't retire that we had forecast would. Why is that? Well we'd like to know and ask questions why. So we've done a multivariate regression with the assistance of Aon in Saskatoon, our actuarials group, and we've come up with, looked at statistical testing of all of our . . . back-tested are dated to about 1991, looking at who actually did retire over this longitudinal period, and looking at T minus one, T minus two, back. I don't want to get too detailed here but what that did is it gave us a confidence interval about where our forecasts are going to be. And our proxy forecasts were within what I would call the 95 per cent confidence interval. So as to why people aren't retiring, we don't know. But what we do know, statistically speaking we have a good proxy.

Mr. Cheveldayoff: — Thank you.

The Chair: — Mr. Paton also wanted to add a comment?

Mr. Paton: — Yes. Mr. Chair, if the member wanted to see kind of an overview of the situation on the cash flow and the impact that has over the coming years, if he — again this is a chapter we'll be looking at this afternoon — but chapter 13 in the auditor's 2006 report on page 323, there is a chart that displays the cash flow peaks and valleys over the next actually 50 years. And it combines both the teachers' plan and the public service plan. It will show you where those peaks and valleys occur.

The Chair: — All right, colleagues. I see no one else wanting to ask questions. I just have one area that I want to touch on. The auditor says, on the middle of page 95 where the . . . under that first bullet, that there should be a strategic plan for the TSC that includes a summary of key risks faced by the plan. I wonder if the auditor could tell me what those key risks might be.

Mr. Grabarczyk: — Well some of the key risks would be around investments, your asset mix, some of the things that the commission has already indicated in terms of do you go to strictly an equity portfolio to try to generate additional returns, and with that comes additional risks. So that's one form of risk that the plan would face.

The Chair: — Okay. And then, so then to the deputy minister, is that complete, that summary of key risks? Is that all in hand now? Or are you still working on it?

Ms. Young: — We have shared with the auditor our risk assessment document. And there is a whole range of risks in there, some of them more operational, administrative, some investment and financial, and we continue to work with them. I don't think we've had the final word back yet from the auditor's office around anything else they would like to shift in it. But the document is there and again it contains the full range of possible risks there might be.

The Chair: — All right, very good. Are there no further questions with regards to chapter 7? There are no recommendations, so we then have concluded this chapter. I want to thank you, Ms. Young, and your officials for appearing before the committee. We thank you. You've made several appearances over the last year or so wearing different hats. We wish you a good and prosperous summer. Thank you very much for appearing.

Colleagues, rather than having a long recess let's try to stay pretty much on schedule. We do have an opportunity now to look at the procedures manual for a few minutes if . . . with your permission. I think this would be, you know, an ideal time. It looks like we have about 20 minutes slot here . Does everyone have a copy of the draft procedures manual which is an update of . . . Does anybody need a copy? It looks like everybody has one. All right.

This is an update of a procedures manual. I'm trying to remember when the last update occurred but I think it was . . . Was it at least 10 years ago when this was last updated . . . [inaudible interjection] . . . 1992, so that's getting closer to 20 years than 10 years. Perhaps, Ms. Woods, you could tell the committee where the significant changes are once you have distributed the material to the members that need it.

Ms. Woods: — What this document is, is actually back in '92 and then I believe in '94 again, this committee looked at a couple of documents. There was actually two documents. One dealt with the mandate or the terms of reference of the committee and the second document dealt with the operating practices and procedures.

And what I've done here is basically combine those two documents and then update them to reflect the current state of what the committee's mandate and terms of reference and operating practices are.

The other thing which we've done is try to package it in the similar fashion to some of the other resource documents that we've prepared over the last four or five years, particularly with regard to some of the committee reforms that have taken place. So essentially the only significant changes from the previous document then would be the additional responsibilities that were given to the committee with regard to the appointment of the Provincial Auditor, the review of the auditor's office's estimates, the committee's role with respect to the audit committee. And I think that's basically the primary ones.

So what I would suggest, you know, if . . . I have received some comments from the comptroller's office and the auditor's office, but if members have any other thoughts or suggestions on what they would like included in the document, they can forward that to me either now or once they've had a chance to go through it.

Perhaps the auditor or maybe the comptrollers would like to go over some of the suggestions they had, just for the benefit of the members.

The Chair: — Who's prepared to speak? Mr. Wendel.

Mr. Wendel: — Well I can just make some general comments, Mr. Chair. On page 4 they're talking about where the committee examines and evaluates, and there is reference there to the activities of this committee only being restricted to Treasury Board Crown corporations. And I thought the committee had a more all-encompassing role. And the only thing that's really been delegated by the Assembly to some other committee is CIC [Crown Investments Corporation of Saskatchewan] and related agencies, so any agencies that aren't viewed as Treasury Board agencies.

There are others like regional health authorities. Workers'

Compensation Board I'm sure would argue strenuously that they're not a Treasury Board agency and things like that. So I had mentioned to Margaret how she might change the wording to not limit it.

And the other thing that this committee does is — or has in the past — is review the *Public Accounts* document. And I think probably that should be included in this section somewhere. And that gives you then the authority to call really anybody who's gotten any money out of the public accounts and really you could do a number of other things with that. So it's just . . . I'd mentioned that again to Margaret and you should probably include those in this list of things. I think I had had a few other comments but I didn't keep my notes. I've just passed them on to her so . . .

The Chair: — Okay. Thank you, Mr. Wendel. Mr. Paton or Mr. Bayda do you have any comments? Mr. Bayda.

Mr. Bayda: — Thank you, Mr. Chair. Certainly the comments that the auditor has had are ones that we would have as well. Another thing that we had noticed is that the document talks about the committee scrutinizing expenditures, and again we thought that it could maybe be broadened out a bit.

The committee has certainly asked questions, even today, about liabilities, and yesterday was asking about investments. So wording that would sort of indicate the committee looks at sort of the government's financial activities and results generally, not just sort of the expenditure side would be of a thing. And then again we've passed our comments on to the Clerk and some smaller comments about references and what not. So that would be most of what we would add.

The Chair: — Yes, the Clerk is taking note of all of these suggestions, and I would expect the will of the committee would be that she would try to incorporate them into a second draft of this document. Ms. Crofford.

Ms. Crofford: — Well I just had two questions. One is on page 4 where it talks about reviewing the estimates of the Provincial Auditor. It's still the Board of Internal Economy that actually approves the budget?

The Chair: — No.

Ms. Crofford: — No?

The Chair: — We actually approve it and submit it to the Speaker.

Ms. Crofford: — We approve a budget.

The Chair: — Yes. That's a change.

Ms. Crofford: — That seems odd that that's the only budget we approve. That's, that is we do that?

The Chair: — We do that. We go clause by clause and approve.

Ms. Crofford: — Okay.

The Chair: — We do a vote or a subvote, or whatever it's called, and forward that to the Speaker. I'm correct? Yes. In times past it was done by the Board of Internal Economy but now it's done by this committee.

Ms. Crofford: — Now does it specifically say that? Approve the budget. I was sort of looking for it but I read this pretty quick.

The Chair: — I think it does.

Ms. Crofford: — The practice, the Provincial Auditor presents his office's business financial plan and the included estimates.

The Chair: — It just says, this procedure for consideration of the estimates is the same as that followed in other standing committees and outlined in the manual on standing committees procedure. So I suppose that would cover it. Mr. Paton.

Mr. Paton: — Mr. Chair, in this regard it may be suitable to make clear reference to The Provincial Auditor Act. Section 10.1(3) says:

> After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

All of section 10 provides your procedures for approval and how it moves forward.

The Chair: — All right. The Clerk is making a note of that and that will be included. Thank you, Mr. Paton. Ms. Crofford, do you have another comment?

Ms. Crofford: — The second one is on page 6. This is just about the audit committee. We have this creature that's sort of somewhere . . .

The Chair: — That we never use.

Ms. Crofford: — Yes, and I'm just wondering, is there any kind of structured requirement to meet with them or do they meet with somebody else that we just don't know about it or . . .

The Chair: — This committee, as I understand it, is at the beck and call of our committee, the Minister of Finance, and I think Crown and Central Agencies Committee, and perhaps the auditor . . . right, the auditor.

Ms. Crofford: — Yes, I sort of remember when they were set up but then they just sort of vanished into space.

The Chair: — I think the minister has used . . . my recollection is the last time we discussed this the minister had used the audit committee once or twice. I think the Provincial Auditor has used the committee. Am I not correct?

Mr. Wendel: — I used it once when I came out with my strategic plan, when I took office.

The Chair: — I don't believe that this committee has ever called on that committee to do any work for us. And given, you know, we've discussed that we don't have a budget for a researcher, I suppose that is a resource. I was thinking, it reminded me when Mr. Wright was here yesterday that we had some significant discussion about the sustainability of funding for health care on the long term. You know, perhaps a project like that could be looked at by this audit committee. I'm not sure if that falls within their mandate or not.

Ms. Crofford: — My question is: do they actually, for example, get together and do meetings and say, so what do you think about what the government's doing with their public accounts? They don't do that. They're more of an advisory group.

The Chair: — They don't do that, I believe, unless we call them to undertake a project.

Ms. Crofford: — Okay, so they just respond. They're the professionals who respond if we need them. They must feel lonely.

The Chair: — They do, I'm sure. They probably think we've forgotten about them, which may be closer to the truth than we care to admit.

Ms. Crofford: — Yes, so I don't know if in this it's . . . Because see, when I read that I had all these guys beat — did they do this, do that? Maybe just make it really clear that these are really just people who are sort of at the ready to provide advice but do not meet otherwise, because you sort of get the feeling that there's this little cabal off somewhere meeting and we're not really connected. That was it, really, for what I could find in there.

The Chair: — All right. Thank you, Ms. Crofford, that was helpful. Are there any other comments or questions regarding the draft? I was invited and accepted an invitation to sit on an advisory committee for the Canadian Comprehensive Auditing Foundation with regards to their vision for what Public Accounts committees might look like 10 years hence, sort of the framework that we mentioned. And that was . . . [inaudible interjection] . . . You and I will . . . I think neither of us will be involved in it by the sounds of it.

Part of their goal was that the committees would focus more on performance measurement issues than has been the case in the past. They were looking at issues of continuity on committee which of course is very difficult given the political nature of the people involved on the committee. They even proposed perhaps that when, after an election, that members to the committee be permanent for the entire term of the committee but it's . . . All of those, all of those of us who were on the elected side expressed a great deal of doubt that that was a workable measure. But they did express a need for continuity and, you know, also given the rotation of deputy ministers, there was a concern expressed, how can that be addressed?

I don't think that can go in this document because it's not part of the procedure other than perhaps I would note that it is mentioned that we do work with the CCAF [Canadian Comprehensive Auditing Foundation]. We do with CCPAC [Canadian Council of Public Accounts Committees] and we are trying to stay on the cutting edge and I think that's important that those, those points are noted in the document, that we are you know, we are open to — for lack of a better term — personal development and enhancement of the work and role that we play.

Ms. Crofford: — If I could just comment on the whole matter of performance reporting. After watching many departments flail away for many years and kind of veer between counting everything and counting nothing, I think some real serious attention needs to be made to what you count that matters. I mean it's just a chaotic activity because, well you take some big corporations who can afford to put all the money they want at their IT systems. They have flagging systems that even flag whether people are following policy when they submit their S4s or their expense or anything. And of course we haven't had that kind of centralized capacity.

It's developing but I think it's really easy too for people when they go from paper systems to technology systems to again go overboard with the kind of data they're keeping to the point where it's almost meaningless. So people who could provide guidance on how to provide cost-effective performance reporting that was truly meaningful would be of great assistance even if you only did . . . took one department at a time and really looked at it. But I don't think the state of the art is very useful at the moment.

The Chair: — That sounds like another excellent project for that audit committee to look at. They would have the expertise to know how to and they're outside of the Provincial Auditor's office and government.

Ms. Crofford: — Well it's just I know that it's an area that's pretty — what would you call it — not unguided particularly. But people are really not sure what they're supposed to be measuring, I don't think.

The Chair: — Are there other comments specific to the document? Ms. Woods, I guess, you know, we can't approve the document until we see it in its final position and I'm not sure when we're meeting again. You'll provide another draft and circulate it to the committee? And I guess the next time the committee meets then, it could deal with the document. Is that agreed upon by the members? I don't think we need a motion then because it's still a work in process.

All right. If there are no further comments, I would expect that if something strikes you in the middle of the night, Ms. Woods would be pleased to receive a call as long as you didn't make the call immediately. So we now will recess until 10:15 when we will deal with Liquor and Gaming. The committee is recessed.

[The committee recessed for a period of time.]

Public Hearing: Liquor and Gaming

The Chair: — All right, ladies and gentlemen, we'll reconvene Public Accounts Committee meeting. The second item on the agenda today is Liquor and Gaming. Two chapter 8's: the first one in 2006 report volume 3; the second chapter in 2007 report volume 1. There's, I believe, some A's and B's or something but I think rather than dividing this up like we did yesterday we'll just unload the whole load at once, and because it follows enough of the same theme that I don't think that'll be a problem.

I'd like to welcome our witnesses this morning. We have Barry Lacey, the president and chief executive officer of Liquor and Gaming. We welcome you here. You have several of your officials with you, and in a few minutes we'd encourage you to introduce them to the committee and respond to the auditor's summary of the two chapter 8's at that point in time. Representing the Provincial Auditor's office this morning on this issue is, again, Mr. Bashar Ahmad. We welcome you back to the committee and we give you the floor.

Mr. Ahmad: — Thank you and good morning, Mr. Chair and members. This morning I will provide an overview of chapter 8 of the 2006 report volume 3, and chapter 8 of the 2007 report volume 1. Chapter 8 of the 2006 report consists of part A and part B.

The first part describes the results of our audit of the Liquor and Gaming Authority for the year ended March 31, 2006 and our work on the authority's succession planning. In this chapter we make three new recommendations relating to the authority's succession planning processes and repeat six recommendations from our past reports. The repeated recommendations appear on pages 236 to 240 and generally relate to timely bank reconciliation, IT strategic plan, IT policies, business contingency planning, fraud awareness training for employees, and confirmation of compliance with code of conduct and conflict of interest policies. Your committee considered these matters in the past and agreed with our recommendation. The authority continues to work fully addressing our past recommendations.

Now our three recommendations relating to the authority's succession planning processes. Our first recommendation requires the authority to document and communicate the competency gaps. Doing so will help ensure employees obtain necessary competencies to help achieve the authority's objective.

Our second recommendation requires the authority to document employees' career goals and plans. This will help ensure the employees develop competencies that the authority needs.

The third recommendation requires the authority to document and monitor the progress of its succession strategies. Doing so would be helpful to address any identified demographic challenges.

The second part of the chapter describes the result of our audit of Saskatchewan Indian Gaming Authority, that is SIGA, for the year ending March 31, 2006. We report that SIGA continues to make good progress toward addressing our past recommendations and we make no new recommendation. Exhibit 1 on page 266 lists all of the past recommendations and their status as of March 2006.

Chapter 8 of our 2007 report volume 1 describes the result of our audit of SIGA's project management processes for Dakota Dunes casino. The budgeted cost for the project is about 62 million, excluding cost of slot machines. We completed our audit of the project work up to December 2006. We concluded SIGA had adequate processes except for the recommendations that we made. We made four recommendations.

Our first recommendation requires SIGA to have adequate project plans before starting major construction projects. Doing so will help reduce the risk of delays, lower quality of work, and additional costs. Although SIGA's board had approved the project in principle and the budget in 2005, the project plan was not approved until May 2006.

Our second recommendation requires SIGA to finalize financing arrangements before starting major projects. Lack of timely financing arrangements increase the risk of delays in completion and additional costs.

Our third recommendation requires SIGA to have a dispute resolution process with its key partner before starting major projects. Dispute resolution without agreed-upon processes could also result in delays and additional costs.

Our fourth recommendation requires SIGA to provide its board complete and accurate progress reports on major projects. Without such reports the board cannot effectively monitor the project.

And that concludes my overview. Thank you.

The Chair: — Thank you, Mr. Ahmad. And, Mr. Lacey, we give you the floor.

Mr. Lacey: — Yes. Thank you, Mr. Chair. With me today on my right is Jim Engel, vice-president of policy and planning; on my left, Fiona Cribb, acting vice-president of gaming operations. And behind me starting on my right, Paul Weber, vice-president of retail liquor operations; Dale Markewich, vice-president of regulatory compliance; Val Banilevic, director of SLGA's financial services branch; and finally, on my far left, Lisa Ann Wood, vice-president of human relations.

In regards to the fall 2006 Provincial Auditor's report I'll limit my comments and my remarks to comments made by the Provincial Auditor to SLGA [Saskatchewan Liquor and Gaming Authority] succession planning processes. We appreciate the work of the Provincial Auditor that he's done to examine this issue, and are pleased that he notes overall that SLGA has adequate succession planning processes in place. However we also do accept his recommendations to further improve those processes and we continue to work to address those concerns.

With respect to the 2000 spring report of the Provincial Auditor's office, once again we appreciate the auditor's timely review of the Dakota Dunes casino development at the Whitecap Dakota First Nation. The review of this ongoing casino development is particularly helpful as SIGA embarks upon additional construction projects with the new casino in Swift Current and the future redevelopment of its Yorkton casino.

During this period in question that the Provincial Auditor undertook his review, SIGA made key improvements to its processes as it gained valuable knowledge and experience in the process of managing its first capital project of this magnitude. We're pleased that SIGA for the most part has adequate project management processes in place to manage the Dakota Dunes casino project. And we remain committed to working with SIGA to address those areas where the Provincial Auditor has outstanding concerns. And with that, myself and my officials would be happy to answer to any questions the committee has of us. Thank you.

The Chair: — Thank you very much, Mr. Lacey, and at this point we'll open the floor to questions. I recognize the opposition critic for Liquor and Gaming, Mr. D'Autremont.

Mr. D'Autremont: — Thank you, Mr. Chairman. I'd like to welcome Mr. Lacey and his officials here today. I'd like to go back to some questions that were asked in the past in 2005-2006, particularly dealing with criminal record checks. There was discussion back in 2005 about having those carried out for employees. What's the status of that and where is that in the process?

Mr. Lacey: — About a year and a half ago SLGA implemented a criminal record check policy. There was two components to that. We dealt with it, I would characterize it, in two phases. The first phase was criminal record checks for out-of-scope employees, with the expectation that all out-of-scope employees would have criminal record checks done within the first year of that policy being implemented and approved.

The second component of that was . . . I'll backtrack. Criminal record checks within the first year of that policy being approved for out-of-scope employees and all store managers, and some of our store managers are in scope. The second part, phase of that policy was for all employees to have criminal record checks conducted within three years of the policy being approved.

Mr. D'Autremont: — So of the out-of-scope employees or non-store managers, it's been about 18 months since that was . . . approval. So you've got 18 months basically still to carry out within the three-year period. What percentage of the employees have had criminal record checks?

Mr. Lacey: — So of the first group, the ones that required criminal record checks within the one year of the policy implementation, everyone has had that criminal record check performed. Of that other group of in-scope employees, I'm told that approximately 60 of our in-scope employees have had criminal record checks performed and submitted to the organization.

Mr. D'Autremont: — Sixty have been done or 60 per cent?

Mr. Lacey: — Thank you for the clarification — 60 per cent.

Mr. D'Autremont: — How about new employees that may come on stream? Are the criminal record checks done prior to their employment or do they get the three-year grace period as well?

Mr. Lacey: — Yes, thank you for the opportunity to clarify that. Those guidelines are provided with respect to existing employees. Any new employee joining the organization is subject to a criminal record check immediately upon employment with the organization.

The other piece to the policy is if you're an employee in that group that has three years to get the criminal record check done, if you have a promotion into that group that required a criminal check done within the first year, you're required to have a criminal record check when you assume that position, that new position.

Mr. D'Autremont: — Okay, thank you. So the corporation makes the request for the criminal record check of the appropriate authorities and carries it out.

Mr. Lacey: — As part of the staffing process. Actually the individual is required to go to the, in the case of new hires, the individual is required to go to the police station and get the criminal record check done and submit that criminal record check to SLGA.

Mr. D'Autremont: — Okay. Thank you very much on that. Second issue from the past was the social responsibility. The last time you were before Public Accounts Committee in '06 you had two positions designated for carrying out the social responsibility for SLGA. You did not yet have people in that position. Have you carried on with two positions and who are those employees?

Mr. Lacey: — Yes. Part of the issue last time we met was the formal designation of those responsibilities to individuals within the authority. We have subsequently formally designated responsibility for our social responsibility activities to individuals. Those two individuals are Mr. Jim Engel, to my right, vice-president of policy and planning; and to the far left behind me, Lisa Ann Wood, our vice-president of human relations.

Mr. D'Autremont: — Okay. Thank you. How long have they been in the position of holding this responsibility now?

Mr. Lacey: — I would characterize that for some time, going back two or three years, they've had informal responsibility for it. It wasn't that that activity wasn't being taken out. It wasn't formally identified as being a job expectation of those two positions. So now for about the last nine months we've had formal designation of that responsibility and setting out the expectations of those positions.

Mr. D'Autremont: — Okay. Thank you very much. Just a question of personal interest. Since these two employees are assuming greater responsibility — ones that they were perhaps carrying out in the past informally, but now formally — did that include greater compensation?

Mr. Lacey: — I would answer that question from the perspective of part of the . . . We had an opportunity to look at everybody's job descriptions because within the last year for out-of-scope employees we went through a job, we reviewed the job descriptions of all out-of-scope managers and used that opportunity to update their job descriptions as well as move to a new out-of-scope class plan that's consistent with the new out-of-scope class plan that the executive government adopted. So as part of that process, the job descriptions were updated to reflect that. And as part of moving to that new class plan, obviously the responsibilities assigned to those positions were reviewed. So I don't know if the chicken before the egg thing and whether or not those duties had an impact on their classification levels or not because at that point in time we looked at the entire job, just not the addition of that duty.

Mr. D'Autremont: — Okay. Thank you. I'll take that as a yes. The third issue that was raised back in '05, I believe it was, was the rate of breakage at liquor stores. You had undertaken to provide a letter with that information and I don't recollect receiving that information. So if you could check, please, and see if that had been provided and if not, could you provide it, please?

Mr. Lacey: — I can't recall whether we provided that letter or not but we might have information here with us today. So if I can I will share it with the committee; if not, commit to follow up to the committee in writing.

Mr. D'Autremont: — Okay. Thank you. I'd like to move on then to the auditor's report. In 2006, the auditor's report, again we were talking about bank reconciliations. This had been brought forward in 2004, in 2005. It's again an issue in 2006 — although I note in the 2007 annual report there's no comment on bank reconciliations. So I'm assuming that the process has been brought up to speed and that reconciliations are being done in a timely and proper manner.

What changes has SLGA made to their process and operations on bank reconciliations that the Provincial Auditor didn't find necessary to comment on it in 2007, but did in the previous three years?

Mr. Lacey: — I guess two points I would make on this piece. The chapter currently under review would be for the '05-06 year. So given the review time frame, a significant period of time has passed. As the Provincial Auditor notes in this chapter, as of January 2006, we had timely bank recs. And what I would like to report to the committee is, since that time, we've continued to have timely bank reconciliations. So for the last year and a half, essentially our bank reconciliation process has been timely and period reconciliations performed in a timely manner.

With respect to the second part of your question with respect to what changes did SLGA make to ensure its bank rec process remained timely, we made a number of changes. First of all, we added an additional resource to that bank reconciliation unit.

Secondly, we changed the reporting relationship of that unit to a individual who had a professional accounting designation and, from our perspective, could bring . . . I would characterize it as a higher level of expertise in providing guidance to that unit.

Thirdly, we updated and refined our bank reconciliation policies, providing more detail to the employees with respect to expectations around when bank recs are to be done — if there's issues with bank recs, when those issues are supposed to be raised and with whom.

And fourthly, during this time period, as we moved into a period of timely bank reconciliations, we made a number of system changes as well that improved our overall bank reconciliation process. And part of the system changes that we made now allow us to do daily reconciliations of what our point-of-sale system indicates stores should be depositing to banks, to what the bank says they actually received.

So those combination of actions by SLGA has allowed us to move to timely bank reconciliations.

Mr. D'Autremont: — Okay. Thank you. Timely is now a daily reconciliation, is it?

Mr. Lacey: — With respect to store transactions and currency received at the store level, yes. And then at the end of a period we have a broader reconciliation process with respect to cheques going out and other cash, miscellaneous cash, that might be flowing into the authority. We obviously have the gaming side of our operation, the VLT [video lottery terminal], so there's that broader monthly process that is also undertaken which is done on a monthly basis or a period basis.

Mr. D'Autremont: — Within the liquor board itself, how about those remote stores? There was problems with stores that were not online or did not have access to what we would consider normal banks. What's happening in those locations?

Mr. Lacey: — The only location that does not have access to a bank within their community is our La Loche liquor store. We've instituted a process whereby on a daily basis that store provides the cash that's generated through that day's sales to the North Store — I believe it's called the North Store — in that location. Then North Store in turn provides them with a cheque, and then that store sends a cheque down to SLGA head office. And the reconciliation that occurs there is a check with respect to the cheque received and what, once again, the point-of-sale system indicates the sales were for that day.

Mr. D'Autremont: — So do they send that cheque on a daily basis or is it weekly or some other time frame?

Mr. Lacey: — The cheque is couriered down on a daily basis to head office so that reconciliation occurs on a daily basis. However the time frame obviously for the cheque to come through the mail is likely three or four days subsequent to the actual retail date. But I think it's fair to say that within approximately a week these reconciliations are completed daily.

Mr. D'Autremont: — Yes. So you would be receiving though, almost on a daily basis . . .

Mr. Lacey: — On a daily basis, we would . . .

Mr. D'Autremont: — A letter from . . .

Mr. Lacey: — Exactly.

Mr. D'Autremont: — So if there was a two-day break in there, then there's reason to be concerned.

Mr. Lacey: — Yes exactly. Yes. And when I spoke to us developing new procedures, refining the procedures, that's exactly what we did is set very clear expectations with respect to when these cheques would be received and if those . . . If there's gaps with respect to the expectation of when those items are received and actual transactions, that there's follow-up. And it's spelled out very clearly what type of follow-up needs to occur.

Mr. D'Autremont: — Okay. Thank you. Yes, the last time that there was a problem there seemed to be some confusion within SLGA as to the actual . . . who had the authority or the responsibility to have been following up on that and hopefully that's been corrected now.

Mr. Lacey: — Yes. It's my view that we have addressed those issues.

Mr. D'Autremont: — On the business continuity plan that the Provincial Auditor has raised, the discussion is the continuation of delivery of programs and services in the event of a disaster. In SLGA's view what would constitute a disaster?

Mr. Lacey: — Well the first one that comes to mind, to me, is if our computer room burned down or if we had a major disaster at head office where our IT central office technology was rendered useless. That would be an event of a significant disaster for us given the heavy reliance on information technology.

Mr. D'Autremont: — What plans then do you have? What processes do you have in place to ensure that, should that happen, that you have backup? And what is your time frame if you had such an occurrence to happen to get back up online?

Mr. Lacey: — Yes. Well on a regular basis copies of our software and of the data that's generated is sent off-site to allow us to recover that information as quickly as possible in the event that both the software programs and the data are lost. So that's a key aspect of our recovery planning process.

We have recognized however that we need to do more work in this area, and over the past year in question one of the issues that we wanted to do was step back and look at what are the key and critical risks of our IT systems, where the vulnerable points are at, where the gaps are at, and what's the risk of . . . if an event did occur, what's the likelihood of that event occurring.

We've completed that analysis and are now moving to a phase to develop a more robust, formal IT disaster recovery plan. I kind of envision it as kind of a step by step — if this disaster occurs, we don't need to start thinking about what have we got to do. It's there for us. That will facilitate a much smoother and easier recovery of our IT systems.

And I should mention that, to me, there's two components to the piece that the Provincial Auditor raises in his report. He talks about a business continuity plan, and from my perspective the IT disaster recovery is just a sub-component of that. And you really need to figure out what you're going to do on your IT disaster recovery before you complete that entire business plan component. Because the steps, for example the stores may have to take if the IT system is down, is dependent upon how quickly you can get that IT system up and what the expectations are.

So two processes we're working on through this year. One is to develop a more robust IT disaster recovery plan. But then secondary — which I think is just as important — we have in our work plan as well to complete our entire business continuity plan which may not include IT components.

Mr. D'Autremont: — If you have a disaster in your IT sector, what has SLGA determined the time frame in which it needs to be able to be back up and fully operational? Is it 24 hours, 48 hours, 72, a week, a month? What time frame?

Mr. Lacey: — That's an interesting question because in part it . . . There is a risk-cost analysis that occurs as part of that evaluation. Obviously the more money you're willing to spend on an IT disaster recovery plan, likely the quicker your recovery time is going to be to a point where you can spend lots of money and it's instantaneous. The public would never know you had a disaster because you would just switch over to what's called a hot site. So really, that issue really revolves around what's the risk that you think you're going to have a major disaster and how much money are you willing to spend on compensating for that risk.

Currently our disaster recovery process is — what's the terminology IT folks use — best efforts. It's a best efforts plan. That means we do have the data stored off-site. We do have backups and we do have information with respect to how the systems talk to each other. But in this sense, if we have a disaster, we will need to go out, get another site, buy the hardware, and then upload the backup software we have around that piece.

Mr. D'Autremont: — I guess a question would then be, if SLGA on the liquor side — let's exclude the gaming for now — is shut down for a day, how much money does SLGA lose?

Mr. Lacey: — If it's only for a day, the system that we have in place allows our point-of-sale terminals to operate independently from our mainframe system at head office. So we can operate for a period of time without the head office system being up and operational. And what happens is when we get it up and operational, those decentralized sites just upload the information. So we can run approximately a week to two weeks in our retail locations, in our store system, with those units. They are able to operate independently. As soon as we get beyond a week or two weeks, we would start obviously running into issues with respect to the memory capacity of those machines.

Mr. D'Autremont: — How about on the gaming side?

Mr. Lacey: — On the gaming side, VLTs — two pieces to it — the VLT operations and the slot operations at the SIGA casinos, we contract with WCLC [Western Canada Lottery Corporation] to provide that operating service. And on those two programs WCLC has a very robust disaster recovery plan and, in fact, I believe it's real time. So that essentially means that if the system goes down it switches to a hot site in a different location, and to the general user you would not even know that a disaster's occurred.

Mr. D'Autremont: — Okay, thank you on that. On your business continuity plan the Provincial Auditor talks about ranking Liquor and Gaming's critical functions. Has SLGA done that and, if so, what are the rankings? What are the functions and what are their ranking?

Mr. Lacey: — We have looked at that piece, and part of the challenge is in today's age so many of the systems are interrelated that it's hard to bring up one system without bringing up an associated system because of the interconnection and interrelationships. With respect to looking at our key systems however, we've looked primarily at our retail operations — which includes our store system as well as our warehousing system to be able to supply the liquor system across Saskatchewan, and the IT system that supports that, to also the purchasing side. So I'd characterize it as our liquor retail operations.

The second component . . . That would be the significant, major component that we've looked at with respect to that. Tied to that are ancillary systems like our customs and excise system, which is really a financial piece but does once again feed into the retail operations. So I guess a quick answer to your question would be our liquor retail operations. There's many systems that you wouldn't necessarily think of as being part of that system however that feed into it.

Mr. D'Autremont: — So that would be . . . The main function is then the liquor retail side.

Mr. Lacey: — Yes.

Mr. D'Autremont: — Is that the only critical function then?

Mr. Lacey: — No, I would say there's a number of other critical functions that are ancillary to that. For example, our payroll system is an important one . . .

Mr. D'Autremont: — Employees might think so.

Mr. Lacey: — For us to ensure that we have a plan in place to deal with that. When you start looking a little bit longer term going beyond three or four weeks, our payable system. Obviously suppliers want to get paid if they're going to continue to pay you product. So a lot of those ancillary financial systems are critical as well for us to bring up, shortly after bringing up the retail operation systems. And then I would say, as you go down the list, we have systems related to the regulatory compliance function of our organization. It's our sense that we can operate probably manually a little bit longer going to a manual . . . Issuing licences, that sort of a thing, we can probably survive longer at a manual system than the . . . what I call the commercial end of SLGA's operations.

Mr. D'Autremont: — When you talked about your IT sector and that you basically do backups and move them off-site, if you had a disaster with your IT centre, it was no longer functionable, are your backups of such a manner that a different site could upload that information from those data sources on different machines, so that it's not just your own proprietary machines at your site that can upload that information?

Mr. Lacey: — I'm not a technical person, but in discussions with our IT folks, it's my understanding that yes, that is the case. The challenge becomes ensuring that how that various hardware is connected and talks to each other is consistent with how that software is uploaded and talks to each other.

So the answer to that's yes. Although some work would need to be done to either (a) require the machines that have the capacity to run that software; or (b) if you're going to an existing site, to ensure that how that existing hardware site is configured is consistent with how that software operates and talks to each other.

Mr. D'Autremont: — So if you had a critical disaster in your IT, you may actually have to rebuild the physical hardware at some other location to be able to access your data because it's not just plug and play?

Mr. Lacey: — Yes. When I refer to best efforts, that's essentially what we're talking about is starting from scratch, having a plan in place, knowing what we have to buy — but actually going out and physically buying it — hooking the cables up, so to speak, and then downloading that software to continue operations.

Mr. D'Autremont: — Would you be able to do that in a two-week period?

Mr. Lacey: — No. Our current estimate in a best effort scenario — and if we had a complete disaster where our eighth floor, where our computer room resides, no longer exists — we think it would take us likely in the range of two months to totally build most of our critical systems.

And I guess I would comment is this gets back to the discussion about a cost-benefit analysis. We can certainly have a much better recovery time but that comes with a price tag. And so part of that assessment is the additional cost that is incurred to have a quicker recovery time. How does that weigh against the likelihood of you actually having a disaster of that magnitude? So to some extent it's a risk assessment that's undertaken there, where you arrive at where you're comfortable at.

Mr. D'Autremont: — Well in some of the discussions I've had with various IT organizations they seem to feel that the threat is very real. And they have spent money — significant amounts of money.

And SLGA deals with large amounts of money — $700 million plus a year in total — and that becomes very significant if that is threatened. Now as you said, the stores themselves, the Liquor Board stores, could operate for probably two weeks using their internal sources. But once you get beyond that point, if you had to stop selling, obviously your product doesn't deteriorate. but there will be a pent-up demand and people will be looking outside for other sources.

Mr. Lacey: — Yes and that's really where you get to that interlink between your IT plan. If you know you're . . . if you have a complete disaster and you're not going to be up within two weeks, that's where this broader business continuity plan kicks in with respect to okay we don't have an IT system for two months, what workarounds can we put in place to help mitigate the issue? That's not to discount your observation that there would be issues within the liquor system with respect to supply.

However that broader business continuity plan now starts planning about in a worst-case scenario, if we don't have IT after two weeks, what workarounds do we need to put in place? And that's where it's important to have that, in my view, have that view of what your IT disaster recovery looks like because if you're going to recover in a week, well obviously that broader business continuity plan looks much different.

Mr. D'Autremont: — Have you looked in your business continuity plan at — and that's what the Provincial Auditor was talking about — with ranking your critical functions? That while it may take you two months to get a complete new IT suite up and running in the way that it is running today or improved, what minimal amount of an IT suite would you need to carry out those critical functions that would allow SLGA to continue operations but maybe not as broadly — as you had previously you mentioned that you could do manually the licences and the permits, that kind of thing — but still maintain the financial records for payroll, for the reconciliations of retail sales, inventory, and those kind of items so that you could carry on a minimal function and still function but not necessarily have the full broad suite? Have you looked at what kind of IT requirements you would need to carry out that kind of disaster . . . an immediate disaster recovery versus completely rebuilding your whole system?

Mr. Lacey: — With respect to my earlier comments with respect to us now moving to having a more robust IT disaster recovery plan with some formal documentation and steps, that's exactly what we're looking at doing, is trying to make that determination and document it with respect to what do you build first and how quickly how you can get that up, going. What I'm told is that two-month timeframe I gave you is for the critical systems, and the pieces with respect to regulatory compliance would follow that.

Now I'm also advised because of the interconnectiveness of a lot of the systems, that once we get the main critical systems up the other stuff will follow fairly quickly and be put into place fairly quickly because you've built 80 per cent of that hardware that you need to do the critical systems and you only have 20 per cent left for everything else.

Mr. D'Autremont: — Have you had any discussions with other entities like ITO or some of the other major IT firms that carry out these kind of functions, providing servers and backups, as to if you needed to do a disaster recovery, could they supply services quicker than two-plus months and so that you could use your backups that you already have and provide services?

Mr. Lacey: — Yes, we've had some preliminary discussions with third party suppliers that can provide a platform, an insurance policy so to speak, that you can upload your programming to — preliminary discussions. And as part of developing a more robust plan, it's our intent to have further discussions along those lines with respect to what they might be able to offer, including the ITO, and as well what the cost is associated with that because once again you're back to that cost-benefit analysis.

Mr. D'Autremont: — Yes. You never did answer the question though as to how much money SLGA would lose if it was down. And you said you wouldn't be down for . . . because you had the capabilities of utilizing in-store services for approximately two weeks.

But the daily demand is there and once that day has passed, that consumption is no longer available; it's gone. You have consumption the next day or the day after that. But each day you can't go back and say, well I didn't get to drink six beer yesterday so I'm going to drink 12 tomorrow. Some people maybe do, but that's not a normal process. So if you've lost a day's sales, what kind of revenues are you looking at on a net daily basis?

Mr. Lacey: — Maybe just give me a minute. We have done some work around that. Unfortunately we don't have that information with us here today.

In arriving at that estimate, to some extent you make a lot of assumptions to get there. And one of the assumptions you need to make is these workaround processes that you hope to have in place, how much of that capacity are they going to be able to fill?

I cannot recall the assumptions that we made around that. But it's fair to say that a percentage of the revenue that we would generate through our store system for a two-month time period would be lost. So whether that's 25 per cent or 50 per cent, I can't remember what assumption we had used, but I think it certainly would probably be in that range that we felt we were looking at should we have a significant event occur.

Mr. D'Autremont: — My colleague just made a comment that reminded me that there was a strike back, I think, in the '80s in the Liquor Board, and so that would give you an indication of what kind of a percentage of loss that you would be facing if the system was shut down. And he also commented that for those of us who live near borders, thirst didn't seem to be a problem, and sales went elsewhere. So that might give you an indication of what kind of a daily loss you would be suffering in the percentage sense.

Mr. Lacey: — That certainly would be one factor that we would look at as part of this analysis. The only comment I would make is that the distribution system has changed a little bit from when we had that strike within the workforce, I guess, going back a couple of decades, that primarily being now is that off-sale establishments now can provide the whole array of liquor product. Back then it was only beer, and the real issue was then spirits and wine and other types of liquor product. So to some extent I think as a province we're better positioned to deal with it.

Part of the issue then would be from a warehouse distribution point. Right now those outlets are supplied through our store system. How do you get the supply out to those off-sale establishments to help meet that demand? And I think that we could do a better job at it now than what we could two decades ago. Although once again, product and the product selection would be, I think, spotty throughout the province depending on how well that workaround process worked.

Mr. D'Autremont: — Wouldn't there be a problem, though, with inventory control if your IT services were down?

Mr. Lacey: — That would be part of the workaround processes that we would have to have in place that would allow us to continue to track and have some management of our inventory levels. So there would be a workaround process that would look different than what our current inventory process is. That would allow us when we did have the systems recover to essentially input that information into the systems to ensure that our inventory records were accurate.

Mr. D'Autremont: — Okay, thank you. The Provincial Auditor has talked about employees needing training and direction, and he's recommending that SLGA train its employees to help establish a culture of fraud awareness. Is SLGA proceeding in this manner, and do you do it on an ongoing basis, sort of annual or six-month? And how about for new employees coming in? How often would they receive this awareness?

Mr. Lacey: — Two components to that. About a year ago now we undertook what I would characterize as a formal fraud awareness training session with our employees that covered approximately 216 employees in our workforce — the key employees. So that's one aspect of it. It is our intent to look at how we can have, so to speak, refresher courses. And a year has passed now, so I think it is time for us to start looking at how we provide a refresher out there and in what form.

The second piece to it is the ongoing dialogue we're having with our managers and supervisors about the need to work with employees to do on-the-job training with employees. A component of that is to ensure employees understand why we have control processes in place and that those control processes are in part to protect public assets from fraud.

Mr. D'Autremont: — Okay, thank you. I have a question for the Provincial Auditor in the section of compliance with established policies needed. This sentence kind of caught my eye: "Those policies require employees to work for the best interest of Liquor & Gaming." Did you find some reason to believe that the employees were working with some other objective in mind other than the best interests of Liquor and Gaming?

Mr. Ahmad: — No, we didn't find any evidence of that. It's just a statement saying that they must work for the best interests of the entity they work for.

Mr. D'Autremont: — Seems like an interesting sentence to throw in there if you didn't find any reason to believe that the employees were not working in the best interests of Liquor and Gaming. So I'd ask Mr. Lacey the same question: do you have any reason to believe that the employees of SLGA are not working in the best interests of Liquor and Gaming?

Mr. Lacey: — I do not have any information other than I believe the employees are working in the best interests of SLGA.

And, Mr. Chair, there was a question of the committee member with respect to breakage, and we do have the information here. And I believe . . . Is this for 2005-06 . . . [inaudible interjection] . . . So for the fiscal year 2005-06, which is our latest audited information, we had breakage which was written off of $33,875. That's on a total gross sales base of about 401 million. So the breakage as a percentage of sales represents, I guess, eight one-thousandths of 1 per cent. So I think quite, quite, quite low. I think that's a good number.

Mr. D'Autremont: — The last time that was raised there was no numbers available, so we didn't know what kind of numbers we were talking about at all there so . . .

In succession planning, the Provincial Auditor has listed the percentages of employees that are over the age of 45 and over the age of 50. What kind of a plan do you have in place for the replacement of employees? And actually what is the goal of SLGA when it comes to the replacement of employees as they age and retire?

Mr. Lacey: — I would say to answer that question, obviously our goal would be to replace those individuals with individuals that have the attributes, skill sets, and knowledge to conduct and ensure SLGA has an effective and an efficient operation.

With respect to what we're doing, I think there's a whole range of things that we're doing as an organization, from some of the informal things, related to when we identify an individual that's close to retirement that we identify as being a key and critical position to the organization. In some cases, what we do is we bring people in to shadow them so that when that person leaves the organization not all the knowledge leaves the organization with them. When we have projects, special projects — whether it be IT projects or whether we're seconding people to other parts of the organization — we use that as an opportunity to bring individuals in to learn that job so that we have more than one individual with that skill set within the organization . . . to more formal policies and actions that we're taking.

For example, one of the needs that we've identified with this is a substantial number of our management level, whether it's store managers or managers within the organization, are leaving the organization over the next five, seven years. One of the things that we've identified is, because of the nature of our decentralized operations, many individuals have only worked for one or two managers their entire life. That's the only mentor — so to speak — that they've had for 20 years. Now in some cases that might be a good thing that that mentor really has great leadership and managerial capabilities that they're passing on, perhaps not so in other cases.

So how do we compensate for that potential gap? So one of the things we're looking at is developing a more formal training program for staff, existing managers but as well as people we expect to fill in those holes over the next five years, to take more of a formal program with respect to what are the attributes of a good manager such that they can have a different vision perhaps of what a good manager might look like, to more of some of the technical skill sets as in budgeting, Excel spreadsheets, etc., that managers are expected to have.

So I could talk more, but I think I'll leave it at that unless the member has further questions.

Mr. D'Autremont: — When you have someone job shadowing, is that done on a long-term basis? A year? Or is it done on a more short-term basis, you know, a one-month, three-month period of time? And would that shadowing also include . . . obviously senior people get more holiday time. Would that shadow step in while that person is off on holidays and get some actual experience in performing those duties while the individual that they're shadowing is perhaps off on vacation?

Mr. Lacey: — I think it's been typically our experience that when we've identified an individual that's leaving within a year to six months, that's really when some of the more focus occurs with respect to assigning someone a job shadow. And I would typically say that through the course of that job shadowing that individual performs the functions of that position, both when that person's there as well if there's gaps — they're sick, vacation, whatever — are filling that position's responsibilities to provide then the full scope of the job.

Mr. D'Autremont: — So they would step in then when that person went on vacation and carry out those functions themselves?

Mr. Lacey: — Yes. Yes.

Mr. D'Autremont: — The training program that you are implementing, is it broken down into modules? If a person takes a module, are they compensated for doing so? Let's say there's 10 modules. Do they get compensated every time they would complete a module, or is there a cap in place that you can only receive additional compensation up to a certain level?

Mr. Lacey: — We're still fleshing out what that is exactly going to look like, that training program. We hope to implement it this fall. So whether it's two or three modules spread over four or five days, which I likely expect it will be, or whether it's five straight days, hasn't been determined yet.

With respect to the compensation piece, this is an internal training program that we're developing. So as such we would compensate people to come to the training site if they happen to be from a location from outside of where the training site exists. The time that they spend training, they would be paid for a day worked and other costs associated. Once again the other costs would really be associated . . . We've got people coming in from out of town into Regina, so meals and whatever would be part of that cost, yes.

Mr. D'Autremont: — Thank you. That wasn't exactly what I was thinking of for compensation. Once they have successfully completed a module, let's say, would they receive additional compensation in their pay packet, or is this just an internal that if you aspire to be a store manager, it would be helpful if you had these three modules?

Mr. Lacey: — Sorry. It's the latter. By taking the training courses would not entitle you to additional compensation. Your job duties and your current job haven't changed, so the compensation model for doing that job would stay the same. What we're really talking about here is to give people the opportunity in the future to assume a higher level of responsibilities that then obviously would result in higher compensation if they assumed those duties.

Mr. D'Autremont: — Thank you. You mentioned competency gaps to ensure that — and the Provincial Auditor has mentioned this as well — a necessity to ensure that employees are aware of what those gaps may be, either in the organization or within their own capability so that they could be compensating for that and take the necessary courses. You mentioned something like Excel. They may want to take a course on their own time to pick up those kind of skills. Is the corporation looking at what gaps it has in its employee needs and what gaps the employees have in their own capabilities such that they could then step up and fulfill the gaps that the corporation has and needs filled?

Mr. Lacey: — Yes. We have been doing work around that. We continue to do work around that piece. One of the things that we have done in the last years is identify core competencies with respect to jobs within SLGA. Further to that we've provided an orientation on those core competencies to all of our managers. And in addition to that, we've provided information on those core competencies and how they're used in our staffing process to employees in SLGA via our internal website, our internal Internet. And on that website what we've started doing is posting these competency profiles for specific jobs so employees and managers can see specifically what competencies are required to fulfill that job, which then allows not only the manager but the employee to look at where they're currently at, and what they may need to do if there's a gap to close that gap. That's currently where we're at.

The next step in this process is we're redeveloping our performance planning process as well. And our intent is, as part of this performing planning process, is to actually then formalize that process where at the end of the year, at that individual's performance review, there would be a sit-down, talking about, okay, with respect to your job, what are the competencies, how are your competencies matching to that, is there training required documenting that, coming up with an action plan? And also having a discussion with the employee about, do they have future career goals? And what are those career goals and what are the competencies required to achieve those career goals? And then developing a plan with respect to that.

We hope to get that done by the end of this fiscal.

Mr. D'Autremont: — Okay. Thank you. The auditor in his report makes some comments about expanding the search for employees, for candidates, to other jurisdictions and making sure that salaries remain competitive. What is SLGA doing along this line? And when you're looking at making salaries competitive, competitive with whom?

Mr. Lacey: — In part, as I mentioned earlier, we had moved our out-of-scope staff to a new out-of-scope compensation plan which mirrors the executive government's compensation plan. And so to some extent that movement has allowed us to not only retain but attract staff to our organization as well and has allowed us to remain competitive.

There are some high-demand skill set positions out there, however, that continue to be hard to recruit and attract candidates. And the two that come to mind for me are IT positions; the second one — increasingly so — is financial positions, particularly positions that require an accounting designation.

Typically when compensation becomes an issue within those two category groups, we look at something called temporary market supplements. In this we typically work very closely with the Public Service Commission because they have similar issues. And the comparison is made to what is the average salary being paid to an individual with these qualifications in the private sector and perhaps other non-profit public organizations. That becomes the benchmark. And from that, a market supplement, a percentage of their salary is added to their salary. And that's how we've been addressing the compensation issues today.

Mr. D'Autremont: — Okay thank you. To the Provincial Auditor: in your comments to make sure salaries remain competitive, from your understanding of the issue, who did you see SLGA being competitive with? Was it at the executive level? Was it the technical level that Mr. Lacey was talking about, IT and financial? Or was it across the board for all employees?

Mr. Ahmad: — Mr. Chairman, Mr. D'Autremont, I would say across the board for all employees including their executive, their workers, and their unionized people as well — all of them.

Mr. D'Autremont: — Okay thank you. Mr. Lacey, the Provincial Auditor was talking about all employees. What is SLGA doing to remain competitive for all employees then? So you've talked already about the executive. You've talked about the more technical skills like IT and financial. What of the other employees? And when you're measuring competitiveness, who do you measure it against?

Mr. Lacey: — In part we measure our competitiveness by our ability to successfully attract candidates to a position, so in those technical positions that I've mentioned. What highlights as an indicator to us that our compensation structure may not be in line with organizations outside of SLGA is the fact that we just can't attract candidates.

While I appreciate the Provincial Auditor's remarks that compensation, as a whole, is an issue we need to monitor, to date we've had a little bit of less concern for other levels and positions within the organization because we have been successful at attracting individuals into the organization in some of those other positions.

That's not to say . . . what I've noticed is the number of quality candidates that you get through a competitive process now is decreasing, where perhaps two or three years ago you would get four or five candidates that could fill the job and you sort of had the problem of choosing between four or five good candidates. I think what we're seeing now is many times you're choosing between one or two good candidates.

So it's not that we're not getting good candidates into the organization which has led us to believe that we are competitive or competitive enough with the rest of the market system that we're getting the people that we need. But obviously that is something that we need to continue to keep an eye on. And if we start running into difficulties, there's a range of things I think we need to look at. Obviously one of them is, is our compensation structure still in line with the marketplace?

Mr. D'Autremont: — Okay thank you. The auditor's reports, 8B of 2006 . . .

The Chair: — Mr. D'Autremont, just before we carry on, Ms. Crofford, you wanted to ask questions. Is it on 8A that you . . .

Ms. Crofford: — No, it was just . . .

The Chair: — Is it general?

Ms. Crofford: — No it was just a couple of things specific to the auditor's report.

The Chair: — Okay, so carry on Mr. D'Autremont. Just be aware that there is another member that wants to ask questions.

Mr. D'Autremont: — The two remaining sectors of the auditor's reports, 8B of 2006 and 8 of 2007 seem to deal in large part with SIGA, so I will work with them as one.

To the Provincial Auditor, you've reported that in the 2006 report that you found that for SIGA as much as 48 per cent of their promotional materials and programs did not comply with the approved policies.

Have you seen a change with SIGA from the past in that issue, and do they seem to be improving?

Mr. Ahmad: — Mr. Chairman, Mr. D'Autremont, yes we have. As they continue from year to year, we have seen a tremendous change from non-compliance to compliance. I think it's a result of education and training of all employees who are working in those fields.

Mr. D'Autremont: — We had Saskatchewan Gaming Corporation yesterday before Public Accounts, and promotions seems to be an issue for them as well. So maybe perhaps it's the nature of the business that they seem to have a lot of promotions and difficulty in tracking and recording and prior approvals.

Mr. Ahmad: — And that is the trouble with the industry as a whole as well. Industry is coming along to fix it.

Mr. D'Autremont: — SIGA also had a problem with bank reconciliations as SLGA did. To the Provincial Auditor: does that seem to be improving as well or does that continue to be a problem?

Mr. Ahmad: — Mr. Chairman, Mr. D'Autremont, there was changing as well, and that has improved. That was a result of some staffing issues within SIGA, and they have resolved that.

Mr. D'Autremont: — Does SLGA monitor the bank reconciliations of SIGA to ensure that they're in compliance with their policies?

Mr. Lacey: — Our internal audit shop does do audits of SIGA's overall internal control structure. It's my understanding, however, specific work with respect to the bank reconciliation process from an internal audit perspective, we haven't done a lot of work on that to date. We're aware that that's an area the Provincial Auditor does review in detail with respect to his audit. So to some extent, not to duplicate audit work, we've chosen to focus and concentrate in other areas.

Mr. D'Autremont: — Okay thank you. Both the 2006 8A chapter and the 2007 8 chapter deal in large part with projects and projects management of SIGA in relationship to, particularly, the two new casinos that are being built: Dakota Dunes and the Swift Current one. In particular the Dakota Dunes is much further advanced than the Swift Current operation.

In particular, what kind of functions did SIGA fail to perform inadequately, and what kind of corrective measures could they be taking or are they taking to correct the situations?

Mr. Ahmad: — Mr. Chairman, I have that report, in 2007 report — and she talks about that — we said that they have adequate processes except for our recommendations, and those recommendations are four. Number one is they should have the adequate plan before they start major projects. The reason for that was although the board of directors approved that, there was no plan in place in 2006.

And then the second one is relating to the financing arrangement. Again there was some understanding, memos of understanding, but there was nothing in place before the project started.

The third one is dispute resolution. Because they're dealing with tribal councils and so many external parties, they need to have dispute resolution which they did not have, and that could create a problem in the past although we have seen no evidence of that, but it could create a problem.

The fourth one is a complete progress report for the board. When they started the project, it was lacking certain ingredients, essential ingredient of the reporting processes. But as they moved along, by I think summer of 2006, they had actually improved it. And as we talked to them further on in December they made more improvement, and reports are now really good.

Mr. D'Autremont: — Okay thank you. Would part of their problem for the financial . . . it talks about getting the financial piece in place after the approvals, to go ahead. And construction had already started, and $10 million had been allocated. Would the financial institutions need a plan in place? Would they need architectural drawings in place to receive financial approval, or would you be able to get those financial approvals first and then build the complete concrete plan, the architectural plans and everything in place after that? Which would come first?

Mr. Ahmad: — Mr. Chairman, Mr. D'Autremont, for larger projects it's a matter of negotiation between the lending institution and the borrower. Sometime they just look at the very sketchy project and say, yes we are willing to advance you some money. Sometime they want more concrete evidence of their plans. And in this case I don't know what the management, SIGA management and the bank had. But they had some kind of memo of understanding that they will receive certain financing if their plan goes ahead.

Mr. D'Autremont: — Yes, I'm just wondering about the policy though requirements that you've outlined here, how some of those difficulties would fit into that policy if they needed to do expenditures to develop an architectural plan to take it to the financial institution to receive a loan and financial support. Would they receive approval then from the board to go ahead and provide that money from the board to carry out the architectural plan, which they may very well need financing for?

So do you then go to the bank and say, we have approval from the board to proceed with an architectural plan but now we need some financing to actually go out and do this, to do the studies, let's say, for ground composition and foundation planning. Does the policy allow for that to take place with the approval of the board without necessarily financial approval in place, a plan in place? Or do they have to go to the financial institution and get the money first with approval of the board to be able to proceed with it?

Mr. Ahmad: — I think what they were doing . . . or the policy was to actually have the plan in principle with the board and seek the board's approval, have the budget approved, and then look around for financing arrangement. They didn't have to go and obtain the financing right away because they had opportunity to go and use their line of credit and their own resources, because they have their own resources as well which they can delay payment to SLGA, I suppose, and that did happen. So they were using some of those resources while they were arranging financing arrangements.

Mr. D'Autremont: — If they were going to delay payments to SLGA, would they need a policy approval by the board to do that? And would they need the approval of SLGA to do that?

Mr. Ahmad: — That will be up to SLGA to approve.

Mr. D'Autremont: — Did SIGA approach SLGA to delay payments — from gaming it would be — so that they would have financial resources to proceed with plans and construction of their two proposed casinos?

Mr. Lacey: — As the Provincial Auditor noted, there was a period of time in the early stages of the capital construction project where SIGA's remittance of their net income was slower than the timelines that we had established. I don't particularly know it was to fund the construction project, but that could be one extension of that — to manage cash flows. What I would say to that is, when that occurred, SLGA and SIGA had discussions about the timeliness of their payments, and that resulted in SIGA bringing the timeliness of their payments in line with SLGA expectations. And they continued to manage their cash flow with that construction project from within existing funds within SLGA's timelines as well as obtaining interim financing from the financial institution.

Mr. D'Autremont: — Okay thank you. I note that some of the recommendations from the Provincial Auditor are quite similar to some of the recommendations that you're providing to Saskatchewan Gaming Corporation as well as far as approvals for project management.

So you have characterized, though, that SIGA is improving in its performance and that a note in the 2006 report that there is still a list of outstanding recommendations that have only been partially implemented. Most have been implemented, but there are still some that are only partially implemented, and one that has not been implemented yet at all. Do you see some of those moving from the partially into the implemented category?

Mr. Ahmad: — Yes. We have not quite finished our audit for this year 2007, but we anticipate there will be improvement in all areas.

Mr. D'Autremont: — Thank you. That's all the questions I have, Mr. Chair.

The Chair: — Thank you, Mr. D'Autremont. Ms. Crofford.

Ms. Crofford: — Well that's interesting. My question was almost identical to yours only I was going to ask about specifically two of the items. No. 18, that SIGA establish "rules and procedures to ensure compliance with the Casino Operating Agreement." I wondered if that's still ongoing or if that's complete.

Mr. Lacey: — The Provincial Auditor may be able to expand on this piece, but it's my understanding 18 essentially won't get into the checked, implemented column until they address all the other recommendations because the other recommendations really relate to SIGA having proper policies and procedures in place under that agreement. So that's kind of a natural. Once they do all the other ones, that'll happen.

Ms. Crofford: — Okay. And how is 19 coming along, that SIGA should incur only the cost necessary to upgrade its casinos?

Mr. Lacey: — It would be SLGA's view . . . This has been an item that's been out there for a number of years with respect to the whole issue in question of inappropriate expenditures. For last year and the current year, we've not made any recoveries from SIGA because it's been our view that there have not been inappropriate expenditures. So it would be . . . SLGA's view is that there has been improvement made on this and that this is no longer an issue. We haven't seen the Provincial Auditor's report for the last fiscal so that in part will confirm or not confirm, I guess, our view of the world. But that would be our perspective.

Ms. Crofford: — So we may have to wait until the auditor weighs in on his corner.

Mr. Ahmad: — We haven't quite finished our work for 2007 yet.

Ms. Crofford: — Okay. That's it.

The Chair: — That's it? Are there any other members that have any other questions for the either auditor or the officials from Liquor and Gaming? Seeing none, then we will backtrack to 8A, and there are three recommendations put forward by the Provincial Auditor's office.

The first recommendation is on page 244. At the bottom of the page, the recommendation reads:

> We recommend that Liquor and Gaming Authority document and communicate potential competency gaps.

Is there a motion? Ms. Crofford.

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

The Chair: — The motion is to concur and note progress. Is there any discussion of the motion? Seeing none, we'll call the question. All in favour? It's carried unanimously.

The second recommendation is on page 246. That recommendation reads:

> We recommend that the Liquor and Gaming Authority document employees' career goals and action plans as part of its staff performance and development process.

Again is there a motion? 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? None. Call the question. All in favour? Two is carried.

Third recommendation on page 247:

> We recommend that Liquor and Gaming Authority document and monitor the progress of its succession strategies.

Is there a motion? Ms. Crofford.

Ms. Crofford: — I'll move that we concur on this one.

The Chair: — All right, the motion is to concur. Is there a discussion of this motion? Seeing none, we'll call the question. All in favour? That too is carried. That brings us to the . . . There are no recommendations in 8B, so we can move on to the 2007 report volume 1. Again it's chapter 8, and there are four recommendations. They are on page 102, and they are all together.

The first recommendation reads:

> We recommend that the Saskatchewan Indian Gaming Authority have adequate project plans before starting major construction projects.

Is there a motion? Ms. Crofford.

Ms. Crofford: — To concur and note progress.

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

Recommendation no. 2:

> We recommend that the Saskatchewan Indian Gaming Authority finalize financing arrangements before starting major construction projects.

Ms. Crofford.

Ms. Crofford: — I move concur and note progress.

The Chair: — Again a motion to concur and note progress, again I see no one wanting to speak to the motion, so we will ask the question. All in favour? That's carried.

Recommendation 3:

> We recommend that the Saskatchewan Indian Gaming Authority have dispute resolution processes with its key partners before starting major construction projects.

Is there a motion? Ms. Crofford.

Ms. Crofford: — On this one, I'll recommend that we concur.

The Chair: — At this time a motion to concur, is there discussion of this motion? No. Okay, we'll call the question. All in favour? Again that's carried.

Final recommendation:

> We recommend that the Saskatchewan Indian Gaming Authority provide the Board of Directors complete and accurate progress reports on major construction projects.

Is there a motion? Ms. Crofford.

Ms. Crofford: — To concur and note progress.

The Chair: — A motion to concur and note progress. I see no one wanting to speak to the motion so we'll call the question. All in favour? Again that is carried and I believe it's unanimous.

That brings us to the conclusion, except as I was doing this I remembered I wanted to ask one question. And with the forgiveness of the members, I just wanted to know if the . . . Is it called the Dunes casino, the Dakota . . . Is it on time and is it on budget?

Mr. Lacey: — Yes.

The Chair: — All right. My question is answered. I want to thank you, Mr. Lacey, and your officials, for appearing before our committee. We appreciate the time you have taken out of your day to answer the questions that the members had.

We are slightly ahead of schedule, which is always a good thing, which gives us a longer lunch break. This committee will resume at 1 p.m. sharp. I declare the meeting recessed.

[The committee recessed for a period of time.]

Public Hearing: Property Management

The Chair: — All right. Good afternoon, ladies and gentlemen. We'll call the meeting back to order. We are on the third item on our agenda for today — Property Management. It's chapter 10 of the 2006 report volume 3 of the Provincial Auditor from the Provincial Auditor's office. We have representing Property Management Deb McDonald the deputy minister. We welcome you here this afternoon. We will in just a minute ask you to introduce your officials and also respond to the auditor's summation of the chapter. Representing the Provincial Auditor's office this afternoon is Kelly Deis, I believe, yes, Kelly. Welcome here as well, and we will give you the floor to give us a review of the chapter.

Mr. Deis: — Thank you, Mr. Chair. Our chapter starts on page 287. In the first few pages we describe the department's mandate and our audit conclusions.

On page 290 we note better monitoring of procurement cards is needed. During the year the department's employees used procurement cards to acquire $4.2 million in goods. We found the electronic procurement card system did not adequately segregate the duties of certain employees. As a result, certain employees could approve their own procurement card transactions online without timely detection. By not segregating approval for payments from the purchases, the department is at risk of spending public resources for unauthorized purchases. We recommend that the Department of Property Management segregate the duties of employees who make purchases using procurement cards by removing their ability to approve payment for those purchases. Recently the department told us that in April 2007 it segregated the duties of its employees so that they can no longer approve payment for their own purchases.

On page 291 we note the department needs to improve its reconciliation processes. If reconciliations are not timely and independently reviewed and approved, the department is at risk that its accounting records and financial reports may not be accurate and complete. This could result in the department not collecting enough money to cover its related costs or overcharging other government departments, agencies, or commissions. We recommend that the department prepare and independently review and approve all significant reconciliations promptly.

On page 292 we note the department's information technology security policies and procedures need to be followed. The department does not always follow its established IT security policies and procedures. The department needs to protect its systems from security risks and follow established password standards. For example the department shared administrator accounts among staff. The passwords on these accounts have remained the same for several years. The department also needs to ensure that only authorized users have access to its systems and data, and that its recovery processes are adequate, and that it monitors its systems in accordance with its IT security policies and procedures.

The department's systems contain sensitive data including credit card information provided by government and municipal agencies. If the department does not follow its established policies and procedures, its data is at risk of disclosure, modification, or loss. We recommend that the department follow its established information technology policies and procedures. And that concludes my comments.

The Chair: — Thank you very much, Mr. Deis. Again welcome, Ms. McDonald. And the floor is yours.

Ms. McDonald: — Thank you. Thank you for inviting Sask Property Management to your committee meeting this afternoon. I would like to introduce my officials. I have with me today, on my right, Mr. Phil Lambert, assistant deputy minister of information services; to my left, Ms. Shelley Reddekopp, director of financial services; and behind me, Ms. Deb Koshman, assistant deputy minister of corporate support services.

I would like to take this opportunity to express my thanks to the staff of the Provincial Auditor's office for the comments that were provided on our department. Firstly the Provincial Auditor recommended that SPM [Saskatchewan Property Management] ensure the segregation of duties of employees who make purchases using procurement cards. SPM agrees with this recommendation. We have implemented restructured cardholder and approver hierarchies to ensure that cardholders will not have the ability to approve their payment, to approve payment of their own purchases. The Provincial Auditor had the opportunity to review the changes during the recent audit of 2006-07 fiscal year.

Secondly the Provincial Auditor recommended that all significant reconciliations be timely and independently reviewed and approved. SPM also agrees with this recommendation. A review of our current processes of reconciliation, review, and approval determined that reconciliations are being performed and independently reviewed. However documentation to this effect was lacking. SPM has taken steps to ensure that independent reviews are not only completed but documented as well.

With respect to the daily and monthly reconciliations required for vehicle services, SPM resource requirements have been reviewed, and the vacant positions have recently been filled to address the timeliness of completing reconciliations.

Lastly the Provincial Auditor recommended that SPM follow its established information technology policies and procedures. SPM has been following an IT security policy. However with our transition to government, not all aspects of the amended policy had been implemented. Information technology policies and procedures are updated on a regular basis. The department has established a procedure to ensure compliance in the application of these policies and procedures.

SPM has implemented additional controls as well. We have reviewed the instances where credit card information is being recorded. This data is deleted monthly, and paper copies are locked and stored in areas with restricted access. My officials and I welcome any questions that the committee members may have on the operations of Sask Property Management during the fiscal year '05-06.

The Chair: — Thank you, Ms. McDonald. Just before I open the floor for questions I just want to clarify exactly what a procurement card is and what limits are involved and, you know, how much you can purchase without getting pre-approval and that sort of thing.

My own experience with a procurement card was when I had a CVA [central vehicle agency] vehicle. And I had a fleet card which I could buy gas, and if I had a flat tire, I could get a tire, that sort of thing. Can you just explain are there categories? Are there limits? Just as quickly as you can so that members would have some idea of what's involved here.

Ms. McDonald: — Sure. The fleet card is different than the procurement card. A procurement card is identical to a credit card. They have varying limits depending on where you are in the various jobs you do. And they would be . . . Instead of using a purchase order, you could use a credit card.

The Chair: — So would it be like a Visa card, or is it . . .

Ms. McDonald: — Actually it is.

The Chair: — It is a Visa card.

Ms. McDonald: — Yes.

The Chair: — All right. Okay.

Ms. McDonald: — Yes.

The Chair: — All right. And so there would just be spending limits on the card depending on what you used it for and what your status was within Property Management.

Ms. McDonald: — Yes.

The Chair: — All right, very good. We'll open the floor for questions. Mr. Huyghebaert, the opposition critic for SPM.

Mr. Huyghebaert: — Thank you, Mr. Chair, and welcome to the officials. I just noticed on page 289 a comment that I flagged immediately. And basically what it says is:

> As a Crown corporation, SPM prepared financial statements . . . [and of course which provided] valuable information to the Legislative Assembly and the public. As a department, SPM does not prepare financial statements.

Is that correct?

Ms. Reddekopp: — That's correct.

Mr. Huyghebaert: — So how does one go about your budgeting process without financial statements?

Ms. Reddekopp: — Well we don't prepare financial statements that are published. With respect to the budget process we still prepare internal documents that are used to develop the budget, and then of course that's submitted as other departments are.

Mr. Huyghebaert: — And could I ask what the rationale was behind the movement from a Crown corporation as to a department. What was the reason that propelled this action to take place?

Ms. McDonald: — I think it was with regard to the way structure has changed. And at one point in time when there was borrowing to be done on behalf of a department, if a department was going to . . . Like I'll use an example, the jail for example. We would have borrowed the money, SPMC [Saskatchewan Property Management Corporation] at that time would have borrowed the money and been responsible for the borrowing and the whole project. Now the department borrows the money, not us. We just own the facility, and actually they transfer it to us at the end of the project.

And there was some other, I would assume, reasons that government thought that it would be just as easy to have us as a department rather than a Treasury Board Crown. We didn't require the board then. We appeared in front of Treasury Board more frequently, and I think it was the whole transparency. They thought it would be of greater assistance.

Mr. Huyghebaert: — Well thank you. Now to the auditor, is there as much . . . There obviously isn't as much information provided to Public Accounts. I would gather just from the statement made in here that "Audited financial statements provide valuable information to the Legislative Assembly and to the public," and we're not receiving that now. Would you agree with that?

Mr. Wendel: — Yes, I think departments should prepare financial statements. But we haven't been able to get the committee to agree to that so . . .

Mr. Huyghebaert: — Because it would appear to me just from this that we're lacking something from the whole transparency of SPM because of that. Would you agree?

Mr. Wendel: — Yes. And they're similar to all other departments.

Mr. Huyghebaert: — Thank you, Mr. Wendel. I have a few more questions that I would like to ask related to the operation of SPM, and I'd like to start with car leasing. Now we've talked about this in estimates, but car leasing, as I understand, SPM will purchase cars and lease them to departments. However there are leasing done from third party. Is that correct?

Ms. McDonald: — There is no longer any leasing done from third parties. As we have to replace cars now, we purchase them; we don't lease them. We have some existing leases that are coming up and due, and we'll buy those leases out. We'll no longer be leasing once those are done.

Mr. Huyghebaert: — But currently there are still cars being leased from third party leasing?

Ms. McDonald: — Continuing with their leases, yes.

Mr. Huyghebaert: — Did the department do a cost analysis of leasing from third party vis-à-vis purchasing?

Ms. McDonald: — At the time it had been done.

Mr. Huyghebaert: — Is that cost analysis available?

Ms. McDonald: — I'm sorry, I don't know. Can I get back to you on that?

Mr. Huyghebaert: — Yes, by all means. Because it just seems, it seems to me, here we have a third party that has acquired vehicles and leasing them to SPM. At the same time SPM is buying cars and leasing them to other government agencies. And so there's a third party transaction in there that I would suggest, Mr. Chair, that it's costing somebody money because it's third party. They're not doing it for the good of their health. So that's why I'm curious about a cost analysis. Now if in fact the cost analysis would show that that was a good deal, then my question is, why are we purchasing out those leases?

Ms. McDonald: — We're just purchasing them out as they come due.

Mr. Huyghebaert: — I realize that. But if it was such a good deal to start with, why wouldn't you continue with the leasing from third party?

Ms. McDonald: — In one case, one of the companies that I know that we've dealt with didn't want us to . . . they didn't want to continue on with the lease.

Mr. Huyghebaert: — I would sure like to get some more information on this, Mr. Chair, because it just seems odd to me that we're going to a third party at the same opportunity we're buying. So it's almost like you're competing against yourself because you're going to a third party to lease vehicles and, on the other hand, you're going out and buying them outright. So there's a transaction in there that I don't think is . . . It's costing money somewhere.

The Chair: — It's my understanding, Ms. McDonald, is that if that information is available — and it should be — that you would make that available to this committee.

Ms. McDonald: — If we can, we certainly will make it available.

The Chair: — If you can't, you will notify the committee that you can't make it available . . .

Ms. McDonald: — Absolutely. We'll respond one way or the other.

The Chair: — Okay, that's very good. Thank you very much.

Ms. McDonald: — You're welcome.

Mr. Huyghebaert: — And, Mr. Chair, I also have the same question which relates to aircraft. Now it is my understanding that SPM leased an aircraft from third-party leasing company and I'm wondering if there's a cost analysis on that particular venture.

Ms. McDonald: — We no longer lease . . . Are you asking if we still do? I'm sorry.

Mr. Huyghebaert: — No, I understand that the lease has been bought out. But my question is, was there a cost analysis completed at the time that the aircraft was being leased from third party?

Ms. McDonald: — And again we'll get the information to the committee.

Mr. Huyghebaert: — Okay. Because this is the same issue, Mr. Chair. Because here we have on one hand a government that will buy aircraft and then, on another hand, they buy it from a third-party leasing. And so if you're looking at a capital purchase and then leasing from another one, there has to be some rationale for it. Because to me it's costing the taxpayers extra money by going through third-party company for leasing.

And then again with the same concept is, if it was such a good deal, then why would we buy out the lease? And so there's some problems there with ball handling that I'm really not aware of.

And I'm wondering also, to Mr. Wendel, if the auditor has the capacity to look into this — and I don't believe your mandate is for value for the dollar, but here we have . . . It just seems very strange to me where we have the capability of going out and purchase . . . Whether it's cars or vehicles, we have that capability now in SPM or through the department. Yet on the other hand we're going out and saying, okay, for this we're going to go lease from third party. So I'm wondering if that has been looked at by your department or if there's an explanation as why this would be done.

Mr. Wendel: — Well specifically we haven't looked at those decisions but we could of course do that. But we haven't, not specifically. So we would have looked to see whether they had done an analysis, as to whether the analysis, you know, withstood a test. We haven't done it to that depth. So if they had an analysis and made a decision, it's their decision to defend.

Mr. Huyghebaert: — I was wondering — and again probably not in your mandate, Mr. Wendel — but a cost effectiveness, because if you can visualize the . . . going through a third party is definitely . . . If you have the capability to purchase outright a number of vehicles at X number of dollars per vehicle and you're going to lease, it's going to cost you X number of dollars plus for leasing. I mean, the third party is in there for a reason. And that's why I'm wondering if there is a mandate at all for you to be able to check into the why of it. The legalities of it, that's maybe a different story.

But if you're looking at a value for dollar . . . And I know, I've done some of my own quick analysis and I'm not privy to all of the figures. But for the aircraft, for an example, with the leasing of the aircraft and the purchase buyout of the lease, I think it exceeded — far exceeded — the price of the aircraft. And so monies are going out to a third party.

And I don't have all of the details because we're unable to get all of the details. But it seems a pretty good deal for a third-party company to have access to this if they can purchase, whatever method their purchase, and lease to a government department at a pretty good rate — a pretty good rate for the company. And I don't know if you have a mandate where you can actually look into that.

Mr. Wendel: — I think we could look into that. If the committee wants us to do that, we could certainly look into that and report back.

Mr. Huyghebaert: — Well I would ask the Chair if it's in the purview of the committee that something like that could be looked into.

The Chair: — To direct the auditor to look into the leasing practices of SPM, we would need a motion from a member of the committee. That motion then could be debated and voted on. And subsequently the auditor then has to make the decision whether his office will in fact take up that challenge.

He seemed to indicate that, if the committee passed such a motion, a pretty good likelihood that the auditor's office would have the resources to follow up with an investigation. Am I speaking correctly on behalf of your office?

Mr. Wendel: — That would be correct. What I would do is go back and consider my resources to make sure I could handle it and I'd have the staff to do it, and then let the committee know.

Mr. Huyghebaert: — Okay. Thank you, Mr. Wendel. I just have one more question from myself and that is to do with Echo Valley, the Fort San. I'm sure you're familiar with the property and I was wondering if I could get an update on the status of that from SPM.

Ms. McDonald: — Sure. The resort village of Fort San at this point in time is making application to have parts of the property or parts of the building and property declared municipal heritage and they're sort of working through the bylaws, working with the heritage committee, because there's been some challenges to the intended bylaw. Otherwise there has been . . . The proponents of the proposal have just been waiting to see what happens with this bylaw. There's still . . . I think because if, if the heritage designation goes through and it's relatively significant, it would impact on what they were proposing.

Mr. Huyghebaert: — So as far as SPM is concerned, is the deal finished and SPM has no longer any say or impact in what's going on?

Ms. McDonald: — No, it's still at the option stage. If the proponents — who we deal with is the town of Fort Qu'Appelle — choose not to exercise the option, it's right back where it started and we'll go to our next stage in disposal of our . . . in our disposal process which is going to the federal government and to TLE [treaty land entitlement] and see if they're interested in the property.

Mr. Huyghebaert: — Is there a time limit on that?

Ms. McDonald: — I think it's . . . I'm not sure so I'm sort of guessing, but I think it's February '08.

Mr. Huyghebaert: — I spoke to some of the proponents and there's a feeling that it's being held up, and that's why I'm asking. The question is, I'm wondering where it's held up and if it had anything to do with SPM in the . . . in delaying the process or holding up the process. Because the people from the community out there are definitely the ones that spoke to me and wanted to see it move forward, but it seems like the ball is in the air and is in nobody's court right now. And I was just wondering if SPM still had a say in the matter.

Ms. McDonald: — No, we can't move it along any faster. It's the resort village right now.

Mr. Huyghebaert: — That's all the questions I have, Mr. Chair.

The Chair: — All right, thank you. Mr. Chisholm.

Mr. Chisholm: — Yes, I'd just like to follow up for my own understanding on how the credit card system works with your employees. When a person purchases whatever goods they're purchasing and they would sign a credit card slip like you or I would, now that they have the goods and the card has been charged with the money, where does the approval of that particular purchase come in and tie in with . . . What if it's not approved? Like, what if it's not approved? I guess I'd just like to know how that works.

Ms. McDonald: — I'll give you an example. It may help you. If you're a maintenance man and you need to buy something for your building, you go in and you buy the furnace filters, all right? I'm just randomly picking things out of the air. I apologize. You buy the furnace filters for such and such. You have to list what they're for, and then you've signed the credit card.

Then someone independent of that would — correct me if I'm wrong, Shelley — sign that these have been the goods that have been approved. And of course in the end, all of this stuff is . . . Whether it's for maintenance or capital or whatever, they have a limit on what they can spend and it's . . . these things are reviewed by their supervisors as well for what it was. But the monetary part is reviewed by somebody independent of those who signed the credit card slip.

Mr. Chisholm: — Okay. Okay, thank you.

The Chair: — Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. I would like to follow up on the member's inquiry. I would like to make a motion that we ask:

> That the Public Accounts Committee ask the auditor to look into the leasing practices of SPM, both on vehicles and on aircraft and any other leasing that is undertaken.

The Chair: — Okay. We have a motion. The Clerk will try to get it in the correct form. Is there a discussion of the motion? Ms. Crofford.

Ms. Crofford: — Well this is more of a question. Wouldn't this normally be done by the department, then submitted to the committee? I guess what I'm worried about is occupying the time of the auditor's office doing something that would normally be done by a department in terms of developing a comparison. Because I'm sure in choosing to go a certain way, there would have been some analysis done by them and maybe by their . . . What do you call the person from the Department of Finance that works with your department?

Ms. McDonald: — Our budget analyst.

Ms. Crofford: — Your budget analyst. Yes. It just seems a bit odd to bump something like this up to the auditor's office, that's all. It's kind of like asking a physician to put a Band-Aid on.

The Chair: — I guess it depends on how much work has been done. If the information is available in the department, then the auditor would basically just acquire that information, and I would think the investigation would be fairly speedy. If that information or if the detail is not there to the satisfaction of the auditor, then I suppose the auditor would have to undertake some more work. But I don't know. And the deputy minister hasn't indicated if she knows how much of that information is available. So perhaps you have something to add, Ms. McDonald?

Ms. McDonald: — Yes, I was going to make the offer that we actually do a report that would come back to the committee and if you want additional information, if you want information in addition to that or if the auditor wants information addition to that, we could work from there.

The Chair: — Okay, Mr. Cheveldayoff, you've heard that. Do you want your motion to stand as is? Or do you want to . . .

Mr. Cheveldayoff: — No, I think from the discussion here that it would be a good exercise. I think it's something that can be done in a straightforward manner and wouldn't occupy an inordinate amount of time in the auditor's office. He can correct me if I'm wrong. But I think it's a good analysis and he would have the expertise to do that within his office. So I would like to go forward with the motion, Mr. Chair.

The Chair: — Okay. The motion still stands. Is there further discussion of the motion? Mr. Hagel.

Mr. Hagel: — Yes, we've heard the commitment made that the information requested will be provided and it seems to me just an odd circumstance that you'd ask the auditor to undertake the work to do an analysis before you've had a chance to see what's in the information. And I think the appropriate time to make that decision is after that information has been received and then to determine whether there's value in asking that the extra work be done.

So I think the . . . No one is questioning the auditor's capability, but it's a matter of capacity and appropriate use of time. I think it's just premature to be requesting it now.

The Chair: — Anyone else want to speak to the motion?

Mr. Cheveldayoff: — I'm just responding again, Mr. Chair. I think part of our responsibility as Public Accounts Committee is to analyze all processes of departments and from time to time to identify special cases that would require additional analysis. And I see this as part of the normal process. And I think asking the auditor to spend a little more time on an area that is obviously of concern, I think, will both help the department, will help the government. It will be an analysis that could be used by other departments as well. So again I would see it as good use of the auditor's time.

The Chair: — Mr. Huyghebaert, you also want to speak to the motion?

Mr. Huyghebaert: — I would just suggest, Mr. Chair, that if the cost analysis has already been done by the department, then basically it's very little time for the auditor. It's just to review the cost analysis to determine that everything is in the best interests of the taxpayer.

The Chair: — Mr. Prebble.

Mr. Prebble: — I'm just wondering if we can't just try to find a little bit of common ground here which wouldn't be too difficult to do. The logical . . . If we want to do this examination, why doesn't the examination start with a report from the department? And then why don't we have an understanding that the auditor will do the supplementary work that's required to complete the process? And if you're comfortable with that, Ken, then we could just . . . a friendly amendment to your motion and we would basically get the piece done.

Because I think all that's really being debated here is whether the starting point shouldn't just be for the department to provide a report which the auditor would then build on, so the auditor has got a starting point, but he continues on with his work. I don't have any objection to the auditor reviewing this at all. It's just I think the logical starting point would be for the department to report.

Maybe we could just get a bit of clarification if I may, Mr. Chair. I could just ask about how long it would take for a report to be prepared by SPM.

Ms. McDonald: — Probably two to three weeks because we have to get the reports back from Jim. And with it being summer and some of the key people . . . But probably two to three weeks, three weeks at the very most.

Mr. Prebble: — Right. So if it would be . . . Thanks so much for that clarification. So if it would be acceptable to you, Ken, what we could do is get that report and then use that as the basis for the Provincial Auditor making a determination about what supplementary analytical work he needs to do.

Mr. Cheveldayoff: — If I'm hearing you correctly, I'm hearing that at our next meeting then that you would be agreeable to — once we have the information — to then ask the auditor for additional analysis if we . . .

Mr. Prebble: — Oh absolutely. Oh yes. Yes, absolutely. If there's a desire for . . .

An Hon. Member: — If he sees it's a value item. Yes.

Mr. Prebble: — Yes. If there's value in that. I just think we should get the report and then . . . In fact some of the work could be done before we even meet again. I don't have an objection at all to the auditor doing analytical work. It's just that I think we should start with the report from the department . . .

Mr. Cheveldayoff: — Mr. Chair, to the deputy then and Ms. McDonald, when do you think you could have that report to us?

Ms. McDonald: — Three weeks at the latest.

Mr. Cheveldayoff: — By the end of July then?

Ms. McDonald: — End of July would be absolutely excellent.

Mr. Cheveldayoff: — Okay. Thank you, Mr. Chair. I think that we're agreeable.

The Chair: — Are you then withdrawing your motion and making a new motion, or is it just it's just noted, it's just noted. I mean, it's on the record that the department will do that, and it's on the record that the members on the government side are open to the auditor doing an investigation if the report is incomplete or doesn't satisfy the members. So are we satisfied with that being on the record and don't need a motion, or do you want to withdraw the motion and make a new one?

Mr. Cheveldayoff: — I'm satisfied with the verbal commitment from the member opposite.

The Chair: — Okay. So you withdraw the motion?

Mr. Cheveldayoff: — I withdraw the motion.

The Chair: — The Clerk tells me I need leave of the committee for the motion to be withdrawn. Do I have the unanimous consent of all members that the motion be withdrawn?

Some Hon. Members: — Agreed.

The Chair: — All right. I have that. Very good. Are there further questions for the . . . Mr. Iwanchuk.

Mr. Iwanchuk: — Just on the question to the auditor. In terms of the . . . There was a statement made, and I'm sorry I missed the . . . Right at the end of your report regarding what, I think it was a comment on the procurement cards and where that procedure, where you felt, how that was coming along right at this point in time. There seemed to me that you were talking about some sort of review or something. And I missed that; I'm sorry.

Mr. Deis: — Right. Yes. And after the current year-end that we're auditing, the department told us that in April 2007 that it has now put in place processes that would segregate those duties so that the weakness that we reported here on page 290 has now been fixed from the department's point of view.

The Chair: — . . . Mr. Iwanchuk. Is there any other further questions? Mr. Hagel, are you substituted in for . . .

Mr. Hagel: — Yes.

The Chair: — Could we have that form so that you're able to vote on the recommendations? All right. We will now go to three recommendations on chapter 10, SPM. The first recommendation is on page 290. The Provincial Auditor in his report states:

> We recommend that the Department of Property Management segregate the duties of employees who make purchases using procurement cards by removing their ability to approve payment for those purchases.

Is there a motion? Mr. Iwanchuk.

Mr. Iwanchuk: — Yes. I would concur with the auditor and note compliance.

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

The second recommendation on the bottom of page 291, it reads:

> We recommend that the Department of Property Management prepare and independently review and approve all significant reconciliations promptly.

Is there a motion? Again, Mr. Iwanchuk.

Mr. Iwanchuk: — I concur with the auditor and note progress.

The Chair: — 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? That is carried as well.

The third recommendation is on the bottom of page 292. It reads:

> We recommend that the Department follow its established information technology policies and procedures.

Again a motion. Again, Mr. Iwanchuk.

Mr. Iwanchuk: — I concur with the auditor's recommendation and note compliance.

The Chair: — This time a motion to concur and note compliance. Any discussion of the motion? No discussion. All in favour? That's carried.

That brings us to a conclusion of chapter 10, Property Management. Again, Ms. McDonald, I want to thank you and your officials for appearing before our committee. Now you can enjoy the summer, don't have to make this dreadful trek to room no. 8. We wish you well and hope you do have a . . .

Ms. McDonald: — We'll have our report ready for you.

The Chair: — Yes, yes. You do have a little homework to do in the month of July.

Ms. McDonald: — Thank you very much.

The Chair: — Thank you very much. I think, colleagues, that we are running a little bit ahead of schedule. We may be able to take a recess. All right. We will recess until the scheduled appearance by Finance at 2 p.m. I declare the meeting recessed.

[The committee recessed for a period of time.]

Public Hearing: Finance

The Chair: — All right, ladies and gentlemen, we will resume our Public Accounts Committee meeting. We are to the second item in the afternoon on our agenda — Finance. As you will notice there's just a dotted line for the first portion. That's because we're not dealing with a chapter; we're dealing with a book. And it is the 2006 report volume 2, the smaller book, colleagues, as well chapter 4 of the 2007 report volume 1.

And we will split the two up because there's actually from the auditor's office a visual, I think . . . audio from the human perspective and visual from a mechanical or electronic perspective. We have, from the auditor's office, we have Judy Ferguson to make a presentation. Following that, Mr. Matthies, if you want to introduce your colleagues and have a brief response, then we'll open up the session for questions from members of the committee. So, Ms. Ferguson, without further ado, we will give you the floor and allow you to present your presentation.

Ms. Ferguson: — Thank you very much, Mr. Chair, committee members, and officials. Thank you very much for the opportunity to present the book, I guess, eh? So we're talking about the 2006 volume 2. What I'm going to do is, over about a little bit less than 10 minutes, I'm going to focus — instead of going through it page by page — I actually am going to focus on a few graphs and explain the one recommendation that is included in this volume for your committee's consideration.

I do have an overhead presentation, but I actually encourage you to pull out volume 2 and maybe follow along sort of page by page. And at the end of the presentation, we'll be pleased to respond to questions.

So in this report, what we're doing is we're focusing in on the government's financial condition at March 31, 2006. As was indicated, I think yesterday in the committee's meeting, the government plans to table the March 31, 2007, information on this Friday. So this is in essence a year old.

What we're doing here is we're actually . . . To report on that financial condition, we look at three things. We look at whether or not the government's living within its means, whether or not the government has the flexibility to meet its commitments by increasing its revenue or borrowing more money, and lastly the extent to which the government relies on the federal government to pay for existing provincial programs.

So what did we find? We found that the government raised 679 million more in revenue than it spent. This is actually down from its high point of 844 million of annual surplus in 2005. The net debt as a percentage of GDP [gross domestic product] decreased from 21 to 18 per cent which is a good thing. And that occurred because the net debt that the government owes is at a 16-year low of 7.8 billion and also that the provincial economy continued to grow.

Interest costs as a percentage of revenue declined slightly from the prior year — and again that's a good thing — from 10 cents per dollar of revenue to 9 cents per dollar of revenue.

But there's still some caution. So despite the continued improvement in the government's financial condition, significant risks remain. The net debt of 7.8 billion remains large for our population of 1 million people. The government's ability to raise revenue still remains vulnerable to downturns in our provincial economy, and that's really because our provincial economy is vulnerable to changes in the Canadian dollar. It's vulnerable to commodity prices — particularly oil, gas, potash, grains, and cattle — and changes in interest rate.

Lastly our government continues to be under pressure to spend more in some sectors, particularly health and education, and remains exposed to high costs for crop insurance programs in the event of low commodity prices or bad weather.

So if you go through the report itself, it contains about 30 different graphs of trends in interprovincial data. I'm going to highlight six of these graphs. So if I could ask you . . . Sorry . . .

Mr. Hagel: — What page is this . . .

Ms. Ferguson: — You're just one-half a step ahead. Good for you. Page 7 of our report and it's graph no. 1. So if you could turn to page 7, graph no. 1, the annual surplus or deficit.

So the annual surplus or deficit shows the extent to which a government spends less or more than it raises in one fiscal year. An annual surplus means that it has lived within its means. So the graph shows that the government lived within its means for the last two years after three years of not living within its means. As you can see it's dipped below that solid line there.

So moving on, if I could get you to turn to page 9 now which is graph 3, so net debt as a percentage of GDP — so this graph shows the size of the government's net debt as a percentage of the provincial economy. It helps you assess how much debt the government can afford to carry. So the thinking behind this indicator is that a person with $50,000 per year income can actually afford to carry more debt than a person with $30,000 per year income. Therefore really the larger your economy, the more debt that you can afford to carry.

So the graph shows that the net debt was up 49 per cent in 1993, and at that point in time the net debt was not sustainable. As a result the government had fewer borrowing sources, paid higher interest rates, and needed larger amounts of money from the federal government to pay for provincial programs. So as you can see since that point in time, that percentage of net debt as a percentage of GDP has gradually dropped. In 2006 net debt as a percentage of GDP decreased to 18 per cent. Since '93 the government has improved its ability to raise money from the provincial economy — sorry — has improved its ability to carry debt and afford its provincial programs with money it raises from the provincial economy.

And if you actually look on page 8 of our report, you'll see a breakdown of the GDP. And you'll see that we've got steady growth in our Saskatchewan economy, and that's really helping us bring down this ratio.

So moving down to page 9 of our report, you'll see its net debt as a percentage of GDP by province. The graph I've got on the screen here actually relates to the 2006 numbers. The one in the report is 2005. We've always got one-year lag due to the timing of the information available from the other provinces. But what's key is, is that really the ranking hasn't changed from 2005 to 2006. Saskatchewan remains in the third spot. And as you can see, we actually compare quite favourably with the other provinces.

So own-source revenue as a percentage of GDP is on page 10 of our report, graph 5. And this graph shows how the revenue from the provincial economy, the government raises through taxes and user fees . . . basically it means what you're looking for is a higher ratio means that the government is placing more demand on the provincial economy. And if the government places too much demands on the economy, it makes the increasing future taxes or fees more difficult.

What this graph shows you is that since 1991 the revenue raised by the government as a percentage of GDP from sources within the province really has remained quite constant. That suggests that the paces of the changes in the government's revenues has matched the increases in the size of the provincial economy.

Moving on to page 12, graph 7, it's interest cost as a percentage of revenue. This graph shows how much of each dollar of revenue the government raised went towards paying interest on the government's debt. Again 1993 is the high point; 24 cents of every dollar went towards paying interest and, as the graph shows, that we've got a continual downward trend. And the improvement is the result of larger revenues and lower interest costs and smaller net debt. So in 1991 which was . . . you'll find if you do a comparison back then, the government spent more on interest costs than it did on education.

Moving forward to 2006 although interest costs are remaining significant, interest costs are at 841 million. They are the government's fourth largest expense now, and interest costs in 2006 were about 60 per cent of its spending on education and similar to the amount that it spends on social services and assistance.

Going to page 17 and the last graph that I'd like to highlight is federal transfers as a percentage of own-source revenue. So this graph shows how much the government relies on the federal government to pay for its provincial programs. It shows that since 1991 the percentage has actually decreased, and so increases in the government's taxes, user fees, and non-renewable resources called own-source revenue have helped the government become less reliant on money from the federal government.

You'll see that there's a bit of a jump from 2004 to 2005. That one's important to point out because that's actually a one-time $500 million increase in equalization payments, so it causes a bit of blip.

Our report itself contains other trend information as I mentioned and other interprovincial comparisons that hopefully will help you understand the financial condition of the government.

So now I'm actually going to move forward to the last section in our report, which is financial discussion and analysis. Our office recognizes that it is important that legislators and the public understand the government's financial statements. The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants recognizes that many users do not understand financial statements. And since June 2004, the Canadian Institute of Chartered Accountants have recommended that governments include financial statement discussion and analysis along with their summary financial statements to help foster an increased understanding of these statements.

Providing financial statement discussion and analysis is really not new. The private sector has actually been doing this for years. They call it management discussion and analysis, MD&A. Providing this information promotes good accountability, and as noted on page 19 of our report, other provincial governments are starting to provide the information that the CICA [Canadian Institute of Chartered Accountants] is expecting, and we're encouraging Saskatchewan to do the same. So this takes us to the recommendation that we have on page 19 where we recommend that the government publish financial statement discussion and analysis along with its audited summary financial statements.

So in summary, in addition to our recommendations, this report contains I think three main messages. First, the financial condition of the government is continuing to improve. Second, the government has built financial resilience prudently by reducing its debt. Third, we urge continued careful management of the government's revenues and spending because significant risks to the government's financial condition can remain because our net debt of 7.8 billion is still large for our population of a million people and our provincial economy, given its basis, is subject to the vulnerabilities of the changes in Canadian dollar, low commodity prices, and high interest rates and adverse weathers.

So that concludes my presentation, and we'd be pleased to respond to questions.

The Chair: — Thank you very much, Ms. Ferguson, for that presentation. We appreciate that. We will, I guess, invite you to come back to this end of the table, and while that's happening again we welcome you, Mr. Matthies. If you want to introduce your officials and make a comment regarding this report, we'll do that before we open up the committee meeting to questions.

Mr. Matthies: — Thank you, Mr. Chairman. I have with me today on my left Kirk McGregor. Kirk is the assistant deputy minister for taxation and intergovernmental affairs. On my right I have Joanne Brockman who is the executive director of our economic and fiscal policy branch. Behind me I have Raelynn Douglas who is director of our performance management branch, and Brian Smith who is the assistant deputy minister for the Public Employees Benefits Agency. And also on my official list is Terry Paton, Provincial Comptroller, since we are reviewing Finance chapters here so . . . [inaudible interjection] . . . there we go.

Mr. Chairman, I think I would just make very brief opening comments, and that is I think the Provincial Auditor's office has accurately summarized the information. We concur with the comments around the long-term trends. We think those are positive and in the right direction for Saskatchewan. We concur also with the comments around the vulnerability that we have in terms of volatile commodity prices both in the non-renewable sector, oil and gas for example. We saw difficulties in potash in the last fiscal year, for example when we couldn't get sales through. And agriculture is constantly a boom-and-bust type of scenario. So we certainly concur with those observations.

As the government moves forward in its financial plans, it is constantly, I think, trying to make an assessment around balancing tax competitiveness with investments in key areas such as infrastructure or labour market development and debt reduction. And it looks to take a balance over time across those three broad areas.

And with that I think I would also maybe make a couple comments just around the financial discussion and analysis recommendation that the Provincial Auditor's office recommends.

The first comment that I would say is that certainly Finance supports the recommendation. We see the inclusion of the financial discussion analysis information as useful to the reader. And I would advise the committee that we're working diligently to try to get to a spot where we might be able to include in the information that Judy referenced, that will be coming out on Friday, a MD&A section. However we're not quite there I guess. So it is my expectation that in the not too distant future we will indeed present this information.

Our observation, as we have been developing the type of information that could be included in that section, is that there really is no consistent presentation across the country right now. There's six provinces, as the auditor has noted, that provide some measure of MD&A analysis and presentation. There is no real standard format that they've adopted, and so we're trying to sort of strike the right balance for Saskatchewan. And again as I said, it is my sincere intention I think that in the not-too-distant future anyway that we will provide that type of information.

Last comment on that though is I suspect that our information will likely — depending on any decisions around major accounting policy pieces and the financial statements and budgeting approach that we use — our information would have a dual focus, certainly on the summary financial statements as the Provincial Auditor has indicated, but also in the General Revenue Fund financial statements which is the key statements used by the province in sort of managing the tax side of the equation, if I can describe it that way. Thank you very much, Mr. Chair.

The Chair: — Okay. Thank you, Mr. Matthies. Just before I open up for questions I want to, I guess, prognosticate in the area of three graphs. The first one is that graph 1 on page 7. If the financial situation of the province remains true to what was budgeted this spring, is it not true that for the year 2007 that that line would again fall below zero and on a summary financial statement be in a deficit position? Am I correct in understanding that?

Mr. Matthies: — Yes, Mr. Chairman. You are correct.

The Chair: — And because equalization is so much in the news, could you give me some idea of what that equalization bar would look like on page 17 for the 2007? Is that falling further — the percentage of transfers of Saskatchewan government-owned source revenues from 1991 to 2006?

Mr. Matthies: — Mr. Chairman, I think your question was, where will the equalization look in 2007?

The Chair: — Right.

Mr. Matthies: — We were advised just days before the budget came out this year that we will receive $226 million as a one-time payment for equalization in fiscal '07-08, and then after '07-08 then the dollar will fall to zero.

The Chair: — And so for 2007, is that a higher number than we received in 2006?

Mr. Matthies: — Yes, it would be.

The Chair: — And then in 2008, it would be a lower number is what you're saying.

Mr. Matthies: — Correct.

The Chair: — And that is okay. And then the final question, because of my interest in agriculture, the funding for agriculture has been dropping. What page was that on? It's near the back. I'm just wondering where that would be for the year 2007. It's on page 32. It was quite high in 2003 — I was surprised at how high it was — and then dropped in 2004-05 and then dropped further in 2006. Is that lower again in 2007, or is it going back up?

Mr. Matthies: — Mr. Chairman, I'm not sure I have the 2007 and '08 numbers with me. But just what I would reflect on is that the boom-bust cycle that we've seen in agriculture certainly accounts for the volatility here. And you may recall that in 2002 we had the worst drought possible. And so the auditor actually very succinctly describes in the chapter here some of the reporting issues that we deal with when we look at the ag spending, and the description talks about . . . Because the province administers the crop insurance program for example, we record 100 per cent of crop insurance payments in the summary pieces that are here, whereas the province actually doesn't pay 100 per cent of the premiums to federal government, and producers also contribute.

Similar or conversely the auditor also describes it in programs like the Canadian agricultural income stabilization program, which also sees highly volatile payout amounts. The federal government records or manages that program, and therefore we're only . . . our volatility is related to the provincial contribution. So these ups and downs are a function of the auditor reflecting it sort of on an as-paid-out basis, if I can describe it that way.

You will recall from previous discussions that we are not always in agreement with the Provincial Auditor on things like the crop insurance program because our assessment is . . . You have an actuarially sound program. Over the long term, it will indeed break even. And so we don't speak to it in the same tone that the auditor does. So I hope that sort of gives you some background to the question that you asked.

The Chair: — Yes, I understand that Mr. Matthies. I was just wondering if you had any idea for 2007 whether that number would be similar, lower, or higher.

Mr. Matthies: — I think, Mr. Chairman, what I would indicate is that the summary information for the next year will be out on Friday, and so we'll have it available then.

The Chair: — Okay. Fair enough. All right we will open up the meeting to questions. I recognize the opposition Finance critic, Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you very much, Mr. Chair. I must begin by complimenting the auditor and his office on this publication. It's something that in my role as Finance critic I look forward to every fall. I understand the 2007 edition is being worked on and will be available in September, and it is something that enables me to have a concise document that helps with the overall analysis of the provincial finances. And more so than that, it also enables me to, when I'm asked by the public for information, to point to a document where the members of the public can undertake to read the document — and many, many do — and have an understanding as well of the finances of the province.

So I find it's in a format that is very easy to read. The graphs, I think, help put things in perspective for people. So to you and to your entire staff, thank you for the job you do, especially on this publication.

I'd like to begin talking about . . . I've had an opportunity, through estimates, to go through this book with the deputy and the minister and other officials. So I won't have a lot of questions here. But regarding the recommendation, I heard the deputy say that he pretty well agrees with everything that the auditor has said regarding the recommendation and the need for statement, discussion, and analysis along with the summary financial statements. And I think I also heard you say that probably won't be coming out with Friday's report, but could we say that the first quarter report of Finance would entail some of what the auditor is looking at here?

Mr. Matthies: — I think, Mr. Chairman, certainly that when the information comes out for '06-07 on Friday, it will not contain that. My expectation is that when we release the following year's public accounts, that we would see the information there. That's when we would report sort of the full commentary on the results.

In terms of our quarterly reports, we typically have been providing a bit of an economic overview and key highlights of variances and things as we do our quarterly reports. So that type of reporting we would continue, which we, I guess, have done as a practice anyway.

Mr. Cheveldayoff: — Thank you. To the auditor, is there anything specific that you would recommend that you'd like to see sooner rather than later from the Finance department?

Mr. Wendel: — Regarding this recommendation?

Mr. Cheveldayoff: — Yes, regarding this recommendation.

Mr. Wendel: — I think if they were able to do this for next year, that would certainly be a good step forward. And it will be something they'll have to work on over the years to keep improving it. So if we could see it next year, that would be a good start.

Mr. Cheveldayoff: — Thank you. I think a lot of what we, you know, have questions about and would like to see is the 2007 numbers because the document's almost a year old. And I guess I've just got a few questions in that regard. The Chair had asked a couple that I would have asked, but that's . . . I appreciate the answers.

On page 8, the net debt of the province. We see that really we're almost back where we started, from 1991 to 2006. In 1991 we were at 7.9 billion, and 2006 we're at $7.8 billion. Can the deputy just outline the trends that he sees happening, and where does he see the net debt going in the next year, next couple of years?

Mr. Matthies: — Certainly. I think, Mr. Chairman, what I would perhaps describe is that as the situation of the province improves in terms of surpluses that we generate in given years, our net debt typically will improve. I think what I might do is direct the discussion first to sort of just a debt discussion rather than net debt which is sort of the bonds and debentures and such that we owe to third parties before adjustments for where our asset positions are and such.

Since the last few years in particular where we've seen an uptake in commodity prices, the province has been able to make significant inroads in terms of our debt position. We have seen actually about an $800 million reduction in the debt, the government debt of the province, coming into this fiscal year. And it was announced with the budget that when the equalization money comes this year, that $158 million of the equalization one-time payment will also be added on top of that towards debt reduction.

And the briefing that we did at the time the budget came down suggested then that by the end of the current fiscal year that we're in that we would expect the debt, the total government debt, to be down about $977 million in the last four-year period. That billion dollars is significant in terms of increased flexibility for the province, reduced interest costs into the future, but increased flexibility to meet some of the program pressures we might be seeing, like infrastructure pieces or labour market development for example.

Mr. Cheveldayoff: — Thank you for that answer. Along that line on page 34, the graph K talks about the total government liabilities, and I know we've discussed this before. And in light of another chapter that we'll be discussing later this afternoon, the unfunded pension liability is up by $100 million from 4.2 to $4.3 billion. And I guess I'm wondering how we, how we square that.

And I'll have some further questions in other chapters, but again for the benefit of this committee, can you explain why the unfunded pension liability is up by $100 million between '05 and '06 and if you could give us an indication of where it is for '07?

Mr. Matthies: — Okay. Certainly, Mr. Chairman. The unfunded pension liability represents the amount that is expected based on actuarial evaluations to be paid out to retirees over the course of their golden years, if I could describe it that way. It incorporates both amounts that are owing to people who have already retired as well as employees who have not yet retired but are in the closed plans. There are two primary pension programs that are attributable to this unfunded liability. One is the old PSSP [public service superannuation plan] plan for employees of executive government, and then the other is the old teachers' superannuation plan.

The province accounts for its pensions under the General Revenue Fund on a cash basis, essentially. And so as employees continue to earn service under these old plans, then they will accrue additional entitlements. And what we've seen under the General Revenue Fund side of things is that the cash flows going out are less than any increase in the entitlements.

The auditor has provided this report on a summary financial statement basis, and so what we see again is also increases related to additional service provided by people who have not yet retired in these closed plans. And we've also done . . . every three years we do an actuarial revaluation in terms of making sure key assumptions are valid, and so we did an actuarial revaluation about a year or so back. So those things kind of combined lead to the increase in the liability.

Mr. Cheveldayoff: — Thank you for that answer, and like I said earlier, I'll have some additional questions regarding that in a future chapter. On page 28 it talks about the, graph E, the GDP of the province per capita for 2005, and it shows us basically being tied with Ontario for second.

And in light of some recent information that we received, the Royal Bank put out their analysis of all provinces and had a very detailed analysis of Saskatchewan. Can you just give us an overall picture of where Saskatchewan's GDP is at? I realize that on a per capita basis we've probably gone on just by the fact that our population has stayed relatively even. But can you give us an indication — and in light of the information that the Royal Bank put out — and maybe give us an analysis of where the Department of Finance sees their indicators relative to what the Royal Bank has put out?

Mr. Matthies: — Okay. Mr. Chairman, I think I would provide a bit of a historical perspective on it first. Committee members will probably recall that the most recent Stats Canada estimate for GDP growth — real GDP growth — for 2006, I believe it was, came in at about point four per cent which was surprisingly weaker than previous estimates had been. A lot of that was due to the size of the crop in 2006 versus 2005. We saw a crop come in about the long-term average in terms of its volume in '06. In '05, however, we saw a huge crop, and I think — I forget the number exactly — but it was somewhere in the neighbourhood of 32 million metric tons, I believe, compared to the '06 crop, somewhere in the neighbourhood of 25 million metric tons, I believe. So the difference in the volume of the crop makes a significant impact in terms of the economic growth of the province.

The other thing that we saw in '06 that impacted the GDP growth was the problems in the forestry side. So when Weyerhaeuser closed down and it impacted into the forestry sector, that also took a significant kick in terms of its impact on our provincial GDP.

So those things reduced where we had otherwise been sort of in the, you know, approximately a 3.3 per cent GDP growth over time down to, you know, around a half a point. So what we're seeing now in the forecast for '07 is a rebounding because we're sort of looking to, I guess, rebound from the, you know, the kicking that we had in those two areas last year.

So we're very encouraged by the Royal Bank's forecast. When we bring down the provincial budget, we typically survey several different forecasters, and then we incorporate their comments with some of our thinking. When we brought the budget down for the current fiscal year, '07-08, we were using, I think, a 2.9 per cent growth in GDP which was about the average of all the different forecasters. But my sense has been as I've looked at this data over the last months and years that, you know, there's a fair spread between economists in terms of plus and minus.

So we're encouraged by the Royal Bank because it's higher than they had been previously been reporting. Well I'm afraid I don't have their previous number with me, but I remember looking at it at the time when the report came out and so they're showing growth from previous numbers. We think that's positive. But I would just, you know, I think the historical perspective is important because we did dip down, so it's a bit of a bounce back as well.

Mr. Cheveldayoff: — Mr. Chair, I think that completes my question. Well maybe one more question. On the US dollar versus the Canadian dollar — the appreciation of the Canadian dollar — I've read reports now, everything from some economists saying we're looking at parity to others saying that it might be a bit of a blip here and we can see it going down to the 90 cent level again. Can you just comment on what your analysis is showing and the impact, I guess, of the relatively high Canadian dollar right now in the province's finances?

Mr. Matthies: — Certainly. I think, Mr. Chairman, what I would advise is . . . Again I'll put some context around it. In the current fiscal year we're seeing significant improvement in oil prices for example — at this point in the year anyway — compared to what we saw in the budget. The budget came in with oil at 58.75 for the year. We've seen oil trading, you know, over 60 so that's an encouraging sign.

On the other hand when we brought down the budget, we were looking at an 88 cent dollar. We've seen it trade, you know, in the 94 cent range of recent times. And what we're sort of, you know, the very rough rule of thumb and sort of all other things being equal, for every dollar we gain on the price of oil, you know, it's $20 million to us. For every cent that we lose — if I can describe it that way — through appreciation of the dollar, it costs us about 24 million. So we've got some offsets this year. Oil is up but the dollar's up as well. And so we're getting some offset pieces. And as we move into our quarterly reports, we'll actually roll the numbers up and see how we look at those points in time. But certainly that gives you a bit of a sense of the impact of the change in dollar.

Now in terms of where it may go and what it may do, I heard a presentation from David Dodge, the governor of the Bank of Canada, last week. And I think what I conclude from that is (a) that he has a tough job. What I hear is, you know, there are several sectors that are advocating for an increase in the interest rate for example because that will serve to potentially cool some of the inflationary pressures that some parts of the country are seeing. On the other hand he's being lobbied, if you will, for not increasing interest rates so that it will perhaps bring the dollar down. So you know, I think I will leave it up to the governor of the bank to kind of make that decision.

We are an export-based economy in our province though, and so for us we have to be traders. We are traders. Over two-thirds of our provincial GDP is tied to exports out of our border. So as the dollar goes up, it makes our companies a little less competitive. That is a concern.

We were meeting with mining officials this morning. They were sort of commenting about that impact on their plans to do mine expansions, that the rising dollar makes it less likely in their estimation that there would be new mines in their particular sector, but they thought the attractiveness would be for mine expansions where they already are playing. And the dollar was a significant part of their decision and discussion to focus on expanding existing facilities versus greenfielding a new facility. So we're certainly mindful of those impacts.

Mr. Cheveldayoff: — Thank you to the deputy and the officials. Mr. Chair, that concludes my questioning on this chapter.

The Chair: — All right. Mr. Hagel.

Mr. Hagel: — Thanks, Mr. Chair. I'm just reflecting on your most recent comments about the value of the Canadian dollar impacting on our economy. And I know in my home community we have a couple of industries that have taken a . . . well, a very, very serious hit in terms of ability to function because of that. One in the truck caps industry, and the other in the pork industry in which the rising Canadian dollar has been a very, very significant factor in their decisions to . . . well not only reduce but to wrap up their operations. So we certainly recognize that what from a point of view of patriotic pride, or that says we value a high Canadian dollar, has a very, very significant impact on the Saskatchewan economy and puts many of our industries and companies at a disadvantage as compared to normal operations over the last decades.

I wanted to just ask one additional question that wasn't asked related to the unfunded liability. You said you just recently completed an actuarial review, and certainly part of the assumption of the unfunded liability will have to do with the assumptions about life expectancy for not only pensioners but then their inheritors. And I'm interested in knowing what . . . well whether there's . . . if there's anything significant in that regard just in this last actuarial review, but over the course say of the last decade or even two decades. Has that become a significant factor in . . .

Because I think it has, life expectancy has impacts in terms of operations of things like health care and the like as people grow older and the number of years that they require a higher level of health service support increases. And I wonder, is that something that impacts significantly here when we talk about the liabilities related to pensions? Are we seeing matters there that we would consider financially significant in our planning?

Mr. Matthies: — Mr. Chairman, I'm going to ask Brian Smith to respond to this one.

Mr. Smith: — Mr. Chairman, the mortality assumptions in the actuarial evaluations is a very small element of valuation, so the technical answer is no, that the mortality rates do not have much of an impact on the unfunded liability. It's a very, very small assumption. There are other larger assumptions that have a larger impact.

Mr. Hagel: — Okay.

Mr. Smith: — But I agree mortality is improving. Saskatchewan mortality is one of the best in the country. It is factored into the valuations but it hasn't significantly changed in the valuation calculations over the last several years.

Mr. Hagel: — The last how many years?

Mr. Smith: — Over the last several years. The valuation assumptions for mortality have not changed.

Mr. Hagel: — Have been other factors. Okay, thanks very much. Thanks, Mr. Chair.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — I just have a couple questions. First, you gave us some numbers just with a quick rule of thumb as regards to the price of oil. And what about the 1 per cent increase, for example, in interest rates? Do you have kind of a rule of thumb if we were to see a 1 per cent increase in interest rates on what . . . the amount of interest that the province would have to pay?

Mr. Matthies: — Mr. Chairman, I guess maybe the way I might frame this is the government debt is . . . I'll find the number here. Total government debt, meaning what taxpayers are paying the financing cost on, you know, we're in the neighbourhood of $7.3 billion. So if you saw a 1 per cent move, you would be looking at 1 per cent of 7.3 billion — $70 million or so.

But what I would sort of caution though is that while that becomes a concern in the longer term, we tend to structure our debt so that we have it maturing over various periods of time. We have it . . . For example, this year we will be doing a borrowing program in the neighbourhood of about $1.3 billion because we have debt maturing over a whole series of years. So we wouldn't expect to face that 1 per cent increase all in one year. It would be phased in over a period of time.

Mr. Chisholm: — Okay. Thank you. The other number that was quoted I think was $840 million, was interest that was paid in the prior year. Does that sound . . .

Mr. Matthies: — Mr. Chairman, that figure is on a summary financial statement basis, so that includes the government debt plus the Crown debt. And so the figures I was speaking to are regarding just sort of the government, what the taxpayers' load would be. I believe that the auditor would have correctly brought the summary number together. I meet with Fred and Judy periodically and I'm pretty confident in their abilities there.

Mr. Chisholm: — Okay. Thank you. My last question is just regarding the recommendation of the auditor and I guess I'd like to address this to the auditor. What would be some of the major components that you would like to see in this? Like for example, a year from now we might be looking at that being part of the financial statements. And if you could, just maybe outline from your experience and what you've seen in other jurisdictions what some of the major components would be that we should hope to see in that kind of a report.

Ms. Ferguson: — Certainly. Actually there's a few little . . . there's a few bullets that start on 18 and go up to 19. But in general really what the governments are highlighting is they're highlighting, you know, the things that they think . . . the important events that happened in the prior year that impacted their financial results or, in some cases, to explain the differences between what actually happened and what they had hoped to happen. You know, the comparison of actual to plan and why things sort of rolled out to be differently than what they had hoped to be.

Secondly, I think what we're finding is that they're setting out in quite a high level — but I think still worthwhile and useful information — some key approaches or strategies and directions in which the government's hoping to go. Not unlike, I think, the responses to the questions that you're hearing this afternoon. As the deputy minister of Finance indicated, if you look at what's the . . . the reports that are coming across, there is some variance in terms of what information is being provided. We are actually seeing though that it's . . . that information is changing and becoming a little bit more robust in each of the jurisdictions as time goes out.

So I think what we're . . . what we'd expect is that there'd be some experimentation, you know, in terms of what information would be in the report. We also think it's important that it focus on the summary financial statements so that people can understand that overall government picture. Thank you.

Mr. Chisholm: — Thank you.

The Chair: — Mr. Prebble.

Mr. Prebble: — Thanks, Mr. Chair. Just a point of clarification with respect to the financial statements and their preparation on both a GRF [General Revenue Fund] basis and a summary financial basis. When the quarterly reports come out, do they come out on just the GRF basis or do they come out on a summary financial basis now as well?

Mr. Matthies: — The quarterly reports are . . . We prepare them as a report card, if you will — a progress report on the budget as we're going through the year. So it focuses on the GRF.

Mr. Prebble: — GRF focused, yes. And then in terms of future preparation of financial reports, this will be done on both the GRF basis and a summary financial basis?

Mr. Matthies: — What we would see at this point is that, when we would release the year-end public accounts — because the public accounts provide both a summary and the GRF — that we would look to provide management discussion and analysis information on both of those statements. As it relates to the quarterly reports, it will depend on an accounting policy decision that will have to be made in terms of should the province move to summary financial statement budgeting or continue with GRF budgeting. Whichever basis we decide on, that would dictate the manner of the quarterly reporting.

Mr. Prebble: — Right. And with respect to the recommendation that is before . . . I take it the recommendation is before the committee with that, Mr. Chair?

The Chair: — Yes.

Mr. Prebble: — So at the present time the wording here is:

> We recommend that the Government publish financial statement discussion and analysis along with its audited Summary Financial Statements.

I'm assuming this refers to the public accounts.

Mr. Matthies: — That's correct.

Mr. Prebble: — Can I just get clarification from both the auditor and Doug on that? Is this the context in which this is being recommended, is the public accounts?

Mr. Wendel: — That's correct.

Mr. Prebble: — So that's a helpful clarification. Thank you. Thank you, Mr. Chair. Thank you, Doug.

The Chair: — All right. Well we've been talking about the recommendation. Are we ready to deal with the recommendation? The recommendation is on page 19 of volume 2 of the 2006 report. It reads as follows:

> We recommend that the Government publish financial statement discussion and analysis along with its audited Summary Financial Statements.

Is there a motion? Ms. Crofford.

Ms. Crofford: — I will so move.

The Chair: — You will so move. You will move that we concur?

Ms. Crofford: — That we concur.

The Chair: — All right. The motion is to concur. Is there discussion of the motion? Okay, we're ready for the question. All in favour?

Some Hon. Members: — Agreed.

The Chair: — I believe that's carried unanimously. Thank you very much.

We will stay with Finance and move to chapter 4 of the 2007 report volume 1 and I believe that Mr. Grabarczyk — Is Mr. Grabarczyk here? Yes, there he is. — will give us a summary and then again we will hear response from the department. Mr. Grabarczyk.

Mr. Grabarczyk: — Thank you, Chair. Good afternoon, Chair, members, and officials. I will provide a brief overview of the financial chapter from our 2007 report volume 1 which appears on pages 43 to 52. This chapter reports the results of our audit for the special purpose funds and Crown agencies with year-ends of December 31, 2006.

To form our opinions we worked with Deloitte & Touche, appointed auditor for the Saskatchewan Pension Plan, and Meyers Norris Penny, appointed auditor for the Municipal Employees' Pension Commission.

We made three recommendations relating to the benefit programs. First, that the Public Employees Benefits Agency, PEBA, needs to ensure that all employer contributions for each program it administers are received promptly. It needs to obtain timely and accurate payroll reports for its benefits programs.

We say so because April 2006 the Public Service Commission implemented a new payroll system for departments. The new system did not provide adequate reports until December 2006 for the benefit programs. Also by December 2006 PEBA had not verified employer contributions for some programs.

Second, we recommend that PEBA ensure its outside service providers have timely and accurate information to assess employee eligibility for benefits. Without timely and accurate eligibility information, benefits could be paid to ineligible employees.

Third, we recommend that PEBA report monthly to participating employers the amount of surplus or deficit relating to the enhanced benefits as required by its revised dental plan. Employers must pay the deficit when notified and may request a refund of any surplus.

We also repeat one earlier recommendation that PEBA must receive accurate reports for claims paid for enhanced benefits of the public employees' dental plan. This will help PEBA ensure employers pay the correct amount for enhanced benefits provided to their employees. Your committee considered this matter and agreed with the recommendation in October 2006.

For the Municipal Employees' Pension Commission, we recommend that it should have a written, tested, and approved disaster recovery plan for the computer system it uses to help ensure it can operate effectively in the event of a disaster.

That concludes my overview of this chapter. Thank you.

The Chair: — Thank you very much, Mr. Grabarczyk. And, Mr. Matthies, do you want to respond to that summary of the chapter?

Mr. Matthies: — Certainly, Mr. Chairman. I think what I would do is I would sort of make the first comment that the department is in agreement with the auditor on all points. I'll maybe just offer a couple of supplementary comments.

As it relates to the first recommendation in terms of the accuracy of the payroll reports, certainly it's my understanding that we have accurate reports that are being prepared for each ongoing payroll now. We are still verifying or validating some of the earlier months to make sure that there aren't any errors that are in there. So that . . . We certainly recognize the validity of the auditor's comments and we're taking all the steps to make sure that we're 100 per cent correct in all of those.

As it relates to the recommendation regarding the surplus or deficit of enhanced dental benefits, I think that item, I would say, that has been fully resolved with the insurance carriers and we've had confirmation of that through an independent consultant. So we're good to go on that one as well.

And on the fourth one in terms of the disaster recovery plan, you know, we are in the process of putting those pieces in place. So why don't we just leave it at that.

The Chair: — All right. That is the end of the questions. Just before I recognize Mr. Prebble . . . [inaudible interjection] . . . You just wanted to make sure . . . Okay. All right.

I just have a question regarding the municipal employees' pension plan. What role does Finance play in that plan, because obviously municipal government is another level of government. I'm somewhat familiar with, you know, the fact that the municipal employees have a plan. I'm not sure of the connection between the Department of Finance and the municipal planning. Can you just, in layman's terms, explain why that would even be audited and fall under your jurisdiction?

Mr. Matthies: — Certainly, Mr. Chairman. We have a significant amount of expertise in PEBA, and so we kind of lever that for other agencies in some cases. And I think what I would do is I would just turn to Mr. Smith to offer supplementary comments.

Mr. Smith: — Thanks, Mr. Chairman. The municipal employees' pension plan is embodied in the municipal employees' pension plan Act which the Minister of Finance is responsible for . . .

The Chair: — Okay.

Mr. Smith: — So there really isn't any government money involved in the plan. But as a pension and benefit administrator, it's assigned to us to administer, and we have a contract with the Municipal Employees' Pension Commission to administer the plan for the commission.

The Chair: — So you would work with their board . . .

Mr. Smith: — Absolutely.

The Chair: — And their board would be appointed by their organizations.

Mr. Smith: — That's correct.

The Chair: — Okay. That's very good. Okay we will go to questioning and Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. I want to delve a little further into the problems that PEBA has had with the new system in place. I guess first of all can you tell us a little bit about the new system itself — what exactly is it, what was it designed to do, and where did it fall apart?

Mr. Smith: — Absolutely, Mr. Chairman. It isn't a new system for the Public Employees Benefits Agency. It is a dental plan issue and other benefit programs as well.

In executive government, the new payroll system for all government employees provides information to us as the administrator of the dental plan, and the information that was coming out of the payroll system did not meet our needs in April, May, and June 2006. It did after July 2006. So it wasn't a new system to us as a benefits administrator. It was a new system for payroll on behalf of one of the employers who's a participating employer in the pension plan. So it's executive government's payroll system was the issue in terms of giving us the correct information.

Mr. Cheveldayoff: — Okay. It says here that estimated employer contributions were first used. And was that as a result of information you received from the new system, or was that just an estimation that was done knowing that the system would be in place in the future to give more accurate information?

Mr. Smith: — That's correct, Mr. Chairman. The dental plan has been in place since 1982, and so we have a history of the amount of money that we should be receiving from each employer. So we estimated for executive government how much we should have received for April, May, and June 2006. So we have 25 years of history for the dental plan, so we know what we should have received. And so we didn't estimate the amount we should receive for April, May, and June, and then we received the correct information later to get the actual amount from the Government of Saskatchewan into the dental plan.

Mr. Cheveldayoff: — Okay. Thank you for that. In just reading this paragraph at the top of page 48, it says incorrect rates were used to calculate employer contributions. It seems to indicate that there was some, you know, serious errors in here. Can you just tell us, are there any negative impacts that have happened? What was the consequences of having the incorrect information and the troubles that we have had here?

Mr. Smith: — Mr. Chairman, the dental plan operates and all employers pay the same premium rates as a percentage of pay; I believe it's about 1 per cent of pay. So the 70 employers that are participating in the plan pay 1 per cent of payroll into the dental plan. Out of that fund, we pay actual dental claims. And so at the end of the day, there really hasn't been a negative result. We did in fact receive the exact amount of money that we should have eventually.

It was the first three months of the fiscal year for the payroll system we didn't get the correct amount. There may be a small loss in terms of the amount of interest income that we did not accrue because we didn't have the exact amount of money to the penny, but it was not material.

Mr. Cheveldayoff: — Thank you. The auditor goes on to say, "By December 2006, PEBA verified employer contributions for some of the Plans, but it has not yet verified employer contributions for all of the Plans." Has that indeed been done between December '06 and today?

Mr. Smith: — I believe so, Mr. Chairman. The other plans are group life insurance, disability income, extended health, and so all three of those programs are driven off of the payroll system for executive government.

Mr. Cheveldayoff: — All right. So you're reasonably comfortable that you received all the employer contributions for all the plans that you administer?

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

Mr. Cheveldayoff: — Okay. Thank you for that. Further questioning on the bottom of the page, when it talks about the dental plan and the risk of payment:

> . . . benefits to ineligible employees is low because PEBA checks some dental benefit transactions and verifies employee eligibility for benefits. However, the risk is not low for the Extended Health Care Plans because it does not check the transactions . . .

Can you just give us the reasoning why there would be a difference in the checks that take place, the checks and balances? It seems to have benefited the dental plan but there is concern about the extended health care plan.

Mr. Smith: — Yes, Mr. Chairman. The dental program is a self-insured program, and so all employers pay into a fund from which benefits are paid. The extended health plans are a bit different. They are insurance programs, and so we pay premiums to an insurance company to pay claims on behalf of all the individuals covered.

We are very concerned with the dental plan in terms of there is a fund there. We pay benefits out of that fund, and so we do random audits on the dental claims that are paid from that fund because it is self-insured.

On the other hand, we pay a premium to an insurance company to insure all of the employees, and they guarantee the payment of benefits. So if too many benefits are paid, it's the insurance company's risk not the risk of the fund which has been contributed to. And so there's a slight difference between the two programs, because one is self-insured and one is insured.

Mr. Cheveldayoff: — Okay. Can you outline to us what has been done to reconcile the errors and what your process was contacting employers, notifying them of the errors, getting the right information, double checking it, making sure? Can you just go through that process and tell us where we're at today with it?

Mr. Smith: — Yes, Mr. Chairman. There is only one employer involved, and that's executive government through the payroll system for government. So it's only the one employer that we've had an issue with in terms of receiving timely and accurate information.

Mr. Cheveldayoff: — Okay, I read it to mean several different, as different employers, but it's just the one so . . .

Mr. Smith: — And so we worked with the Public Service Commission and their payroll people operating the payroll system to make sure that we're getting the right information from the system so that the right employees are covered and the right claims are paid. So we've been working with the Public Service Commission to resolve all the issues the auditor has identified.

Mr. Cheveldayoff: — If I remember back to our discussions a couple of years ago when we were talking about this new system and there was some high expectations for it and . . . Can you give us your opinion, your analysis of this system and if indeed, you know, we're seeing one example of one of the bugs here? But overall is it meeting your expectations, and do you see it as state of the art for us moving forward?

Mr. Matthies: — Mr. Chairman, I'll maybe respond to this one. I just had a briefing last week actually on the MIDAS [multi-informational database application system] HR [human resource] system, and the Public Service Commission would be probably better able to speak to the specifics, but if I can just sort of pull from the general comments that we got. The province hired a consultant to review how we were doing with our MIDAS HR system because we had experienced some start-up problems. And we had some grief, particularly in the early months back in, sort of, the early '06 time when we threw the switch live. And we've had some concern as time has marched on with the amount of effort going into timekeeping for example.

And so the province hired a payroll consultant to come and review what we're doing and give us some feedback. Do we have an issue with the software package? Do we have issues with our processes? Or what might it be? And the briefing that I got on it last week, I think the comment was, for the most part I think the system is, you know, a credible system. The software developer is very credible. It's an Oracle-based system. They've got lots of effort invested into this piece, and they've got lots of reputation on the line if there's any issues.

What the consultant was highlighting I think for government to look at, though, is that in our distributed network of processing payroll . . . because we actually process the payroll from sort of nine different departments who then . . . some of them will, you know, do it for several departments not just their own. And that in that process, we really could tighten up what we do, and we could improve sort of our own best practices if you will. So the consultant was giving us some advice in terms of how to tighten up there. And I think that will lead to future efficiencies and cost savings down the road. I think the comment was encouraging in that there was no . . . Contrary to where some employees were, you know, a year ago, damning the system type of thing, the consultant didn't give us that advice but that we had some things that we could do to improve it.

Now having said that, we also were given some information that said that there have been a lot of changes. I mean anytime you implement a major new system, there's a substantial learning curve to go through. And as we have gone through it now for about a year, a little over a year, there's been significant improvements. Some of the problems that we saw early on no longer occur. There are some glitches that do continue to happen although Public Service Commission might be better able to speak to it than I do.

But I think the message was we don't have a big software issue, but there's lots of savings and improvements to be had from sort of adopting a best practice approach, not only from our internal . . . these nine different departments that are doing it, but some advice to us in terms of maybe a better industry-norm way to approach the payroll processing. So it was very helpful.

Mr. Cheveldayoff: — Thank you. One final question. Towards the end of the chapter it talks about a disaster recovery plan needed. And we see this from the auditor in most chapters, and it's an important aspect that needs to be addressed, but I think it's very important for the Department of Finance. I think that, you know, we need to see leadership from your department in this regard, and I know in questioning other departments they look to your department for some leadership in this area.

Can you just outline what plans are in place for the disaster recovery plan, both to address the auditor's concern and you can broaden it out to tell us what is indeed in place right now?

Mr. Matthies: — I'll just get Brian to address for the MEPP [municipal employees' pension plan] side of things which was where the auditor's report was.

Mr. Smith: — Mr. Chairman, as a benefit administer and providing services to the Municipal Employees' Pension Commission, we agree. I think we are on our third iteration of our business continuance plan, will continue to evolve and make it better and better. We agree that, for the Municipal Employees' Pension Commission, all of its providers should have a business continuance plan.

So I think we go beyond what the auditor says, that even outside providers to the municipal employees pension plan should have a disaster recovery plan as well. But internally we're working on disaster recovery and business continuance plan in the Public Employees Benefits Agency for all of the programs they administer. I think we're on our third iteration, which will get comments again from the Provincial Auditor next year.

Mr. Cheveldayoff: — Okay. Thank you, Mr. Chair.

The Chair: — All right. Mr. Prebble.

Mr. Prebble: — Thanks, Mr. Chair. Just one question and that relates to recommendation no. 2 on page 48 of the auditor's report where it says what the recommendation is:

> . . . that the Public Employees Benefits Agency ensure its outside service providers have timely and accurate information to assess employee eligibility for benefits.

I take it from what was said in answer to Mr. Cheveldayoff's questions that this matter is now resolved and has been for several months. But I just wanted to make sure that that, in fact, is the case. Is that an accurate assumption to make?

Mr. Smith: — That's correct, Mr. Chairman. I should go on and explain what this is. For the dental program, we hire an insurance company to actually adjudicate the claim and pay the claim. And so we have to make sure that that insurance company has the right information from the payroll system for all the employees that are covered. So yes, it has been corrected.

Mr. Prebble: — Good. Thanks for that clarification.

The Chair: — All right. Are there any further questions regarding chapter 4? Okay. Seeing none, then we will go to the recommendations. The first recommendation is on page 48. The Provincial Auditor recommends and I read:

> We recommend that the Public Employees Benefits Agency obtain timely and accurate payroll reports for its benefit plans to ensure all employer contributions are received.

Is there a motion? Mr. Prebble.

Mr. Prebble: — I will move that motion, Mr. Chair, noting also both concurrence and considerable progress on the implementation of the recommendation.

The Chair: — Yes. We're at that trying to cheat a little bit here. But I think the motion was to concur and note progress? Is that correct, Mr. Prebble?

Mr. Prebble: — That's just fine.

The Chair: — All right. Great. Is there any discussion of the motion? Seeing none, we'll call the question. All in favour? That's carried unanimously. The second recommendation is right below the first one:

> We recommend that the Public Employees Benefits Agency ensure its outside service providers have timely and accurate information to assess employee eligibility for benefits.

Is there a motion? Mr. Prebble.

Mr. Prebble: — I move concurrence with the recommendation and note compliance.

The Chair: — Okay. This time the motion is to concur and note compliance. Any discussion of the motion? Seeing none, we'll call the question. All in favour? Again that one's carried.

The third recommendation is on page 50. It reads:

> We recommend that the Public Employees Benefits Agency report monthly to participating employers the amount of surplus or deficit relating to enhanced dental benefits.

Again Mr. Prebble has a motion.

Mr. Prebble: — I'll move concurrence of the motion, Mr. Chair, and note compliance.

The Chair: — Again a motion to concur and note compliance. Any discussion of this motion? All right. We'll call the question. All in favour? This one too is carried.

And the final recommendation is on page 52. Recommendation 4 reads:

> We recommend that the Municipal Employees Pension Commission have a written, tested, and approved disaster recovery plan.

Is there a motion? Mr. Prebble.

Mr. Prebble: — I will move concurrence, Mr. Chair, and note progress.

The Chair: — This time a motion to concur and note progress, is there discussion of the motion? Seeing none, we call the question. All in favour? That one too is carried unanimously.

That brings us to the conclusion of this item on the agenda. We continue though with Finance as the issue. I think given the length of the day we've had thus far that it might be wise to take a five-minute body break, with the agreement of members, so long as we're back here promptly in five minutes so that we can attempt to conclude the day on time. So we will recess until . . . we'll say 10 after 3 and resume again promptly.

[The committee recessed for a period of time.]

Financial Status of Pensions

The Chair: — All right ladies and gentlemen. We will recommence our committee meeting. We are at the second-last item on our agenda for this afternoon — financial status of pensions. I know we've all been waiting with eager anticipation for this item on the agenda to occur. It is highlighted by chapter 13 of the 2006 report volume 3 by the Provincial Auditor. I will ask Mr. Deis to give us a summary of that chapter and then again, Mr. Matthies, if you care to respond and then we'll go to questions. Mr. Deis.

Mr. Deis: — Okay. Thank you and good afternoon again, Mr. Chair, and members. The chapter begins on page 319 of the report.

In 2001, the Department of Finance prepared a report and presentation for your committee outlining a plan to address the government's pension debt. The report indicated the government did not need to do anything. The 2001 report used four measures to arrive at its conclusion. It examined, one, future payments required for the teachers' and the public service pension plan. Two, it compared these payments to future revenues. Three, it evaluated total government debt, and four, it considered future affordability.

In the chapter we compared the actual results over the last five years to the department's projections from 2001. Our work is not an audit. The department expected the government's future cash flow needs for the teachers' and the public service pension plans would peak at about $396 million in 2025. The current information shows relatively the same trend as in 2001. The future payments are now expected to peak around 2018 at about $401 million.

To assess the affordability of the 2001 report, it looked at the pension payments for the teachers' and public service plans as a percentage of GRF debt. In 2001 the department expected the payments would not exceed 4 per cent of GRF revenues. They expected in 2006 the pension payments would be about 2.4 per cent of GRF revenues. The department's projections for 2006 have proven to be correct. The pension payments for the teachers' and the public service plans equalled 2.4 per cent of GRF revenues in 2006.

The 2001 report also looked at total government debt, and the department said that it made little sense to reduce pension debt by increasing other GRF debt. The report also indicated that the government was committed to balanced budgets and surpluses which will reduce total GRF debt including pension debt over time.

The GRF financial statements do not record pension debt. As a result, the GRF financial statements are not useful to measure performance on reducing overall debt. We reserved our audit opinion on the GRF financial statements because it did not record pension debt. The government's summary financial statements provide complete financial information, and using debt recorded in the summary financial statements would be a better measure to demonstrate the debt retirement plan.

Graph 8 on page 327 shows the total debt of the government. The graph shows the debt has declined slightly over the last six years. The total debt includes amounts due to creditors, including members of pension plans, bondholders, and suppliers.

Finally, to assess the future affordability, the 2001 report compared total debt to the state of the economy — that is, gross domestic product or GDP.

Graph 9 shows that the government is better able to afford its debt in 2006 than it was in 2000. The government's net debt has decreased from 28 per cent of GDP in 2000 to about 18 per cent of GDP in 2006.

In summary, our study shows that most of the government's 2001 projections compare well to the actual financial and economic performance. However the government needs to continue to monitor cash flows carefully to manage its debt including its pension debt. And that concludes my overview.

The Chair: — Thank you very much, Mr. Deis. We've been flirting around this issue, skirting around the issue several times a day, but now we can get to the heart of it. I just have one question for you, Mr. Deis, before I give the floor to Mr. Matthies. You make no recommendations in this chapter. Is that because it's not an audit and outside your mandate, or is it simply because there was nothing that came across your desk that you felt was worthy of a recommendation?

Mr. Deis: — No, it's not whether it's a matter of whether it's an audit or not. It's because it was just information that had been presented to your committee a number of years ago, and it's not readily made available in a summarized format. So we thought it would be somewhat timely, you know, five or six years later, to bring that information back for your further consideration.

The Chair: — All right. Thank you very much for that clarification. Mr. Matthies.

Mr. Matthies: — Thank you, Mr. Chairman. I think, you know, the conclusion of the auditor that the government is better able to afford its debt in '06 than it was in 2000 is a good message for all of us. You know, I guess my reflections on this piece is I think, you know, the first tough decision I think that government made was back in '77 and '80 when it moved to close these existing plans because that is sort of the decision that helped to sort of stem the rate of increase of the unfunded liability pieces. So those were sort of the critical decisions at that point, and what we've been doing since that time is managing the cash flow pieces.

So I think it's encouraging to see the conclusions of the auditor's report in this position. As we discussed earlier, the government in taking a balanced approach with a focus around debt reduction is significant in terms of, you know, leading to conclusions of increased ability to manage this. Obviously that also goes hand in hand with the strength of the economy itself and the performance that we've seen there.

And so we will continue to see in the next few years a rising level of cash costs that we will face out of the GRF. And that will continue up until approximately, I think, 2018 or so, as was noted in the auditor's report. And then it will start to fall off after that again.

The Chair: — All right. Thank you. We will open for questions. Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. It is an interesting couple of graphs here. And I think the deputy is right, that decisions were made that were fruitful for the finances of the province dating back to the time when they decided to close these funds down because I've heard it said that this is a ticking time bomb here for many, many reasons. And certainly when you look at the graphs, you can see that.

Can you take us through just the differences that have happened between 2001 and the graph 3? And in today's situation it looks like the teachers' superannuation plan has changed significantly, and the public service superannuation plan has stayed relatively the same. So if you can take some time to just walk us through what has happened.

Mr. Matthies: — Thank you, Mr. Chair. Mr. Smith and I will just collaborate for a moment here. Mr. Chairman, the main difference obviously between the graph 2 and the graph 3 deals with the timing of our cash flows. And you know, one of the things that we saw is . . . especially as it relates to teachers because we pay as we go. And so the way the government is managing these programs is when for example teachers retire, right now people that are still working, their contribution towards their pension piece is moved across into sort of the retirement annuity area, and then those dollars are used to pay out pensions for all the retired pieces. And then the government will kick in any shortfall that we have.

What we're seeing here is we're seeing really, I think, some changes over time from previous expectations in terms of when people will be retiring because really that's what sort of drives the cash flow. So if people are choosing to retire early for example, then it's going to cost us cash a lot earlier because we'll be paying it out sooner than what we might have been assuming on previous occasions. So we're seeing some shift there. And it's about a seven-year piece that is significant to us because we have to manage the cash accordingly, and so we are very cognizant of that.

Right now we are looking at about a $400 million difference between the accrued service costs, if you will, for the people that are still working versus the cash payouts that we're making to annuitants. We're looking at that level will continue for the next three or four years type of thing, and then we'll see some significant fall off because we seem to have a bit of a, I guess, a demographic hump, I might describe it, in terms of the age of our professionals in the teachers' area in particular, or a couple of humps actually if you notice the chart on graph 3. So as we sort of move through these changing demographic and people's desires about when they're going to retire, you know, it will impact our cash flows. I'll leave it at that.

Mr. Cheveldayoff: — Thank you. So what we've seen in the 2001 to 2007 period is a movement to the left of the graph of the peak period. So I mean in six years we've seen the peak move back about seven years, from 2025 to 2018. So if that trend continues in the next few years, we could see that peak . . . Well I guess my question to you is, do you see that trend continuing, and do you see that peak maybe coming sooner than 2018, maybe in the 2012 type . . . if that trend continues?

Mr. Smith: — Mr. Chairman, I think both of these graphs were trying to predict the future, and so I think the biggest conceptual issue is that they are both very, very similar. But you're correct, Mr. Chairman. If the retirements increase, we could see the peak move higher earlier, and it's all driven by the demographics of when people retire. So both of these charts from graph no. 2 and graph no. 3 are based on the actuaries' assumptions of when people retire.

I think there has been some change between 2001 and 2007 in terms of when they will retire, so that's why it's moved ahead. But from a big-picture perspective, they're very, very similar pictures. If you cut off on graph 2, 2000 to 2007, the shape is generally the same shape. But you're right. If the retirements do increase, we could see a higher peak and sooner.

Mr. Matthies: — I think, Mr. Chairman . . . Mr. Chairman, I think it's fair to say that we're on the verge of the hill anyway. I mean . . . Or the mountain. You know, we're just about there. So the room, if I might describe it that, for further significant shifts is tight. I think we're pretty much nearing the point where we know that our cash outflows are going to start to . . . you know, they're going up for the next several years. And that's been our expectation.

Mr. Cheveldayoff: — Thank you. Just for my own information, the question was asked about mortality rates and the effect that they would have on these graphs. What other assumptions would come into play or what other aspects should we be aware of when we look at these graphs?

Mr. Smith: — These graphs are really not affected much by any of the actuarial assumptions. The actuarial liability calculation, there are several dimensions used — a salary increase rate, rate of inflation, discount rate, mortality rate, disability rate, the percentage of people who are married. The cash flows are driven primarily by salary increases and the percentage that are married, really, which the percentage that are married is a very, very small and not material assumption.

So the cash flows, the actual assumptions definitely drive a lot of information in the cash flows. The actual assumptions definitely have a huge impact on the actuarial liability of the pension plan. But the actual cash flows themselves, there isn't much that will change that will make an impact on that other than salary increases. If salary increases were significant, you will have higher pensions payable when they retire.

Mr. Cheveldayoff: — Thank you. Follow-up question. This was presented to the Public Accounts in 2001. From a policy perspective, does the Department of Finance see any changes that have been made or need to be made, or what is the process of review since '01 to now regarding this?

Mr. Matthies: — Mr. Chairman, the pension plans undergo a normal, periodic, actuarial revaluation to make sure that we are adequately quantifying the amount of the liability, and so as Mr. Smith was indicating, things like the mortality, investment returns, salary increases, those sort of things all come into play.

The fact that these are closed plans though — so we're no longer taking in additional employees into these plans, and the terms of the pension programs are basically shut — so there wouldn't be a lot of other enhancements or other sort of things to take note of other than sort of managing the changes over time.

Now what we've seen in the past year is the government has moved to provide an indexing factor of 70 per cent of CPI [consumer price index] on some of the old pension plans, so that will have an ongoing impact in terms of the cash flows and those sort of things. But generally speaking we're not seeing, you know, because these are closed plans with no new entrants, there's not a lot of change year to year per se.

Mr. Cheveldayoff: — Thank you for that. Has there been any discussion regarding tightening up the timeline a bit? The period that was suggested back in '01 was a 50- to 60-year period. Has Finance looked at tightening that period up? Granted that's a long time, a lifetime almost, and it seems to be working. But I'm just interested to hear if there's any discussions on tightening that up.

Mr. Matthies: — Well there's two things that come to mind. The first one of course is that what we're talking about is a pension plan where we're paying out benefits to retirees and then ultimately to their beneficiary — their spouse for example — if they predecease so that the cash flow stream will endure for as long as the individuals live. That's kind of the first piece.

The second piece is the debate about would the government at some point seek to apply debt or cash to reduce the unfunded amount, you know, sort of prepay or start making payments? What we've chosen to do to this point is to say, you know, there's debt. There's debt whether it's for example a bond or whatever that we owe or whether it's the unfunded pension liability. The important piece to government is to make progress on the aggregate level of debt.

So what we have done is rather than go out and sort of, you know, borrow $4 billion in the marketplace to put a fund together for these amounts, we've just said let's pay down debt. We'll manage the cash flows. And that's the approach that the government has taken.

Mr. Cheveldayoff: — Thank you. Earlier today we heard from the Department of Learning and about their unfunded liability, about $3.1 billion, with a debt of 4.8 billion and assets, I believe, of 1.7 billion. And they commented on how they were managing the assets that they have in a very favourable manner and that they saw it as a way to help them with their long-term debt.

I realize that it's a different situation for the Department of Finance, and so that's just the reasoning for my questions in that regard. Thank you, Mr. Chair. I think that concludes my questions.

The Chair: — All right. I haven't seen anyone else acknowledge they want to ask a question. The Chair has to confess that he has a wild imagination, and I've been looking at these two graphs, 2 and 3, on page 323. And I realize this isn't the case, but it looks like that first one — the black and white one — is just somebody sort of doodled that top line. But then it looks like, as we got closer to realizing when the peak was going to occur, that suddenly that, you know, we have the sharp increase around 2009 and it tails off to about 2027. But what intrigues me is suddenly it takes a shot up to about 2030 and then seems to follow the line back on the, you know, similar line to that first graph.

It almost look likes someone calculated, you know, the next 20 or so years and then just said, well we don't know beyond that so we'll just draw a line up to where we were on that first graph and assume that's what happens. I don't think that is the case, but I am curious as to why at 2027 that suddenly there's a straight line back up to $350 million, and then it follows a gradual path down. Can you explain that?

Mr. Smith: — Mr. Chairman, I can try. The collective agreement from 1992-94 created the current funding arrangements in the teachers superannuation and disability Act, so these calculations all follow the Act.

In that agreement . . . And the change in the Act says that the assets of the plan will be used by 2030. And so it's a quirk of . . . The Act says that the remaining assets after the last teacher has retired, there's still some money there, it'll be used to reduce the pension payments payable from the General Revenue Fund until 2030. So at 2030 there are no assets left to subsidize the pension payments, and that's why there's a small spike at 2030. If that wasn't in the Act, I think there would be a straight line between the two peaks, and so you wouldn't see the imagination or creativity of . . . This is not a creativity; this is actual, following the legislation. And so I think if the legislation didn't say that, you would see a straight line between those two peaks.

The Chair: — Mr. Smith that sounds so good, I believe you. All right. I believe there are no further . . . Oh, one more question. Mr. Chisholm, I'm sorry. I didn't see you.

Mr. Chisholm: — A quick question. The changes in mandatory retirement, did that make any effect that you would have noticed or in the payouts of the pensions?

Mr. Matthies: — The change in mandatory retirement comes into play this coming fall, so it's, you know, we'll sort of be waiting to see what happens. If people continue to, you know, work longer than they might other, you may see some minor shifting. But it's my sense that, you know, the number of employees that are still active in the plans is a much smaller proportion than the total number of members in the plan. So your room for significant shifting is probably more limited.

Mr. Chisholm: — Okay. Thank you.

Public Plans and Annual Report Assessments

The Chair: — All right. I believe we've concluded chapter 13 which brings us to the final item on our agenda, chapter 14 of the 2006 report volume 3, public plans and annual report assessments. The person from the auditor's office who will refresh our memory on this chapter is Rosemarie Volk, principal. Rosemary, we welcome you back to the table and ask you to give your summary of the chapter, please.

Ms. Volk: — Okay, thank you, Mr. Chair. We report, in chapter 14, we're providing the 2005-2006 public plans and annual reports of 15 Crown agencies that report to Treasury Board. In 2003 the Department of Finance established guidelines for preparing public plans and annual reports for all departments and Treasury Board Crown corporations. The guidelines contained a four-year implementation schedule that recognized an improved public reporting takes time and resources. For example, reporting on key risks, costs of activities, capacity, and performance targets are not required for several years.

We assessed the public plans and annual reports of 13 departments and two Crown agencies for the year ended March 31, 2006. We found that the departments generally have met the content requirements of the Department of Finance's reporting guidelines. We note that the annual reports have improved from prior years, and the reports now contain more and better performance information. This information enhances the public accountability of these agencies. We also note that the government does not require the Department of Executive Council and the Board of Internal Economy to publish performance plans and annual reports, and we think these agencies should publish these documents to improve their accountability to the public.

The Chair: — All right. Thank you very much for that. Mr. Matthies, do you care to respond?

Mr. Matthies: — Thank you, Mr. Chairman. I think I would just sort of make a couple of general comments. First of all we're pleased with the progress in terms of departmental support to improve the performance reporting that we do. We think the benchmarking and targets that are set are very important to help us assess from a resource allocation side of things, from the government's side and from, sort of, public accountability.

The other couple comments that I would make is we are working to do more around the risk mitigation and risk management strategies into the future. We are taking a posture of working with, I think, about five or so departments to increase their reporting in that regard for the next time around. And then based on their experiences, we expect to sort of roll that to other departments into the future.

The other piece that I would offer is that we have met with Executive Council, and we have their agreement to start reporting and developing sort of a performance reporting plan for the Department of Executive Council. So that is something that they are working on.

The Chair: — Okay. Thank you very much, Mr. Matthies. This is an area that I have grown some interest in. Have you, Mr. Matthies, have you done any comparison between how the Province of Saskatchewan reports vis-à-vis other provinces? I know that there is a growing demand for performance measurement. It has certainly been recommended by the Canadian Comprehensive Auditing Foundation as the direction that needs to be undertaken.

I know that other provinces have rolling targets where they will have a three-year plan rather than a one-year plan, and once the first year is completed then, you know, then they'll add another year on three years hence. Has the department looked at increasing or improving its reporting mechanism as it regards those two areas.

Mr. Matthies: — I think, Mr. Chair, I'll make some preliminary comments, and then I'll ask Raelynn Douglas, who's beside me, to make some additional comments.

My observation as I've talked to some of my counterparts across the country is sort of similar to the management discussion and analysis piece on public accounts that we talked about earlier. There's a wide disparity across the country in terms of what's out there. Matter of fact, it seems to me when I was talking with some Alberta counterparts just a couple of years back even, they had started — if I might describe —more gung-ho, realised that they were running into some problems, and they had to sort of retrench back a little bit.

And so we're seeing . . . I think where provinces, we tend to look over each other's shoulders and how are you doing it and what are your problems and what are the pitfalls I should avoid, and so we collectively are moving forward. But it's sort of, you know, we're all in a little bit in a different spot on that because we're trying out new ideas and quite frankly gaining from somebody else's experience. I was going to say cheating off others perhaps, but maybe cheating isn't the right way to characterize it. And I'll just turn to Raelynn if there's further comments. Maybe that might be appropriate.

Ms. Douglas: — I don't have many things to add, but I would concur that that is definitely the approach. We're working with other provinces all the time trying to establish best practises and roll it out as we build capacity in Saskatchewan.

We're also working with the CCF [Centenary Capital Fund] quite closely to learn from their experiences and what they recommend. They're working on a pilot project right now to improve public reporting, and they asked us, actually asked us if we would like to be involved in the pilot. So we're watching that very carefully and want to learn from their best practices for public reporting.

All departments I think are more successfully working within the system, and it's encouraging to see departments coming forward every year to say we want to work on this; we want to improve on that. Risk management is an area where we think the system is definitely ready to move forward, so I think that's an encouraging sign. So we're going to be working to build capacity in that area and try to advance that into the performance plans over the coming years.

The Chair: — My second question, Mr. Matthies, in light of the fact that Executive Council is going to improve on its reporting mechanism, does that mean that the auditor will be auditing Executive Council and there will be a chapter in the book that would come before Public Accounts in the future? Is that the path you're travelling down?

Ms. Douglas: — We choose a sample of 15 departments or so every year to monitor, so I'm not sure if they would include Executive Council right away or if you'd give them a few years to get comfortable with the process. But they'd be certainly working within our content requirements, so we'd be guiding them to meet the auditor's expectations. When the auditor does their detailed assessments of each department and their performance plan and annual report, we use that information to work with them in the following year to try to work towards those suggestions. So all of the work that you do for those 15 departments benefits all of the departments across executive government.

The Chair: — Okay. And I just throw out a comment from my colleagues sitting around the table. Early in my term as Chair of this committee, the chapter on the Board of Internal Economy was in one of the auditor's reports. It was determined by this committee — it wasn't an unanimous decision — but it was determined that this committee would not review the Board of Internal Economy. My understanding is that the current practice is that when the auditor does an evaluation of the board, the board basically sends a letter to the auditor saying thank you for that. We appreciate the audit, and there's no further action taken.

I'm not sure if it's within the purview of this committee to recommend that the Board of Internal Economy undergo, you know, at least one meeting a year similar to . . . or at least one meeting after every auditor's report that audits the committee. Perhaps that's not our jurisdiction, but it seems to me that somewhere down the road, there would be people that wish there had been a better scrutiny process for the Board of Internal Economy.

And you know, as one committee, we can't tell another committee what to do I guess, but I would . . . You know, I guess we could recommend or take some actions that suggest that if they don't want to do it, we would do it. But they could do it themselves as well. I just throw that out for you to think about. You may want to comment on that before the meeting adjourns today. I'll open up the floor to questions by members. Mr. Cheveldayoff.

Mr. Cheveldayoff: — Just a couple of very brief questions or a couple of comments I guess. It's good to hear the risk management and risk mitigation is certainly a priority. I know when I meet with the University of Saskatchewan and Saskatoon health association, that they invariably bring up that that is a priority for them and that's what they're doing at that level. So it's good to see that it's happening at the top.

Also there's a comment regarding . . . Finance intends to include disclosure requirements concerning capacity considerations in public plans. Is this happening right now?

Ms. Douglas: — We intend that the performance plans and the budgets work together, so it's jointly they identify the capacity that the department has to deliver on its programs. I think the auditor would like us to have more information on capacity written right within the performance plans. So we're looking at different models to see how that can be achieved. But essentially we feel that the budget documents provide the capacity at this point in time, but there's always room for improvement.

Mr. Cheveldayoff: — Thank you. Question regarding external factors that may impede the performance of a department, are you asking departments now to examine major external factors to report on them and make it part of their annual reports?

Ms. Douglas: — Part of their performance plans more so, I think. As part of the budget process, we ask for detailed environmental scans that come in the summer, which is a scanning of external and internal trends, things that are unique to the department and sort of broad demographic issues. So that informs . . . Part of the development is to keep part of the internal decision making and the knowledge development within the departments of Finance and Executive Council. That gets condensed down into a summary form as far as the trends and issues go in the performance plan. So you don't see as much detail in the public reports as we would see internally.

Mr. Cheveldayoff: — Okay. I think that concludes my questioning, Mr. Chair. Thank you to the deputy and his officials.

The Chair: — Are there any other questions? There are no recommendations in this chapter. Seeing none, I think that brings us to a conclusion unless somebody did want to comment on my random thoughts. If not, we will thank you for taking two beautiful days out of summer to look after the affairs of the province through scrutiny and the public accounts process.

I want to thank you, Mr. Matthies, and your colleagues for appearing for a number of sessions this afternoon. We appreciate your co-operation. I want to thank the Provincial Auditor's office for, I think, trooping half of their staff through here in the last two days to very expertly provide analysis of their work. I want to thank the comptrollers for their involvement. We actually got you a little more involved than we do sometimes and thank you for that. I particularly want to thank Clerk Woods for organizing and making sure everything flowed smoothly.

And, colleagues, I wish you a good summer and whether or not we see you in the fall depends on someone else. So I declare this meeting adjourned.

[The committee adjourned at 15:44.]