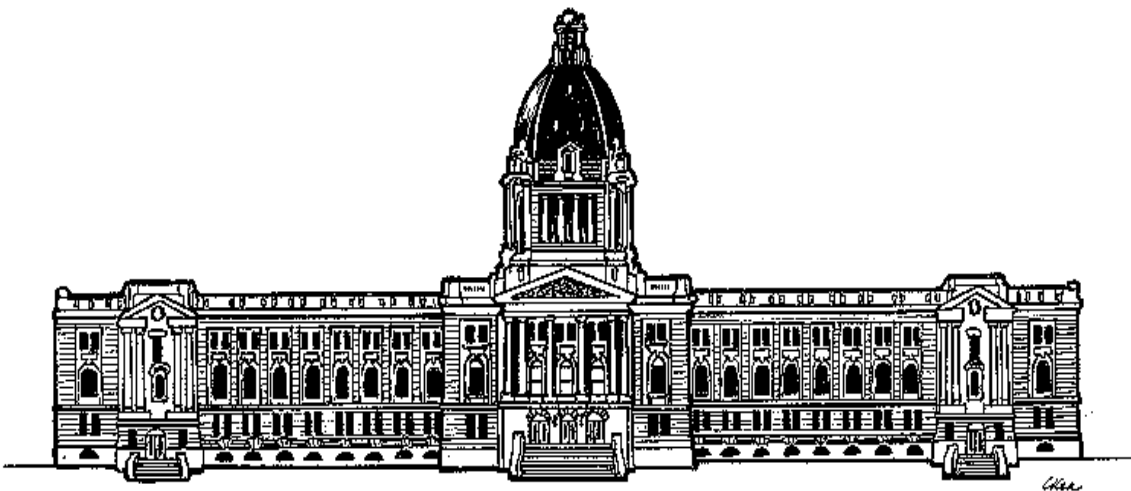




# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**Hansard Verbatim Report**

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**Legislative Assembly of Saskatchewan**

**Twenty-sixth Legislature**

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr. Harry Van Mulligen, Chair  
Regina Douglas Park

Mr. Warren Michelson, Deputy Chair  
Moose Jaw North

Mr. Fred Bradshaw  
Carrot River Valley

Mr. Michael Chisholm  
Cut Knife-Turtleford

Mr. Jeremy Harrison  
Meadow Lake

Mr. John Nilson  
Regina Lakeview

Mr. Jim Reiter  
Rosetown-Elrose

[The committee met at 09:30.]

### Business and Financial Plan of the Provincial Auditor

**The Chair:** — Good morning, everyone. The business before the Assembly is the business and financial plan of the Provincial Auditor. And for those that are following the proceedings, you can review a written copy of the *Hansard*, the verbatim of the committee, and also view the video proceedings at [www.legassembly.sk.ca](http://www.legassembly.sk.ca) and find the appropriate links to the committee.

For the auditor's report, the business and financial plans, and also other reports of the Provincial Auditor that we will be referencing later in our proceedings, I would encourage people to go to [www.auditor.sk.ca](http://www.auditor.sk.ca).

And with that I want to welcome Mr. Wendel, who's now in the witness seat, to lead us through the business and financial plan of the Provincial Auditor.

**Mr. Wendel:** — Well thank you, Mr. Chairman. With me today I have Brian Atkinson on my right, Angèle Borys on my left. And behind me I have Heather Tomlin and Sandy Walker. And over there Kim Lowe, who attends all your meetings.

I have a brief presentation if that's acceptable to you. Well thank you for the opportunity to present our *Business and Financial Plan* for 2010. We tabled this plan, as we usually do, in November.

We prepare and table a comprehensive plan to build support for our work from all members of the Legislative Assembly. This allows members the opportunity to advise you on the relevance or planned work before you review our plan.

I'll keep my presentation short. First I will briefly review the contents of the business and financial plan. The plan has five parts. I will provide details of the first part of the plan which is our funding request that appears on pages 5 to 7 at the end of my presentation.

The second part of our plan starts at page 8 and sets out what we plan to do and what it will cost to carry out the plan.

We discuss the forces and trends that affect our work plan and where we plan to focus our efforts. We explain our key risks and our risk management processes. We set out the indicators that we use to measure our success. For comparison we also set out our financial proposal for this year, next year, and the previous three years.

In this part we also talk about our employees. The knowledge, skills, and abilities of our employees determine how well we can serve the Assembly. We have about 58 employees organized into five groups. About 30 of our employees are professional accountants and about 20 of our employees are training to become professional accountants. The average age of our employees is 39, and about 60 per cent of our employees are women.

The third part of our plan begins on page 25 in the part called

supporting reports and schedules. It provides detailed financial information and work plans for several years. This part also contains our strategic plan for 2009 to 2011.

The fourth part of our plan begins at page 63 in the part called other information. It provides answers to questions asked by other legislative committees.

The final part of our plan is an appendix that begins on page 71. In the appendix, we provide the recommended estimates for our office. Under *The Provincial Auditor Act*, we are to present our estimates in the format that this committee recommends. This provision is intended to ensure that the estimates format for the entire legislative branch of government is consistent. This year we used the same format as the 2008-2009 estimates.

Under the Act, the committee can approve the estimates that we present or change them. After the committee decides our resources, the committee is then to send the approved estimates to the Speaker. From there the committee's approved estimates for our office are included in the government's 2009 to 2010 estimates presented to the Assembly.

Before I discuss our actual request for resources, I want to make the following remarks. Legislators need relevant and reliable information to assess our request for resources. We prepare our business and financial plan using the reporting principles recommended by the Canadian Institute of Chartered Accountants.

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

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

Legislators also need to know whether our request for resources is reasonable to carry out our work plan. On page 27 of our *Business and Financial Plan* is a report from the auditor the committee appointed to audit our office. The auditor gives you assurance that our request for resources is reasonable to carry out our work plan.

Now I'll talk about our request for resources. Page 5, 6, and 7 are a summary of the request. As in previous years, we are requesting two appropriations. The first appropriation is for auditing government agencies during the 2010 fiscal year. It is based on what we know at October 31, 2008 about the number of government agencies, the state of their records, and the existing professional standards. For our first appropriation we are requesting \$6,985,000 for the year ended March 31, 2010. This request is \$308,000 more than last year and is a 4.6 per cent increase. We explain on pages 5 and 6 the factors that increase our cost for 2010. The major factors are salary increases and new government agencies that we have to audit.

The government will give a 4.5 per cent salary increase to all

public servants on April 1, 2009. We plan to do the same. This decision will cost \$238,000 for our office, which is about 77 per cent of the \$308,000 increase. We also had to respond to market pressures to hire new staff from the two universities this fall. This market pressure increased our costs by about \$40,000, which is about 13 per cent of the \$308,000 increase. The rest of the \$308,000 increase is caused by the new government agencies that we have to audit. We also faced increased costs resulting for more work we have to do at each government agency because of changing audit standards and changing financial reporting standards. The law requires us to follow those standards.

I expect the trend to more rigorous audit standards requiring more audit work to continue. The new auditing standards are caused by the collapse of major companies such as Enron and Worldcom — and now with the collapse of some banks I'm not sure where the standards will go for auditing, but they may change even more.

As well, some government agencies will have to begin to follow international reporting standards. Next year these changes will cause us a lot more work. We estimate at this time these changes will increase our costs for 2010 by nearly \$180,000. This extra cost is offset in 2010 by the government's decision to use an appointed auditor to audit the Saskatchewan Gaming Corporation and the Saskatchewan Indian Gaming Authority for 2010.

The new auditing and accounting standards have also caused a shortage of professional accountants and people training to become professional accountants. Market forces are increasing salaries for these people. I want to point out that we are experiencing the same problems as private sector auditors that audit government agencies. These problems have caused private sector auditors to increase the fees they charge government agencies. We note in our business and financial plan that the audit fees paid by six of the largest Crown agencies increased by 21 per cent since last year. However we cannot reliably estimate how much these new standards will increase shortage of accountants and cause further increases to salary and benefits for accountants; consequently we have not asked for additional resources for future increased salary costs, except those that I mentioned earlier. We'll use our contingency appropriation if the new audit and financial reporting standards causes a shortfall in resources for 2010.

Our second appropriation is a contingency appropriation required by *The Provincial Auditor Act*. The purpose of this appropriation is to provide our office resources to respond to unforeseen expenses such as unplanned work or unplanned salary and benefit increases. In the past we kept net financial assets or received a contingency appropriation equal to about one month's salary for our staff. We are requesting a contingency appropriation of \$463,000 for 2010. For 2009 our contingency appropriation request was \$438,000. These amounts are about one month's salary and benefit expenses. If we use the contingency appropriation during 2010, we'll make a full report on why we used the appropriation and the amount we used in our 2010 annual report.

We expect that we'll use our entire 2009 regular appropriation, and \$46,000 of our 2009 contingency appropriation. As I

explained to this committee last year, we planned to use our contingency appropriation if we incurred a shortfall. We needed to use the contingency appropriation for unforeseen expenses such as new government agencies created during the year that we had to audit.

In closing, for the last 13 years legislative committees have supported our office's request for resources and recommended the amount that we requested to carry out our work plan. The committee support has allowed us to discharge our duties to the Assembly. And that ends my presentation, and I'd be pleased to try and answer any questions you may have.

**The Chair:** — Questions. Are there any questions? Mr. Nilson.

**Mr. Nilson:** — On page 38 you list government agencies created and wound up. Can you explain these ones that have been created or why they now are requiring work? Here I'm just looking at the labour market agreement. Is that something that has just taken more work but you used to do it anyway, or is it something brand new?

**Mr. Wendel:** — Something new.

**Mr. Nilson:** — That's new. And what about the teachers' plans?

**Mr. Wendel:** — I think those existed, but they didn't ever prepare financial statements like they should and bring them forward to the Assembly, and they're going to begin to do that.

**Mr. Nilson:** — Okay. And then the next one, the Government Growth Fund. Are those all new corporations, or what is that?

**Mr. Wendel:** — Those would be new agencies we have to do some work on, but it's very minimal. It would just be to make sure that we go and find out if they had any activity, if they had nothing. And \$100 is essentially one person going out for an hour as, you know, as a professional that's an hour or two and that's it.

**Mr. Nilson:** — And then the ones that are wound up, SaskPen Properties, you're ignoring them completely. Is that the perspective?

**Mr. Wendel:** — That's been an outstanding issue with government for many years. We reported that we were not able to audit them because we were denied access to SaskPen Properties, and I think it was last year or 18 months ago they sold the shares that the government agencies owned. They were no longer controlled by the pension plans and so on, so we no longer have to audit them. But we always just kept one hour or an hour and a half in the job to keep it alive. And we're taking it off the list.

**Mr. Nilson:** — Okay, thank you.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — Just a comment that you indicated in the last 13 years that whatever you kind of put forward just kind of automatically went through. So I just thought, you know, we're dealing with a new government here and I just thought I would

let you know that things aren't the way they always were.

**The Chair:** — Summing it up, I think it fair to say that the increases that you're projecting mirror the increases generally in government for salaries and other inflation. That in terms of additional activity during the year, expanding scope and so on, simply reflects a decision by the government to increase your office's involvement with respect to Saskatchewan gaming authority and . . . Which was it? They asked you last year to, yes, the Saskatchewan Indian Gaming Authority. Oh no, it decreases your costs in the . . . Sorry about that. Decreases your costs. Where is the expansion in this year's budget then in terms of your activity?

**Mr. Wendel:** — Well the first expansion was the general salary increases that the public service is going to get on April 1, 2009. We're going to match that to keep our employees. That's our biggest cost.

The other big increase in our cost is the move to international financial reporting standards for major government agencies, and that's going to require a great deal of work. Everybody's working very hard to try and get up to speed and to comply with the new standards. We were guessing that's going to cost us about \$180,000, and that's offset because the government decided to move Saskatchewan Indian Gaming Authority and Saskatchewan Gaming Corporation to an appointed auditor situation, at which point the amount of our work decreases. We're still there, we're still working there, but we do less work.

[09:45]

**The Chair:** — Okay. So in many ways it can be seen as a status quo budget in terms of the total amount.

**Mr. Wendel:** — That would be correct, Mr. Chair. But in not . . . no new scope, other than we're trying to move to the international reporting standards as everybody else is.

**The Chair:** — Any further questions? Mr. Chisholm.

**Mr. Chisholm:** — What is your timing requirement to . . . If we were to decide today to just table this so that we have an opportunity to . . . Would that be acceptable? I'm just throwing it out.

**Mr. Wendel:** — That's the decision of this committee. I think there's a . . . The only timing I'm aware of is you have to have it to the Speaker and Treasury Board by a certain date, and I don't know what date that would be. They don't confide in me on those dates.

**Mr. Chisholm:** — Right. Thank you.

**The Chair:** — Any further questions? If not then I would . . . Mr. Michelson.

**Mr. Michelson:** — I was just going to make a motion that we table this upon discussions with Finance.

**The Chair:** — I think we need some specific motions that . . . All right. Mr. Michelson, your motion is to . . .

**Mr. Michelson:** — To table this report until we . . .

**Mr. Nilson:** — Can I ask a question?

**The Chair:** — Yes. Sorry. Go ahead.

**Mr. Nilson:** — The timeline involved here, I still don't have it clear as to when the Legislative Assembly's budget is to be approved. I know from the processes that the provincial budget is right now in the process of being put together, and so if we table it, how many . . . is it a month from now or two? You know, because I think we may have missed some of the time deadlines for this particular budget if we don't deal with it now.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — I would like to table it for a month anyway, just to further converse with the Ministry of Finance, where they're at.

**Mr. Nilson:** — I have a suggestion. Why don't we table it until tomorrow. That will give you a chance to find out if in fact tabling it for a month would cause difficulties for the Finance department, because that's exactly what I'm concerned about is that they like to have finalized the budgets in December because they're working on it right now. So my suggestion, we would table it till tomorrow.

**Mr. Michelson:** — Okay. That's probably a good suggestion. Thanks.

**The Chair:** — If it's helpful, I can share with you a letter I just received from the Minister of Finance which indicates that ministries were directed to limit inflationary pressures to no more than 4.5 per cent, and so I think the auditor's proposal is consistent with that. But if you want to move that we table it until tomorrow . . . Mr. Michelson?

**Mr. Michelson:** — Yes please.

**The Chair:** — Okay. So moved by Mr. Michelson that this request be tabled until tomorrow. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Thank you very much. We're recessed for 10 minutes, pending the arrival of our next ministry.

[The committee recessed for a period of time.]

### First Nations and Métis Relations

**The Chair:** — We are joined by the Ministry of First Nations and Métis Relations to consider chapter 8 of the Provincial Auditor's report, and again for those wishing to access the 2008 report volume 3, they can do so by going to [www.auditor.sk.ca](http://www.auditor.sk.ca). At this point I would ask the deputy minister, Ron Crowe, to introduce his officials and then we'll go back to the Provincial Auditor for his comments.

**Mr. Crowe:** — Thank you very much, Mr. Chair. I'd like to introduce my officials: John Reid who is the acting assistant deputy minister; Kerry Gray who is our director of finance,

accountability, and corporate services; and we have with us, joining with us this morning is Anita Jones, the executive director of northern economic programs and policies.

**The Chair:** — Thank you very much. Mr. Heffernan.

**Mr. Heffernan:** — Thank you, Mr. Chair. Members, if you turn to page 127, our first report relates to the Northern Development Fund loan program. Under this program, the ministry approves grants and loans to persons in northern Saskatchewan for economic development.

[10:00]

In 2007 we recommended that the ministry document and communicate to its employees its processes to administer its loan and grant programs. During this year, management developed draft processes, but has not finalized the processes as yet. So we continue to recommend that the ministry document and communicate to the employees its process to administer its loan and grant programs. In January of this year, your committee agreed with our recommendation.

We found that the ministry needs to better monitor spending by the First Nations Trust to ensure money the ministry provides is spent as required by law. Under the 2002 Gaming Framework Agreement between the government and the Federation of Saskatchewan Indian Nations, the ministry provides the First Nations Trust with money that must be spent only for certain purposes to improve the economic and social lives of First Nations people.

During the year, the ministry provided 35.5 million to the trust. Under the framework agreement, the trustees are required to provide the ministry with certain audited information each year. The ministry needs this information to determine whether money it provided to the First Nations is safeguarded and spent for the purposes intended.

The ministry has not received an independent auditor's report from the trust on whether the money received by the trust has been fully accounted for and properly disposed of. So we continue to recommend that the ministry require the First Nations Trust to submit each year an independent auditor's report on whether money received by the trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure in effect the check and receipt and allocation of money received by the trust. In January of this year, your committee agreed with our recommendation.

In 2007 we recommend that the ministry improve its human resource plan. The ministry told us that, due to the government reorganization in November 2007, the ministry was unable to develop a revised human resource plan during the year. So we continue to recommend that the ministry's human resource plan clearly outline gaps in current resources and provide details on plans to implement strategies to meet human resource needs. In January the Public Accounts Committee agreed with our recommendation.

At the end of the chapter, we provide a table that shows an update on a recommendation made by the Public Accounts

Committee that is not yet implemented. The recommendation relates to the need for the ministry to prepare a complete performance plan. That concludes my remarks, Mr. Chair.

**The Chair:** — Mr. Crowe.

**Mr. Crowe:** — Thank you, Mr. Chair. Again, thank you for the opportunity to appear before the committee today to discuss the recommendations contained in the 2008 Provincial Auditor's report volume 3.

The auditor's recommendations relate primarily to the First Nations Trust process for loan and grant programs and the ministry's human resource plan. The Ministry of First Nations and Métis Relations welcomes the Provincial Auditor's recommendations and has already made considerable progress related to these issues. Progress has been made in the area of processes for loan and grant programs specifically related to the Northern Development Fund. Ministry officials have developed policies, and these have been approved and communicated to our staff.

The issue of better monitoring of the First Nations Trust spending is an item that was carried forward from previous years. The ministry does have a number of provisions in place to make sure that casino funds provided to the trust are spent properly.

As you know, the First Nations Trust is administered by the Federation of Saskatchewan Indian Nations. The trust receives a percentage of the profits from provincial casinos as outlined in the gaming framework agreement. The trust in turn distributes these funds to 75 First Nations across the province to be used for purposes outlined in the agreement including economic and social development.

The trust has to provide accountability reports including an audited financial statement to the ministry for us to review and determine compliance. In turn the trust has its own policies and procedures to ensure beneficiary First Nations are spending trust money as intended. This includes the ability to withhold funds from First Nations that do not provide proper reporting to the trust.

Since the First Nations Trust is not a Crown agency, it is not subject to audit by the Provincial Auditor. The trust is audited directly by an appointed auditor. The Provincial Auditor is the direct auditor of the Ministry of First Nations and Métis Relations, and therefore monitors the ministry's efforts in ensuring trust compliance with the requirements of the legislation and agreement.

It should be noted that the ministry continues to make progress in this area. And, as the Provincial Auditor points out, First Nations Trust's external auditor provided both an initial report on compliance for 58 of the 75 beneficiaries and a supplementary report confirming that the remaining 17 beneficiaries were in compliance with the applicable agreement.

It should be noted that historically First Nations Trust has successfully provided the following required accountability report such as: the annual report of the trust, audited financial statements of the trust, auditor's management letter to the trust

and the trust-related response, auditor's report on compliance for use of funds, in addition starting 2008-09, a supplementary report for the previous year where beneficiaries were unable to comply with the previous audit period.

In addition, policies and procedures have been adopted which identify for the beneficiaries the appropriate use of First Nations Trust funds, reporting requirements, and actions for non-compliance which includes withholding of funds.

Ministry officials continue to work with First Nations Trust to obtain confirmation that their internal controls are appropriate. That is, the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the First Nations Trust.

Significant improvements have been made within the trust and within the ministry, and we are continuing to work to meet all the Provincial Auditor's concerns. With respect to the ministry's human resource plan, the Provincial Auditor correctly points out that, due to the merger of the former ministry of Northern Affairs, the Ministry of FNMR [First Nations and Métis Relations], a human resource plan was not completed last year. A committee has been established and is working on completing a plan prior to the current year-end.

As always, Mr. Chair, we welcome the review of the Provincial Auditor. His comments remind us of those areas where we have made improvements and those vulnerable areas in our ministry that need continued attention.

They also serve as a constant reminder that we must be ever diligent, efficient, and effective in handling our responsibilities. And I believe this summarizes the work around here taken in terms of the auditor's report.

Thank you, Mr. Chair, and I welcome your questions.

**The Chair:** — Thank you. Questions? Mr. Michelson.

**Mr. Michelson:** — Yes, Mr. Chair. When I'm looking at the overview of the ministry's finances, the gaming agreement, the estimates were for 36.9 and the actual was 49.4. Just for the record, can you explain why the increase?

**Mr. Crowe:** — Thanks for the question. Just a quick response in summary. We don't receive the forecast for revenues from SIGA [Saskatchewan Indian Gaming Authority Inc.] until March. Our budget process is already full and away in January, and so there is a lag of information and we end up having to accommodate for understatement of revenues, the expected revenues from the casinos.

**Mr. Michelson:** — That's pretty substantial though. Is there something that would have significantly made the difference there? That's on page 126.

**Mr. Crowe:** — The response to that is we would rather be underestimating potential revenues rather than having to claw that back at a future date if we overstated the revenues.

We also weren't aware or . . . I shouldn't say we weren't aware, we also didn't factor in the possibility of the new casino coming

on board and unsure of the kinds of results it would derive. So those kinds of factors have presented the substantial difference, and until we match up our timelines or the institutions match up their timelines, we'll continue to have this lag until we have a certain amount of certainty over the forthcoming year.

We can probably expect that we're not certain about what's going forward in terms of the kind of revenues that will be projected out of the new casino. We will probably . . . I shouldn't say this with certainty, but there is a potential that that potential lag and the difference will occur again in the future. But I can't say that with absolute certainty. What it is, one of the results of under-projecting the revenues — and would rather err on the safe side, err on the side of caution — versus over-projecting and having to claw back resources at a future date.

**Mr. Michelson:** — Is there a comment from the auditor about that one?

**Mr. Heffernan:** — There's a new casino open near Saskatoon and this wouldn't have been in the . . . if they had an early projection, they may not have had that information, so that that would be the difference.

**Mr. Michelson:** — Thank you.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — Yes. Was there not a new gaming agreement where the percentage went from wherever it was, and I don't remember the numbers, but that would have happened during this time period? We're not talking about next year's numbers here. We're talking about last year.

**Mr. Heffernan:** — Yes. The First Nations . . . [inaudible] . . . went to 50 per cent of the profits from 25. And that could be . . .

**Mr. Chisholm:** — It went to 50 from . . .

**Mr. Heffernan:** — It went from . . . used to get 25 per cent of the profits off of the SIGA casinos. Now it gets 50 per cent. So yes, that would be, I guess, a big difference too.

**Mr. Chisholm:** — Yes. Because it's up by 33 per cent, so it's something significant more than I think just the casino.

Supplementary question to that: what was the effective date of that bump from 25 to 50? I'm just trying to think in my own head if this was only for part of a year, does that number again get . . .

**Mr. Heffernan:** — I don't have that with me.

**Mr. Chisholm:** — Okay.

**Mr. Heffernan:** — The minister might know.

**Mr. Crowe:** — I believe it was April 1, 2007. It was. The agreement and percentage was looked at in the year 2007, ratified in September 2007, and it was retroactive to April 2007.

**Mr. Chisholm:** — Okay. So it was ratified in September '07,

and retroactive to April 1, 2007.

**Mr. Crowe:** — That's correct.

**Mr. Chisholm:** — Thank you.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — Also, Mr. Chair, on page 127 when we're talking about the 2007 report for volume 3: "... we recommended that the Ministry document and communicate to employees its processes to administer its loan and grant programs." And it outlines, you know, several steps. I'm thinking this would be basic principles when you're operating loans. I would be surprised if this has to be brought in by the ... suggested by the auditor to make this. Is there any comments in that regard?

**Mr. Crowe:** — Upon reviewing the recommendations, we did an analysis. And we determined that we would follow the auditor's recommendations and ensure that the appropriate procedures were in place and make sure that was communicated. We have since done that.

**Mr. Michelson:** — That has been done?

**Mr. Crowe:** — Yes.

**Mr. Michelson:** — All right. Thank you.

**The Chair:** — If there is no further questions then I want to thank you very much for ... Oh, sorry. I want to correct that. There's one more question.

**Mr. Michelson:** — Sorry, Mr. Chair. One twenty-eight requires "the First Nations Trust to submit, each year by an agreed upon date, an independent audit report of the following ..." What is the agreed upon date?

**Mr. Crowe:** — The end of September.

**Mr. Michelson:** — Okay. Does that change from year to year?

**Mr. Crowe:** — No. I'll ask my official to respond to that.

**Mr. Gray:** — In the new amended agreement there was a change in date. It gave them an additional month to respond. So that was changed last year, but it's been fairly stable.

**Mr. Michelson:** — So the agreed upon date now is ...

**Mr. Gray:** — Is set.

**Mr. Michelson:** — Is set. Okay. On page 129, the auditor's report described how 17 of the trust's 75 beneficiaries did not submit the required audit report. Would that be a training issue?

**Mr. Crowe:** — I would characterize that is perhaps — and I don't know this with certainty, but just based on experience — some issues with capacity and ability to meet some of the deadlines that were necessary. It's one that we don't have a lot of activity around there at this point in time. But I know that just based on experience it could be related to capacity issues,

ability to provide the reports, and meet the deadlines. But that's somewhat speculation.

Our main purpose and goal is to ensure that the reports that we do receive meet the test and the need for our accountability requirements. And we'll continue to press for timely reports, timely submission, and work with the First Nations Trust to ensure that they come in on a timely manner.

**Mr. Michelson:** — Is this number, 17 out of 75, is that a standard what you can expect from year to year that some won't be on time or filled out correctly.

[10:15]

**Mr. Crowe:** — I'm not certain that it's a standard. It's one that I think concerns us; however, I think it also depends on largely the kind of relationship they have with their auditors, the kind of reports that they're being provided. And that number could go up or down. I wouldn't want to say that's a standard at this point in time. Certainly our main thrust here is to ensure that the reports are provided to the First Nations Trust and to us in a timely manner so that we can fully account for the resources that are being provided to First Nations Trust.

And I would further say that the First Nations Trust has really taken some leadership and some activity around this to ensure that there are incentives to have the reports submitted on a timely basis.

**Mr. Michelson:** — So we won't see this number next year? Has there been a trend in the past number of years?

**Mr. Crowe:** — Our preferred is that we didn't have any outstanding reports. And again, I can't predict whether or not that is a standard or if an appropriate amount. It can go up; it can go down. Our preference is to have it eliminated completely. That way there is no outstanding concerns. Some of those factors are beyond our control, but we can provide incentives and encourage through our partners, the First Nations Trust, to ensure that those reports are in a timely manner.

**Mr. Michelson:** — Okay. Thank you very much.

**Mr. Crowe:** — Thank you.

**The Chair:** — Again, thank you very much, Mr. Crowe, to you and your officials for joining with us in our consideration of this chapter of the Provincial Auditor's report. Thank you very much.

**Mr. Crowe:** — Thank you, Mr. Chair.

**The Chair:** — And we stand recessed until 10:30.

[The committee recessed for a period of time.]

[10:30]

### Workers' Compensation Board

**The Chair:** — The chapter before us is chapter 19, the Workers' Compensation Board, and this is of the 2008 *Report*



of the *Provincial Auditor* volume 3. And joining us are David Eberle, the chairman, and Peter Federko, the chief executive officer of the Workers' Compensation Board, and at this point would turn it over to Mr. Grabarczyk of the Provincial Auditor's office for his comments. Thank you.

**Mr. Grabarczyk:** — Thank you and good morning, Mr. Chair, and members of the committee. I will provide a brief overview of chapter 19 of our 2008 report volume 3. The chapter begins on page 339 and describes the results of our audit to assess the adequacy of the Workers' Compensation Board's processes as at June 30, 2008 to ensure the recipients of money for injury prevention and safety use the money for its intended purposes.

Helping Saskatchewan public to understand that workplace injuries are foreseeable and preventable is a responsibility that WCB [Workers' Compensation Board] shares with others. The reduction in human suffering of injured workers and their families is priceless. A healthy workforce means less training and replacement costs, lower premiums, and better productivity for employers resulting in improved business results. In essence, workplace injuries and deaths bring suffering and a financial burden that no one needs.

Under *The Workers' Compensation Act*, WCB works with others such as the Ministry of Advanced Education, Employment and Labour and employers to assess and develop programs to prevent injuries.

The ministry, industrial safety associations, and other organizations receive money from WCB for injury prevention and safety. It is important that WCB have processes to know the objectives, goals, targets, and measures of recipients, along with the recipients' progress towards achievement of its objectives. This information allows WCB to ensure that its own injury prevention and safety programs address any gaps and avoid unnecessary duplication. Also it helps to provide the most effective injury prevention and safety programs at the least possible cost to employers and the public.

In our opinion, the Workers' Compensation Board had adequate processes for ensuring recipients of money for injury prevention and safety use it for that purpose as at June 30, 2008, except for five recommendations we make to help WCB improve its processes.

First, that WCB needs to formally communicate its information needs for the industrial safety program to the Ministry of Advanced Education, Employment and Labour. WCB should formally request information from the ministry about the industrial safety program's goals and objectives, detailed estimated costs, and financial and operational reports to assess the success of the industrial safety program and to assess how the ministry's program impacts WCB's own injury prevention programs.

Second, that WCB needs to establish processes for assessing the costs and the impact of the industrial safety program on the Workers' Compensation Board's own injury prevention and safety programs. This will help WCB explain to its stakeholders the impact the industrial safety program has on its own injury prevention and safety programs.

Third, WCB management should report its assessment of the impact of the industrial safety program on the injury prevention and safety to the members of the board.

Fourth, WCB should ensure there is an order in council approval for payment of the industrial safety program costs before paying those costs. WCB did not have a order in council approval for the costs paid as required by *The Occupational Health and Safety Act*.

Finally, WCB should document its analysis of the effectiveness of its injury prevention and safety programs and document any changes required. This will help WCB to ensure that it fully assesses the effectiveness of the safety associations' performance on WCB's programs and what changes, if any, is required to make them better. That concludes my overview.

**The Chair:** — Thank you very much. Mr. Eberle.

**Mr. Eberle:** — Mr. Chairman, good morning, and ladies and gentlemen. I'll keep my opening remarks brief so that we can have more time for questions.

Over the years I've had the privilege of visiting this building, but this morning it's a great pleasure to represent the Workers' Compensation Board as chairperson, and I enjoy the opportunity of meeting the ladies and gentlemen that are before us today. Some members may want to know a little bit more about me. I was appointed early this spring. I think it was on March 6 when I was appointed.

As a young individual or young man, I partook in many jobs. I worked in the oilfields as I was putting myself through six years of university. On two occasions I was injured so my keen awareness for workplace safety came to me at a very young age. And members of my family have been seriously hurt at their jobs as well, and fatalities have been very close to home for me. My passion for safety, injury prevention, and the elimination of work injuries and disease is fuelled by deeply personal reasons.

I had indicated that I had attended university for six years. I was able to obtain two degrees — a Bachelor of Administration degree from Regina, and a Bachelor of Laws degree from the University of Saskatchewan in Saskatoon. I practised law in Melfort for 10 years. I practised law in Humboldt for 10 years. And I was general counsel to Humboldt Flour Mills for four years.

My wife, Darlene, and I have made Humboldt our home for many years, and we own and operate a Dairy Queen in Humboldt. We have three adult children and I have three grandchildren.

The current issues of the Workers' Compensation Board *Compensation Reporter* newsletter describes me as a man with a mission. Those words nicely sum up my role as WCB chairman, leading our new social marketing initiative called Mission: Zero — zero injuries, zero fatalities, and zero suffering.

Mr. Chairman, I offer no apology for taking an aggressive approach to heightening public awareness and motivating workplaces to set themselves the lofty goal of eliminating work

injury and disease. Most Saskatchewan workplaces already are injury free. Those that don't must make more effort. For those who need help, we offer our encouragement and our expertise. Enormous human and financial savings await us if workplaces take up and meet the challenge of Mission: Zero.

There is something here for all of us. Removing human suffering that follows a workplace injury should be a top priority. We are a caring people. We need to work together as a team to remove all workplace injuries. We should not waste our time casting blame on the employer for not having a safe workplace or on the employee for being careless. But rather, we should all join and work together, side by side, as we move down in the pathway to zero.

I'll now turn to chapter 19 of the Provincial Auditor's report. The WCB welcomes the Provincial Auditor's observations and recommendations. We accept the conclusion that both WCB and the Ministry of Advanced Education, Employment and Labour should, number one, strengthen our accountability arrangements for industrial safety program and, number two, exchange much more information about its administration than has been done in the past.

Being aware of these deficiencies, the WCB and the ministry worked to put in place a memorandum of understanding this past summer. Under that memorandum, together we're assembling a strategic and operational plan and an annual budget to pursue our prevention strategy. A steering committee with Co-Chairs is in place and so is a working group. Both have equal representation from the WCB and the occupational health and safety branch. Each year we'll report on our progress meeting the injury prevention goals and objectives we set.

We strongly believe that implementation of terms of the memorandum will address the Provincial Auditor's recommendations. We also welcome the auditor's favourable reporting of the accountability structures already in place for the industry safety associations who also receive WCB funding. And we agree that more work is needed to help us better know and understand how the excellent work of the eight safety associations complements other workplace safety and prevention programs. We will address that.

In summary we see these changes and others to come helping Saskatchewan take longer strides towards attaining Mission: Zero goals.

Let me end there and say the WCB values the work of the Provincial Auditor and welcomes his advice. And we thank the Public Accounts Committee for this morning's opportunity to mention Mission: Zero and our partnership with the Ministry of Advanced Education, Employment and Labour. Although we have made good progress, solid progress, there is still more work to be done and we're committed to getting that work done. Thank you for this opportunity to appear this morning and we look forward to your questions.

**The Chair:** — Thank you very much. I have a question for the auditor's office. On page 341 at the bottom, you state that:

Assuming no changes to payroll and other costs, a reduction of \$13 million in premium revenue would result

in an average premium rate of \$1.74, or a 5% reduction in premium rates.

Is that a general description of a hypothetical event or is that a prediction for next year?

**Mr. Grabarczyk:** — That would be a hypothetical case.

**The Chair:** — Okay, good. So you're not assuming that there will be a 5 per cent drop in rates then next year.

**Mr. Grabarczyk:** — No.

**The Chair:** — Okay. Good. Questions? Mr. Chisholm.

**Mr. Chisholm:** — I just have one — maybe not even a question, just a comment — that yesterday when we were in Public Accounts we were meeting with the Health people, specifically chapter 10F that we reviewed, and certainly there's some real challenges in the health care system that were brought to our attention. I'm just wondering, what is the relationship between the health care and workmen's compensation? People that are injured in the health care system, they would then be making applications through workmen's compensation? Is that correct?

**Mr. Eberle:** — Correct.

**Mr. Chisholm:** — Okay. It just seems like those goals, although I certainly agree with your goals, that that seems to be one area that we were made aware of that there's some major strides that need to be done if we're going to get close to those lofty goals.

**Mr. Eberle:** — I'll maybe comment and then I'll let Mr. Federko comment as well. We agree with you 100 per cent that there is a huge challenge in that area and we are already doing a number of things, and there has been significant improvement within the health sector over the last number of years through the work of the safety association. And I think that falls under SAHO [Saskatchewan Association of Health Organizations] if I'm not mistaken.

So there has been a tremendous amount of work that has been done. Although we are happy with the improvement, we are not happy with where it is at. And as a result of that, we will be making much more effort and working much more closely in that area to get that injury rate down. And as I have indicated in my opening remarks, we're on the pathway to zero and our energy is moving in that way. Thank you. Mr. Federko?

**Mr. Federko:** — I don't have a lot to add but we, through our WorkSafe partnerships . . . WorkSafe is the partnership between the Workers' Compensation Board and the occupational health and safety division of the Ministry of Advanced Education, Employment and Labour. We've had the partnership in place since 2002 and one of our first priorities in 2003, which was our first operating year, was to target the health care sector. As an employer the health care sector represents the largest employer in this province. They account for about 12 per cent of the total payroll that's reported to the Workers' Compensation Board. So to the extent that we can positively impact the injury rate in that sector, we can impact the overall provincial injury rate.

[10:45]

So we have been working with the health care sector, as I said, since 2003. And as Mr. Eberle commented, since 2003 the injury rate in health care has dropped by about 13 per cent, from a high of I think it was 7.2 per cent to about 6.2 per cent at the end of 2007.

While that's pretty good progress, the average injury rate in our province would be 3.8 per cent in relative terms at the end of 2007. So they're still at least 50 per cent higher than the average for the entire province. So we see it as lots of opportunity and continue to work closely with the health care sector. And through our new memorandum of understanding that was just signed this summer, we continue to identify health care as a sector that we need to focus on from a prevention perspective.

**Mr. Chisholm:** — Thank you.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — The only comment that I have is to the auditors in recommendation no. 1. Can you define, formally communicate? What would your expectations be on how they formally communicate?

**Mr. Wendel:** — Mr. Chair, what that means is put in writing so you've got something to work with — so it isn't just discussion.

**Mr. Michelson:** — To document it.

**Mr. Wendel:** — Document it.

**Mr. Michelson:** — Thank you.

**Mr. Nilson:** — On page 341 you list the injury rates and things like that, and that's what you've been talking about. Are there any workers in Saskatchewan that aren't included in Workers' Comp?

**Mr. Eberle:** — There are excluded industries under our legislation, and there are workers in those industries. So the answer to that would be yes.

**Mr. Nilson:** — So who are they and why are they excluded?

**Mr. Federko:** — Workers' Comp currently covers about two-thirds of the workforce, so about 67 per cent of the workforce is covered under *The Workers' Compensation Act*. I can't speak to the history, but by regulation there are specific industries and occupations that are excluded from mandatory coverage. So the profession of teaching, for example, is excluded from workers' compensation coverage — presumably because they have their own income continuance plan that provides for disability wage loss coverage.

Other industries that aren't mandatory would be agriculture, which would include the family farm as well as commercial operations. However any of those can apply for optional coverage, and as long as they meet the definition of an employer within the province of Saskatchewan, we will extend coverage to the agricultural sector for example.

Professional athletes are excluded. There's a whole list of about 20 or so occupations and industries that are excluded by regulation.

**Mr. Nilson:** — So the injury rate that's reported here relates to the 67 per cent that are covered by Workers' Comp?

**Mr. Federko:** — Correct.

**Mr. Nilson:** — So that number could be higher or lower if it included all the workers in the province. Does the Department of Labour, or Ministry of Labour, have figures related to 100 per cent of the workforce, or does anybody have that information?

**Mr. Federko:** — I'm not certain that they do. The only study that I'm aware of that looked at injuries broader than the current coverage of *The Workers' Compensation Act* . . . There were actually two studies. One done, I believe, in 2000 by a group called Smartrisk and they looked at the economic impact of all unintentional injuries. So anyone who sought medical attention for an injury was counted in this study. They didn't calculate an injury rate, but I can tell you from that report that Saskatchewan ranked highest in terms of number of years of productive life lost as a result of unintentional injury against all other jurisdictions in Canada.

The other report that was recently released was the injury surveillance report that was, I believe, commissioned by the Ministry of Health. And again I don't think they calculated an injury rate, but Saskatchewan, like we do in our workplace injury rate, ranks not very favourable against other jurisdictions.

**Mr. Nilson:** — But when we look at this information, we need to remind ourselves that it directly relates to the insurance program, and it just includes those people who are actually included in the workers' compensation plan.

**Mr. Federko:** — Correct.

**Mr. Nilson:** — Okay. So that we may end up asking the people from the Department of Advanced Education and Labour, when they show up later today, about the broader area because I think it is a concern. Also I understand that in the agriculture area there are programs that are probably partners in a way with what you do, but you don't have an active program of trying to encourage farmers to sign up for your program as I understand it.

**Mr. Federko:** — We don't have an active marketing plan aimed specifically at the agricultural sector. From a prevention perspective however, we do partner with several private sector and public sector organizations through a non-profit called Safe Saskatchewan. And we're doing work with the University of Saskatchewan relative to injury reduction in the agricultural sector, but we have no aggressive marketing plan to increase the coverage.

**Mr. Nilson:** — So as long as we remind ourselves that we're covering two-thirds of the workers in the province, then this is good. And obviously that's who you have your responsibility for directly, although it does raise the question of whether there should be some expansion of coverage so we catch everybody.

But anyway, thank you.

**The Chair:** — Can I just ask a general question with respect to rate setting? The auditor's report identifies an important variable, and that being injury rates. But it seems to me that another variable would be the returns that you get on your investments. I see here that you had premiums of \$236 million. You don't keep that in a safety deposit box. You would be investing that in a variety of instruments and try to project your needs over a number of years as opposed to for a specific year.

To what extent would your premiums be affected by rise and fall, as we've seen in the stock markets today?

**Mr. Federko:** — I'll try and give you the short answer to that question. To the extent that our investment income or loss decreases the funded position overall of the workers' compensation program to the point where we are outside the parameters of our funding policy, we would be required to add additional amounts into the premium rate if we fell below the bottom threshold of the funding range, or rebate money if we exceeded the upper range of our funding policy.

Our funding policy today says that we need to maintain between 105 and 120 per cent in reserve, so an additional 20 per cent at the upper end or 5 per cent at the bottom end. We are currently 110 per cent funded, so we're about right in the middle of the funding range.

Accordingly, notwithstanding what would happen in the investment markets, there would be no impact on the setting of the premium rates because we have sufficient reserves to cover the years when our income may not be as forecast.

So the shorter answer is, only if we fall outside of that funding range would the performance of investment markets have an impact on the way we set premium rates.

**The Chair:** — Okay, thank you. The recommendation then that we have before us on page 344, what is the committee's wish?

**Mr. Michelson:** — We'd concur with the recommendation.

**The Chair:** — With all five?

**Mr. Michelson:** — We can probably do all five together. Yes.

**The Chair:** — Okay. So Mr. Michelson is moving that we concur with the recommendation. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — It's agreed. That then concludes our consideration of the Workers' Compensation Board unless members have any other questions.

Then I want to thank you, Mr. Eberle and Mr. Federko, for joining with us and taking us through this chapter of the auditor's report. Thank you very much.

**Mr. Eberle:** — Thank you very much, and have a safe day every day.

## Social Services

**The Chair:** — The chapter we're dealing with now in the auditor's report is chapter 18 and the Ministry of Social Services. And at this point I would invite Mr. Allan Hansen, the deputy minister, to introduce his officials.

**Mr. Hansen:** — Thank you, Mr. Van Mulligen. On my left is Don Allen, the executive director of corporate services. On my right is Andrea Brittin, the executive director of child and family services. Gord Tweed is the executive director of income security. Cheryl Senecal is the acting assistant deputy minister of policy. We have Marlene Bugler who is the director of First Nations agency relations. We have Arlene Mongovius who is the acting deputy director of CBOs — community-based organizations. We have Jeff Redekop who is the executive director of community living. We have Cathy Bulych who is the director of programs, and Lynn Tulloch, deputy director, income security. Thank you.

[11:00]

**The Chair:** — We'll go to Mr. Ahmad for his comments.

**Mr. Ahmad:** — Thank you, Mr. Chair. Good morning, committee members. Chapter 18 starts on page 311 and reports the result of our audit of the Ministry of Social Services for the year ending March 31, 2008.

In 2008 the ministry spent 615 million for delivering its program. The ministry is also responsible for Saskatchewan Housing Corporation. Our 2008 report volume 1 reported the result of our audit of the Saskatchewan Housing Corporation for the year ended December 31, 2007.

In this chapter we make nine new recommendations and repeat some recommendations from our past reports. Three of those recommendations are under general administration, and six under protecting children in care.

The first recommendation, on page 315, requires the ministry to properly segregate the roles of employees so they cannot enter and approve a payment to themselves. We have made similar recommendations for almost all ministries. We understand the ministry is working to address this issue.

Our second recommendation requires the ministry to monitor the effectiveness of security of the Information Technology Office, that is ITO, to protect the ministry's system and data. In 2008 ITO became the custodian for the ministry's computer system and data. To ensure that its computer system and data are secure, the ministry needs to monitor whether ITO provides adequate security.

The third recommendation, on page 317, requires the ministry to establish a multi-year information technology plan. An IT plan can help management address threats and risks to the ministry's security. The ministry has an IT operation plan but not a multi-year plan that links to its strategic business objective. We understand the ministry prepared such a plan after the year-end.

The next six recommendations relate to the ministry's processes

to protect approximately 5,700 children in care. Children in care are wards of the minister who are in foster care, with extended family, or at group homes. Our fourth recommendation on page 318 requires the ministry to implement a system to know how many children are the minister's wards, who they are, and where they live. Specifically the minister does not receive regular information about approximately 1,200 First Nations children who are wards of the minister residing on reserves. Without this information, the ministry cannot know that all wards are receiving adequate care.

The fifth recommendation requires the ministry to properly review and approve foster home placements when it places children in overcrowded foster homes. The ministry's policy does not allow placing more than four children in one foster home unless there are sufficient reasons for the placement and senior management specifically approved the placement. We found the ministry frequently placed more than four children in foster homes without always receiving proper approval for such placements.

The next four recommendations on page 326 relate to the care of approximately 1,200 children who are wards of the minister and reside on-reserve. *The Child and Family Services Act* allows the minister to make agreements with the First Nations child and family agencies, allowing those entities to exercise the powers of the minister as specified in those agreements. The ministry has made such agreements with 17 First Nations agencies.

Under the law, these agencies can obtain custody of a child on behalf of the minister. When that happens, the child becomes a ward of the minister. For children who are wards of the minister but reside on-reserve, the ministry must have adequate processes to ensure those children receive appropriate care similar to those residing off-reserve. We examined the ministry's processes to ensure the ministry's wards residing on reserves receive proper care in an abuse-free, healthy, and affectionate environment. We made four recommendations to help improve the ministry's processes.

Our sixth recommendation on page 326 requires the ministry to make agreements with the First Nations agencies to require timely and relevant information to ensure proper care. The agreement must not restrict what information the ministry can have and how often.

The next recommendation requires the ministry to monitor the First Nations agencies' compliance with the ministry's standards for approval of out-of-home care providers. The ministry does not have a process to help ensure that the agency comply with the established standards.

Our eighth recommendation requires the ministry to ensure adequacy of the First Nations agencies' long-term case planning for wards of the minister. The ministry does not have a process to ensure the agencies have such case planning for the wards of the minister.

The ninth recommendation requires the ministry to seek regular contact with children who are wards of the minister residing on-reserve and to view agencies' child protection files. The ministry has personal contact rules for wards of the minister

residing off-reserve. It must have similar rules for wards of the minister residing on-reserve.

We also repeat various recommendations from our past reports. Your committee had considered and agreed with those recommendations in the past. We are pleased with the ministry's progress towards addressing those recommendations. It has made good progress for some recommendations, but needs to do more for others. We'll continue to read the recommendations until they are fully addressed.

On page 335, we provide more information about recommendations relating to Oyate. Because Oyate is now permanently closed, we cannot assess Oyate's progress toward implementing the recommendation resulting from our special investigation in 2006. In 2009 we plan to assess the advocacy of ministry's processes that it implemented to address the recommendations for the ministry resulting from our investigation of Oyate.

And that concludes my overview. Thank you.

**The Chair:** — Thank you very much. Mr. Hansen.

**Mr. Hansen:** — Thank you very much. Mr. Chair, as I indicated, I'd like to make a brief statement. And I think we've tried to respond in a systematic manner to the comments of the auditor.

I want to thank the committee for the opportunity to respond to the Provincial Auditor's report volume 3 on behalf of the Ministry of Social Services. I would like to begin by thanking Mr. Wendel and his staff for their co-operation and his professionalism, and for helping to identify areas for improvement within our ministry. Over the years, the ministry has worked diligently to respond to his observations and recommendations. We also appreciate accommodations on areas of improvement.

The auditor's recommendations for our ministry mainly fall into four categories: general administration, protection of children in care, providing income assistance, and supervising community-based organizations or CBOs.

I would like to briefly address the recommendations, beginning with general administration. The auditor recommended proper segregation of duties for employees disbursing public money. Together with the Ministry of Finance we are working to develop preventative controls in MIDAS [multi-informational database application system] that could be ready by next June. In the meantime, we produce and review a report of the type of transactions the auditor has identified.

The auditor recommends that Social Services sign an adequate agreement with ITO, including network security and disaster recovery, and monitor ITO's security and ability to protect our systems and data. We recognize the need to up the level of our disaster recovery abilities. We're currently awaiting a cost estimate on this from ITO. We also plan to discuss a network disaster plan with ITO in the upcoming year.

The auditor also recommends our ministry establish an adequate information technology plan and complete the testing

of our business continuity plan. We've begun the process of acquiring a new information system for child and family services, income assistance, and community planning. We also have ministry staff dedicated to business continuity planning and focused on continued communication, training, and testing with the business continuity plan.

The next general theme is protecting children in care, beginning with a recommendation to implement a system to track children in care and where they reside. We agree this is essential. The safety and well-being of children in care is our primary concern. I would like to note that the ministry does know how many children are in care and where they live off-reserve. The challenge is regularly gathering that information for children on-reserve.

We are acquiring and implementing an automated case management system that will support child welfare work, including tracking accountability for the ministry and First Nations Child and Family Services agencies to whom we've delegated authority on-reserve. And of course we believe it's critical that we work co-operatively with First Nations communities to ensure that they are part of any information system we develop. The target date to implement the new system is in 2010, but our project team has been busy and we expect to issue an RFP [request for proposal] early in the new year.

The next recommendation is for Social Services to follow its processes to ensure children in care are protected and the payments to custodians are authorized. We are making progress, as the auditor notes, but acknowledge that we must do a better job of following our policies. We are working on that. For example, we are modifying our criminal record check policy in foster homes as it relates to youth 18 and over living in the home, which will help simplify the process. We also recognize work is necessary to meet contact standards with children in care. Hiring new staff last year to help address the caseload pressure is another step we've taken, as well as reiterating the importance of documenting all visits in the files.

The auditor recommends Social Services follow the policy to review and approve foster homes when exceeding the limit of four children. There are some limitations and technical issues with the system to track and approve foster care placement over four children and we are addressing those issues.

There are numerous recommendations regarding work with First Nations Child and Family Services agencies, touching on timely reporting, their compliance with ministry standards, long-term case planning, and personal contact, and a regular review of their child protection files. However, any relationship with a First Nations community has to be a situation and one that's based on respect and co-operation, and recognizing the particular aspirations and needs of First Nations communities.

And we remain committed to First Nations delivery of child welfare services to First Nations children, youth, and families on-reserve. We have developed an action plan to support strong and accountable First Nations child welfare services to improve outcomes for First Nations children.

In regard to income assistance, the auditor's recommendations

focus on ensuring only eligible clients receive assistance from the various programs and it is in the correct amount. The auditor does note significant progress in this area. Our goal is to balance a responsiveness to clients with accountability. We have taken a number of steps to do that, including increasing our reviews of random files and studying the source of errors or non-compliance. We also now require increased verification of income for clients receiving particular supports.

Several recommendations relate to community-based organizations or CBOs — strengthening our agreements, establishing performance measures and targets, and timely receipt and review of operations and financial reports. We have taken significant steps to strengthen financial and program oversight of CBOs with actions such as improving accountability standards, implementing a CBO risk assessment tool, and developing a routine development and utilization reporting template for monthly reporting.

In conclusion, we appreciate both the auditor's recommendations and his commendations for the progress our ministry has achieved. The auditor's report serves as an excellent guide to improving the effectiveness, efficiency, and accountability of our programs and services. Thank you. I'd be pleased to take any questions.

**The Chair:** — Thank you very much. The first recommendation with respect to segregation of duties, I can infer from your comments and from the Provincial Comptroller that we are seeing progress in this area?

**Mr. Paton:** — Yes, Mr. Chair, that's correct.

**The Chair:** — Okay. Are there any further questions on this recommendation? No. Can we have a motion then to concur in the recommendation. Recommendation to note progress made by Mr. Harrison. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. In the recommendation no. 2, what can we say about that? There's progress being made?

**Mr. Chisholm:** — . . . waiting for a cost estimate. That was the note I've got, so I would suggest we concur with the recommendation.

**The Chair:** — Is that agreed? Mr. Chisholm has moved that. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. On recommendation no. 3, again in this particular case a multi-year IT [information technology] plan, and that's being worked on?

**Mr. Hansen:** — Yes, sir.

**Mr. Chisholm:** — I would move in that case that we concur and note progress. There was a number of areas that they had suggested that they'd begun.

**The Chair:** — Moved by Mr. Chisholm. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. Now we turn to the issue of protecting children in care, and recommendation no. 4. Are there any questions on this recommendation? Mr. Forbes.

**Mr. Forbes:** — Yes, thank you. I appreciate the opportunity to participate, not as a member of the committee but as an MLA [Member of the Legislative Assembly]. I have some questions about this and some general questions, if I may ask. But I'm curious — if I could ask the auditor just a few questions — when you set out this report, how is it organized? Is the first priority, is that your first recommendation and then you work your way through, or is there a set of priorities?

**Mr. Wendel:** — Mr. Chair, no. No, there's not. It's just the way it turned out. We dealt with the general administration first in this case, and then we said, how are they doing with child care and how are they doing with community-based organizations?

**Mr. Forbes:** — Okay. And now, and I didn't know how you organized these meetings, but I have some questions further on about another recommendation. Well actually I see . . . Unless I'm not reading this right, are there any specific recommendations on CBOs?

[11:15]

**Mr. Wendel:** — I don't believe there's any new ones, but the ones that have been repeated for a number of years are still there.

**Mr. Forbes:** — Yes. You've made comments about CBOs, but I . . .

**Mr. Wendel:** — I beg your pardon?

**Mr. Forbes:** — You've made comments on CBOs.

**Mr. Wendel:** — Yes.

**Mr. Forbes:** — But there are no . . . So, Mr. Chair, will there be a moment when we can talk about CBOs?

**The Chair:** — My preference is that we deal with it in the order in the book.

**Mr. Forbes:** — Yes. Okay.

**The Chair:** — There is a section on supervising community-based organizations that specifically relates to the issue of children in care.

**Mr. Forbes:** — Right. And then . . .

**The Chair:** — But if we can go through that in that order, then . . .

**Mr. Forbes:** — Sounds good. I have just a question. The official made a comment when he was working us through in this recommendation no. 4. He talked about specifically the questions about the wards on First Nations reserves. Is the

auditor satisfied with the information for children in care off-reserve? Are they being tracked well enough, and they feel okay about that?

**Mr. Ahmad:** — Mr. Chair, we could not verify the number that the department gave us. So we talked about the system for all kids.

**Mr. Forbes:** — For all kids.

**Mr. Ahmad:** — Yes.

**Mr. Forbes:** — Okay, sure. And then if I have some questions for the officials here? You had talked, sir, about the system for tracking children in care. And you had alluded that it would be up and running by 2010?

**Mr. Hansen:** — That's the target.

**Mr. Forbes:** — That's the target. Yes I note in the press release, initially when it was talked about in March, that it was 2011. But you've actually moved it up a year?

**Mr. Hansen:** — It was the 2010-2011 year so it could . . .

**Mr. Forbes:** — Okay.

**Mr. Hansen:** — That's the target.

**Mr. Forbes:** — But you are on track for that.

**Mr. Hansen:** — Yes.

**Mr. Forbes:** — Okay, good. Now in this area, there has been some talk in the press. And I'm thinking about the story on November 28, the minister talked about a review of foster family services is currently under way, and it will lead to recommendations where it can be strengthened. I understand that in fact someone may have been hired. I know one of my answers to one of my written questions that somebody was hired on October 20. Has there been someone hired specifically to do this review?

**Mr. Hansen:** — Certainly. Yes a person has been hired.

**Mr. Forbes:** — Okay.

**Mr. Hansen:** — A person by the name of Tim Korol.

**Mr. Forbes:** — Okay, good. And what is specifically their mandate? Because I'm curious about this because I know that . . . [inaudible interjection] . . . Pardon me? No. If there's . . . the Children's Advocate's been very interested in the whole process and, of course, then there's some other issues. So what is Mr. Korol's mandate?

**Mr. Hansen:** — Initially I've asked him to look at ways of developing more foster homes and develop a plan to do that, and we're working on that. As you know, throughout North America there has been a challenge in developing foster homes. We have been having foster homes that have . . . the retention has been an issue. And this is a phenomena throughout North America.

And so what we're trying to do is find ways to be more efficient in recruiting foster homes, quality homes; training them, perhaps more quickly; perhaps finding different incentives to have them participate in training. For example, we use PRIDE [parent resources for information, development, and education] which is an international standard training program. It's considered the best in the world, but it takes three months before people are, sort of, trained and then brought into the system. So we want to find a better way of doing that. We also want to find better ways of supporting foster parents, trying better ways of mentoring — pairing them with more experienced foster parents.

These are all ideas being developed, and they're in flux. But we're moving quickly on that because we need foster homes. And it's still a . . . with the number of children and we want to deal with this overcrowding issue. We want to have ways of dealing with this in the most efficient and effective and, of course, quality way possible.

**Mr. Forbes:** — In fact the Children's Advocate has asked the minister to consider the child-centred principles. And I'm just wondering, will Mr. Korol develop a response or will there be an opportunity as well for public engagement in that discussion because I know this is a big issue.

**Mr. Hansen:** — It's a big issue and certainly the child advocate is championing this. And I think this will be part of any kind of legislative review which hopefully will take place next year. And so any kind of . . . the principles themselves, the implications of the principles for practice, what does that mean? What does that mean in Saskatchewan? How does that relate to First Nations communities? Are those principles consonant with First Nations principles? Will there be any issues they have difficulty dealing with?

So anything we do has to be in respect of First Nations people and consonant with that, so there will have to be some consultation on that. And they're complex issues. And they will have to be looked at very carefully and closely and in collaboration with the major stakeholders.

**Mr. Forbes:** — Okay. It's very important that the stakeholders get an opportunity, but will there be an opportunity for the public at large? Because they are so important when you have the challenge of family which, you know, when you have the two rights — the parents' rights, the children's rights — coming, sometimes at loggerheads, who has precedence. So will there be an opportunity for the public at large to be engaged in this process?

**Mr. Hansen:** — The actual method of review of the legislation has not been selected yet by the minister. We'll be working closely with her. I know it's an issue that I've discussed with her. And I'm sure in the new year we will have the minister's considered opinion as to how she'll undertake this. And I'm sure there will be some opportunity for public consultation.

**Mr. Forbes:** — Thank you very much.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — As it relates to this review and this particular

area of First Nations children, clearly you take over the responsibility as parent for all of the children in the province that are in need of protection in some fashion. Are you working together with the federal government in this process? And which departments would you be working with?

**Mr. Hansen:** — I have met with the INAC [Indian and Northern Affairs Canada]. Of course there was a federal initiative that I've been involved with. Mr. Strahl, when he was . . . I think it was in July of this year, and they announced a prevention initiative and it was over \$100 million over a number of years that was allocated. Some of the proposals now — this is on preventive services — are starting to come forward. I personally reviewed, with the assistance of Ms. Bugler, the proposal from one particular area on preventive services, and it was excellent. And they borrowed heavily from some of the successes in Alberta. They've had a couple of years of on-reserve services in offering the preventive model. And it's a very generous approach they've used and so we're optimistic to see it start working.

Those proposals are vetted by us to make sure they're consonant with and consistent with the principles of the ministry, so we're working in that regard. And certainly I've met with the First Nations people. I've met with the new vice-chief, Vice-Chief Pratt, and this afternoon I'll be meeting with another First Nations person. And I'm going to encourage our minister to meet with them as well. And I think it's important to really consult and work closely with First Nations communities.

**Mr. Nilson:** — Well that's good to hear. My question relates to, sometimes you get very good co-operation from one department in the federal government and then not as much co-operation with some of the other ones. And I think this is an area where there are a number of different departments that have some responsibility, for example, some of the health issues that relate to this.

And so is there any sense that there's more coordination at a federal level than there has been in the past? Because I know these kinds of initiatives often go sideways when one piece of it belongs to one of the other departments.

**Mr. Hansen:** — You realize of course you're asking me to get into . . . This department's big enough to coordinate rather than the federal government. But in terms of . . .

**Mr. Nilson:** — But it directly affects your work.

**Mr. Hansen:** — It's a fair question and we have, for example, there's been work on this Jordan's principle. That involves different departments. There's work with respect to . . . Certainly I've met with the regional director of INAC and so we are working towards that. And certainly I know the . . . I've worked with her confrere, deputies, Mr. Crowe, and other people. And certainly there's been a focus as well to try and get human services deputies together to discuss issues and how best to strategize and work with the federal government.

**Mr. Nilson:** — So does this initiative also relate to the whole initiative related to infants and the follow-up that is run jointly between your department and Health?



**Mr. Hansen:** — You're talking about Jordan's principle?

**Mr. Nilson:** — Well no, no. I'm talking about the whole children-first program or what . . . I can't remember what different names the federal government has been involved, but I know that here in Saskatchewan we had a program working with and making sure healthy mothers were taking care of kids, and the federal government indicated that they were going to be on board on the First Nation. In actual fact it took them about five years to come on board and it caused all kinds of difficulties. And I assume this might be, this announcement of Mr. Strahl is actually the announcement that was supposed to be made in 2003.

But I'm just wondering if there is now much more of a coordination on this side or if we still have these same problems of lack of coordination at the federal level between Health, Indian and Northern Affairs.

**Mr. Hansen:** — I'm not familiar with that particular issue. I've been here since July 15. I haven't . . .

**Mr. Nilson:** — Okay.

**Mr. Hansen:** — So I don't know about that. I can only speak to issues I've been involved with and what I've done and what the minister's done and what the government's done. So I don't know about that. I hope, I hope that we do obtain better co-operation and that we can move forward on this critical area, but I can't speak to all these other initiatives.

**Mr. Nilson:** — Okay.

**The Chair:** — That would be a question you could direct to the Department of Education because they're the lead agency, I think, in terms of KidsFirst and ensuring that there's comparable programming on reserves.

Can I just ask you, recommendation no. 4, “. . . implement a system to know how many children are the Minister's responsibility, who they are, and where they live.” And the auditor is indicating that you're going to use some funding for automated case management system, develop a new system, and it's your goal to develop a system that could be used by all staff and management of both the ministry and First Nations. Where are you at on this? Is there any progress to report?

**Mr. Hansen:** — Actually we are of course, with the document, we are going to be doing a sort of an invitation. It's not called that; it's some computer jargon they use. It's really request for comment. Basically it's an invitation to come to the dance, okay. We're going to start a project in terms of computers. That's a preliminary.

Once you find out the interest, then of course there's a secondary RFP which you actually bid on the project, and it's fairly detailed. That will be going hopefully fairly quickly, and then after Christmas we hopefully will be going to a full-blown request for proposal, and that of course will be assessed and dealt with. So that's where we're at, Mr. Chair.

**The Chair:** — Okay. Mr. Forbes.

**Mr. Forbes:** — Further to that, I know we've heard the comments that Saskatchewan's the last one to come on with this. Have you taken the opportunity to take a look at other provinces? And I know you've alluded to this. A lot of issues in foster care, people are, departments are facing that right across Canada. Have you had an opportunity to take a look at what other provinces are doing in this? Because I am somewhat concerned that this would take three years to do, when you're talking about 5,600 cases to manage.

On one hand it seems like an awful lot but, you know, my background of education where you're dealing with thousands of kids — obviously they're more complicated, but three years is a fairly significant length of time when you think of other provinces who've got it in place.

[11:30]

**Mr. Hansen:** — I couldn't agree with you more. The problem is, I asked that same question and of course the technology's changed. Many years ago we were trying to develop an information system here, and we started with a client index and we were going to roll that out. And in some ways there's an advantage of not going forward.

Manitoba, which implemented their system in the early '90s, they're now in the position of upgrading the system they customized for their own, for child welfare. And we have been in consultation with Manitoba. The deputy minister spoke to me and we thought hopefully there were some synergies. I don't know if that'll happen. We've dealt extensively with Alberta. We've had the director of the IT program for Alberta actually come to Manitoba and speak at length with our staff and consult.

And we've looked at this and we've had of course experts in who know more about this whole field than our department does. And the technology's moved to the point now where one sort of off-the-shelf packages or one package can accommodate the needs of income security, child welfare, and just about any other program. The Alberta government's moving through their entire department, all the government departments, to use this one technology. And Manitoba is moving towards that as well in their own area.

So yes, we've looked extensively. And I guess the good point, the sweet spot of this is that because we were the last, perhaps now we'll be the best in the sense of having really a very good system.

**The Chair:** — What is the committee's wish with respect to recommendation no. 4?

**Mr. Michelson:** — I would move that we concur with the recommendation.

**The Chair:** — Move that we concur. Is that agreed? That's agreed.

Recommendation no. 5. You state that you are addressing this. How specifically are you addressing that?

**Mr. Hansen:** — Ms. Brittin will answer this question.

**Ms. Brittin:** — So as we have spoken about, there are challenges around the rising number of children coming into the care of the minister, and certainly that has put pressure on the existing resources that we have. We do have policies in place that ensures that when more than the recommended number of four children are placed in a foster home that the management, regional management is approving that coverage.

There's challenges with the information systems that we have right now in place. We had implemented a small stand-alone database that was keeping track of this problem in the absence of the larger case management system. And so that we have technical difficulties with that, with that database, making it difficult for users to be implementing the policy. So we also have some manual processes in place to augment this, the stand-alone database, that again are awkward sorts of procedures that make it difficult to sort of to track and to document that the proper management oversight has taken place.

So that's some of the challenges around that issue. Just last week we have reached agreement with the ITO to proceed with a smaller RFP that would address this issue around specifically the foster homes, tracking children in foster homes, how many there are, when we're in a position to maybe have to place a sibling group that would put us over the maximum of four, that we would have that electronic management oversight of that decision in place.

So we are planning on moving quickly to address the technical issues that I've spoken about.

**The Chair:** — Yes. The issue here is the excessive use of, if I can use that word, of foster homes for placing more than four children and the need for senior managers to approve more than four children in a foster home for a variety of good reasons. And the issue is, it seemed like two-thirds of the requests or two-thirds of the homes that had more than four children, there is no evidence of review and re-approval from senior managers, which is required every two weeks.

So in the absence of any technology-based program that might facilitate that, what existing process do you have for doing that?

**Ms. Brittin:** — So given the limitations of this stand-alone database that I spoke about, that it was designed to provide that level of authority, I mentioned it's a manual process. So it is a process of documenting who the foster parents are, what children are placed in their home, and putting that before a manager in the regional offices to approve the placements.

**The Chair:** — Okay, but here the policy like you have says that every two weeks a senior manager needs to review and re-approve a placement where there's more than four children in the foster home. What's your process for doing that now? The worker write up a short, written request, or that the senior manager re-approve the placement of four or in the case of a new situation, say here's my reasons for placing more than four and it's . . .

**Ms. Brittin:** — Yes, yes.

**The Chair:** — If you're the senior manager you get an email

from that worker requesting that, and then you approve that.

**Ms. Brittin:** — Right. So again in most cases it is the database. And within that is just as you said. So it is a request of the worker through to the supervisor to the manager that is saying, these are the circumstances that we're faced with. It may be that it's a sibling group that you want to place that have several kids. You want to keep them together. It may be children that had been in that foster home in the past, and so you're wanting to maintain that connectivity. And so in those cases it would be putting the circumstances before the manager so that they're in a position to say yea or nay to that.

At the same time, the worker would also be putting forward what supports they're going to put into that home to ensure that the foster home is able to provide for the needs of the children. So that could be things like in-home support; it could be help with managing children, getting them to activities, that sort of thing. So there's a review of the in-home supports that would also be put in place to ensure that the children are well looked after.

**The Chair:** — But it is, like, you've got more than half the foster homes had periodically more than four children. And there may be good reasons for that; I'm not arguing with that. But of those homes that had more than four children, in two-thirds of the cases there is no evidence of review and re-approval from senior managers allowing more than four children. So where is the breakdown here? Is it workers that are requesting the re-approval, you know, the workers for the specific child not doing that, or is it the senior managers that are getting bogged down? Where is the breakdown here? Or is it a combination of the two?

**Ms. Brittin:** — I think it's more in the documentation of the decision where we have the issues. So I have spoken to sort of the manual processes and then the limitations with our automated processes, and I believe it's more in the documentation of the decision that we have the issue.

**The Chair:** — I guess the question I would have, if the initial requests aren't being documented, how will automation change that?

**Mr. Hansen:** — Your questions are good and the auditor has identified issues. The fact of the matter is, is that the system itself is administratively burdensome. It extremely wastes a lot of time going back through boxes and information, and the communication is just not as good as it should be because we do not have . . . we're back like before any kind of automation or the computer age. So that's one problem we're trying to address.

The other thing of course is, what's happened is that over many years . . . and this just didn't happen. This is a growth in the caseload. And I've mentioned as well the issue of foster homes, that this is a problem throughout North America. Foster homes — maybe changing demographics, changing roles in society — but certainly they've been harder to get. So what we've been doing is, as I've said, we've hired someone to actually address this issue to find ways of making better use of foster homes, how to attract them, and of course retain them. Because a lot of them, they go in for three or four years, they're gone, and of

course that's a real loss. So we try and recruit them and keep them, support them in a better way. And at the same time what we're looking at, we're looking at other options.

And since November we have a number of initiatives that we've launched: out-of-care homes, space development, foster home recruitment, foster home retention, the PRIDE model, increases to caregiver rates, permanency planning. One of the problems we were having is that, and what the literature indicated, that once the children came into the system, we had sticky fingers; they never left. So the idea was, is that the children would move through. And since we've introduced that system this year — we had 30 new staff — we've had over 100 people placed, and we're looking at moving through on that system. And it's starting to . . . It took a bit of trying to get traction, but it's starting to get traction, and we're going to find ways to make that more efficient.

We've reduced caseload pressures. Thirty new staff in child and family services were added. We're providing intensive family support. There was a large increase in budget to agencies that provide family supports. We're looking at more delegation agreements with First Nations communities, sort of things. And we've also opened up a range, or are in the process of opening up a range of many new residential alternatives. And these have been developed and there's a list of these. We still haven't rolled them all out. They were approved in the last budget. And we're working on those and we're going forward with requests next year in the budget to ask for more different options. So in the sense that we . . . Sort of a two-pronged approach. One, of course, increasing the foster homes and trying to retain them, and at the same time looking at other options.

With the changes to the *Young Offenders Act* a few years back, those children who would've gone into the young offenders system are now in the child welfare system. That's caused a bump-up in terms of children. And they're older. They stay in care longer, so that has increased the burden. So there's been a number of issues as well. So it's a matter of being creative and also at the same time looking at ways of preventing situations like, how do we stop children from coming into care? How do we provide better support to families? Unfortunately the literature is not as helpful as it might be, but we are looking at that and we're considering options.

Alberta has started a model based on the differential response model, which is related to providing support to the family so the child doesn't have to come into care. And they've reduced their caseload increase by significant numbers. It hasn't stopped it, but it has decreased it significantly so that the children can live with their own families. And also the same thing, having more discussions with First Nations communities to see if other options are possible, and we'll have to look at any and all options.

[11:45]

**The Chair:** — The auditor indicates that as of March 31 this year, the ministry was responsible for 5,677 children. How would that have compared say to the previous year, March 31, and the year before that?

**Ms. Brittin:** — So that number includes children that are what

we call persons of sufficient interest. So those are children — and there's about approximately 1,100 of those — where the child is actually in the custody of extended family. However the ministry is responsible for oversight of those placements as well as for financially supporting those children.

There's another approximately 3,300 where the children are in out-of-home care, other placement options in the province. And then another approximately 1,100, 1,200 on-reserve. And so I do have the year-over-year numbers when we're talking about the approximately 3,300 where children are in the care of the minister.

**The Chair:** — So in terms of the auditor's number where he says your total number responsible is 5,677 . . .

**Ms. Brittin:** — That's right.

**The Chair:** — What would that comparable number have been the previous year?

**Ms. Brittin:** — The on-reserve number has stayed relatively stable over the last several years. We have seen a dramatic increase in the number of PSIs [person of sufficient interest], so those are the children where they are actually in the custody of extended family, but we do provide some oversight. If you'll just give me a minute I will look to see what that number would have been.

**The Chair:** — Like in terms, not taking additional time from the committee, could you provide the committee with a breakdown of the categories of children that are your responsibility? Whether it's wards, non-wards — I know there's various categories. If you can do that for the year ending March 31, 2008.

**Ms. Brittin:** — Sure. And the year over year . . .

**The Chair:** — And then the year ending March 31, 2007, 2006, and 2005.

**Ms. Brittin:** — Sure.

**The Chair:** — Can you provide that?

**Ms. Brittin:** — We can provide that.

**The Chair:** — That'd be great. Thank you. Mr. Michelson.

**Mr. Michelson:** — Yes. I just want to go back to that recommendation no. 5. The recommendation is that Social Services follow its policies to review and approve foster homes. I take it from that that the policies haven't been followed. Now can I ask, is that because of caseloads or is it the availability of homes? Like we've talked about this issue a lot but we haven't got a defined answer.

**Mr. Hansen:** — The answer I think is just the volume of cases and the fact that, again, we're not automated. Okay? And the other thing is we have a very young . . . especially our child protection people are young workers. They're not used to sort of the antiquated environment. They're used to computers and we can't give them computers in terms of an information

system. So we have the skilled staff who could use that system very productively.

The other issue is just the paperwork. It just sort of drags the whole system down. So there has to be some more efficiencies. And the other issue which I've already addressed is the need for more options. We're developing those options. The need for more foster homes, the more support for those foster homes, and looking at a different model of support. And certainly the overcrowding is unacceptable. We have to take steps to address that.

**Mr. Michelson:** — So if I understand you correctly, it's the caseload, it's the number of approved homes, and an old computer system.

**Mr. Hansen:** — Exactly.

**Mr. Michelson:** — Okay.

**Mr. Hansen:** — And like I said, this is an issue that's . . . And I think the auditor, looking back in the auditor's report, he goes back to 2003. And these are issues that, problems take years to develop and they're going to take many years to solve. They're not going to be done . . . The solution won't be . . . There's no magic wand. I wish we had one. It's the same issue with the information system. I'm like you; I wish I could say zap, put it in. And they can't do it.

So we need a lot of different things to do, but it's going to take time. And certainly I know, I think the government's committed to really trying to move on this file vigorously.

**Mr. Michelson:** — Mr. Chair, I would move that we concur with the recommendation no. 5.

**The Chair:** — Mr. Forbes, questions on no. 5?

**Mr. Forbes:** — In the news of course, you know there's just real huge pressures here and understand that the ministry staff feels this. But do you have any comments that you would like to make, especially around the plans around children in hotels and child care spaces? You're faced with situations that are really urgent. Can you update us what is happening with this? I mean, clearly this fits in with . . .

**Mr. Chisholm:** — I'm not sure this is the forum for that.

**Mr. Forbes:** — I was just going to explain why, if I may.

**Mr. Chisholm:** — Really? I'll wait with bated breath.

**The Chair:** — Recommendation no. 5?

**Mr. Forbes:** — What's that?

**The Chair:** — Can you relate this to . . .

**Mr. Forbes:** — Sure. Well it's very clear, Mr. Speaker. I'm curious about its policies around foster homes. That's what I'm speaking to. Here's the recommendation, following its policies. So my question is, what is your policy using hotels and child care?

I mean I'm just giving you an opportunity if you want to answer the question. If you don't want to answer the question, then I guess I'd be prepared to have that. I have further questions though too.

**The Chair:** — Trying to move through things in a systematic fashion.

**Mr. Forbes:** — Sure. Yes.

**The Chair:** — So the question is alternatives to foster homes per se.

**Mr. Hansen:** — The option is . . . And like I said, we're still developing a number of options, and we obviously have to develop more residential options. And we have a number that are in the chute, and we want to get them going. And those are proceeding, and so they're like a foster home itself. We want to increase the numbers there, but they're not in themselves adequate to deal with the challenges. I said we have an older group of people now.

Now with respect to hotels, those are only used in emergent situations. So the system itself, there's not a suitable resource for that child. So there's no policy other than the fact that it's used when there's no other facility or program option for those individuals. So we certainly do not encourage hotel use.

**Mr. Forbes:** — Well I think, I would hope that's the case. But what I'm getting at is, what is your best case . . . What is your plan so you don't have to use hotels?

**Mr. Hansen:** — To continue to develop options.

**Mr. Forbes:** — Okay.

**Mr. Hansen:** — More foster homes, more group homes, more assessment/treatment facilities and permanency planning. Like I said before, we had sticky fingers. Kids came in; they never left. So there's got to be some way that we have Teflon on our fingers. It's at the same time these kids move out and that they're suitably placed. You can't just willy-nilly have children discharged from the system.

**Mr. Forbes:** — Sure. Okay. I have a question about exhibit 1.

**The Chair:** — Yes. I'd like to deal with recommendation no. 5.

**A Member:** — Page 320.

**The Chair:** — Yes.

**Mr. Forbes:** — Is that all right?

**The Chair:** — I don't know. If that relates to it, yes.

**Mr. Forbes:** — Sure. I see that there's two bump ups — one was inadequate contact with children, and no agreement with foster care provider — and I'm just wondering if that's just an unusual thing for 2008 because there's been good progress made in other areas in terms of home study and the no criminal record check. That's good to see. Is that just an unusual blip for the year, and then you expect to see those go down? Or are

those two problem areas that you've identified?

**Mr. Hansen:** — That might be just random depending on the sampling the auditor's done. And sampling theory indicates that the adequacy and the statistical robustness of your sampling depends on the size of the sample. So that could be just random variation from year to year.

**Mr. Forbes:** — So you haven't seen this as a trend. You're not concerned.

**Mr. Hansen:** — Well I don't think it's a trend. I think it's a statistical anomaly, and I think the trend . . . We will certainly look at this and bring it back into line.

**Mr. Forbes:** — Okay. Good, good. Thank you, Mr. Chair.

**The Chair:** — Okay. No. 5: we have a motion by Mr. Michelson that we concur with the recommendation. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Moving on to page 326, where we have four recommendations dealing with various aspects of children in care. These children are in the care of First Nations Child and Family Services agencies. Any questions? Mr. Chisholm.

**Mr. Chisholm:** — I think we should be able to deal with 6 through 9 together. They all relate. I think they've adequately reported that they also concur with the auditor's recommendations and also that there's complications, as there have been in the past with working with other jurisdictions. But I certainly think that we as a committee can concur with the recommendations.

**The Chair:** — Any questions? So Mr. Chisholm moves that we concur with the recommendations.

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. Then we have issues related to social assistance and community-based organizations. There's no recommendations as such. Mr. Forbes, you had questions on community-based organizations?

**Mr. Forbes:** — And this is for the auditor, actually. On page 331 and it alludes to this again on 332 about halfway through, it talks about the ministry's operational objectives. How do you get the objectives? Do you look at the contracts they've signed or how do you determine what the objectives are?

**Mr. Wendel:** — Excuse me, Mr. Chairman. We don't determine the objectives. I think what the comment relates to is it's up to the ministry to have objectives for its own operations, and they need to align these community-based organizations they want to support to have similar objectives and outcomes, so you're moving together, trying to accomplish something.

**Mr. Forbes:** — Well my question was not whether you determine them but where do you find them.

**Mr. Wendel:** — Well the ministry should have some objectives

in their strategic plan.

**Mr. Forbes:** — Okay. Do you look at other statements that may be made, like ministerial statements in the House, press releases, that type of thing?

**Mr. Wendel:** — Not generally. We're looking whether they have a strategic plan for the ministry.

**Mr. Forbes:** — So you look at their business plan — that's where you're looking?

**Mr. Wendel:** — Yes, that's what we're looking for. And then we need to look at the agreements and say are they aligned? Have they done some work and analysis that they're aligned? And we expect them to make agreements that are aligned.

**Mr. Forbes:** — Okay. Well my question may be for the deputy minister here and it may be, I don't know, a rhetorical question, but I found it very interesting because I know, in the CBO sector, people were very, very happy and it was a good announcement in terms of the \$18.3 million investment that was made to support CBOs.

And clearly in the press release, in the news release that was written, there were comments made about how this should go to wages and that type of thing, and people were quite happy about that, but we are kind of concerned that those kind of comments may not make their way into your operational objectives. Is it your intention to make it into your operational objectives and therefore into the contracts the CBOs will be asked to sign?

**Mr. Hansen:** — I'm not sure of your question.

**Mr. Forbes:** — Well my question is this. On the press release here, it was said that part of this money, 13.1 million, is intended to help these agencies recruit new workers or retain existing ones through salary increases and improved benefits. Combined with the 2.3 per cent salary increase announced in this last provincial budget, this represents an unprecedented \$16.3 million increase — 9.3 per cent. Some people thought that meant that they would see significant wage increases, and that was presented in that way, but we're understanding that's not the circumstance that CBOs have because their autonomy can choose to do, in some ways, what they want to do with this money.

We are surprised with that because we're seeing two different messages. We're seeing, you got a big wage increase; and we're seeing, you can do what you want because you have autonomy. My question is to the ministry: will you articulate this better in your business objectives, your operational objectives?

**Mr. Hansen:** — I don't think there's any inconsistencies. There's been no change in practice from previously the way organizations were funded, so it's consistent with past practice. The government is not the employer, therefore we will not come out and say this should go into salary increase or wages.

Of course there's a problem that was identified by CBOs to us that retention and recruitment . . . salaries is part of that to help to retain them. So we have faith and trust in the CBOs, and the

vast, vast majority are and they will certainly place this money, we would hope, in salaries and benefits to employees. But I mean they have the freedom to make that decision because we are not the employer.

**Mr. Forbes:** — I know though that it has been a practice of the ministry, formerly the department, to ask CBOs to have a human resources plan. Is that not correct? So you have the ministry, formerly the department, has exercised its ability to say we expect to see a human resources plan. Am I hearing you now say that you won't ask them any further to have a human resources plan?

[12:00]

**Mr. Hansen:** — There'll be a human resource, and they have been . . . that was part of the whole issue or problem in the sense of the fact that there was a lot of turnover and a loss of staff, and they identified the fact that the salaries were not competitive. So this was one of the, I guess, the genesis for the decision to increase the amounts of money that were put forward to CBOs. However the discretion is left to the CBO to the allocation of those funds.

**Mr. Forbes:** — So my question is still, will there be something in the ministry's operational objectives reflecting a desire to see CBO wages be increased significantly so they retain staff?

**Mr. Hansen:** — I think that is a rhetorical question. I think I've answered it. And I think we will continue, unless there is some change, political change or policy change, we'll continue to respect the autonomy of the CBOs.

And we expect them . . . because the people who suffer, they're the ones that have to recruit these people and recruit staff. And if they don't pass along increases that are given to them by the government, they're the ones that have the difficulty. And they'd have to be very foolish indeed not to want to . . .

You know, our contract set out what the funding will be used for, both new and old funding. It is our expectation the funding provided on for wages will go to wages. We have processes to ensure that. But we're not going to tell them what specifically they should pay or what they should do.

**Mr. Forbes:** — Can you read that part again about the wages?

**Mr. Hansen:** — It is our expectation that the funding provided for wages will go to wages.

**Mr. Forbes:** — Now where will that be expressed, in a contract to them, in your operational objectives?

**Mr. Hansen:** — Certainly in discussions, there's issues back and forth.

**Mr. Forbes:** — But I'm anxious to see it in writing somewhere. Is it going to be in their contract? Is it going to be in your operational objectives?

**Mr. Michelson:** — Mr. Chair, can we get back to public accounts rather than committee?

**Mr. Nilson:** — Let me . . . Basically this is the Auditor's comment: "The Ministry does not require the CBOs to set performance measures and targets to enable them to report their progress in meeting the Ministry's objectives."

So this is directly the comment from the auditor about this area. This is the most recent example of that, and so the question is, will this comment from the auditor be addressed in some way as we move forward?

**Mr. Allen:** — Don Allen, executive director of corporate services. Our agreements, the ones we signed on April 1 with CBOs, set out how much of the funding will be used to pay wages and how much will be used for other purposes. The amendments that are, most of them are returned now, set out what portion of the new funding will be for wages and what portion will be used for other purposes. We have processes to ensure that the funding that's provided for wages is used for wages, and what's provided for other purposes is used for other purposes, and when it isn't used for that purpose, we have conversations with the community-based organization about recovering those funds.

**Mr. Nilson:** — So that you do have a process of doing this in the contracts.

**Mr. Allen:** — That's correct.

**Mr. Nilson:** — Yes, and so that's slightly different than what the deputy has stated earlier where it's in their discretion, because it isn't in their discretion if they don't follow the contract.

**Mr. Allen:** — It's in their discretion as to which employee gets what increase. We don't tell them who gets what percentage and who doesn't, but with respect to money being provided for wages, unless they get our permission to use it for another purpose, they aren't permitted to do so.

**The Chair:** — Any further questions on the chapter related to . . . Yes.

**Ms. Mongovius:** — With this particular money that went out, we're currently going to be administering a survey to our CBOs with a baseline survey to ask them where they're currently at with respect to issues of recruitment and retention — could be number of staff, could be turnover rates — and in a year from now we will be asking similar questions to see how that investment assisted the CBOs and where the money was spent so that there would be some form of accountability for that. That would be reviewed.

Also every year when we do our contract, it's an annual review that we have with the CBOs, and in that there's some discussion back and forth between ministry staff and the CBOs about the expectations that we might have or they might have. We recognize we still need to improve, as the Provincial Auditor has pointed out to us, and we are working on that — things like, without too much detail, what we're looking at something that's called an appendix B which really lays out what services will you be providing and how will you be accountable for them. So we're looking at strengthening that particular document.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — I certainly hope that we've seen the CBOs take on, at least in my area, a new life, a new optimism, and I certainly hope that it's not the policy of the government to regulate them to the point to where they were prior to the last year or so. I think that they have taken on, like I say, a life of their own with goals that do align with what the government's goal are in this whole department, and I certainly hope that we're not the ones that regulate them to death. So that's just a comment.

**The Chair:** — Any further comments?

**Mr. Nilson:** — I'll just make the comment that the role of the Provincial Auditor and of the Public Accounts Committee is to make sure that money is spent appropriately. And we have a comment here that is encouraging better practices in this particular department, and we're hearing that that's being developed, which is very positive. And it's not in any sense a way to, I think, control or cause difficulties for CBOs, but it is important that we spend our time and our effort to make sure that public money is spent appropriately. And I'm encouraged by the comments around this appendix B because it answers many of the concerns that the Provincial Auditor has, and it also I think assures the public that money is being spent appropriately.

**The Chair:** — And on that note, I would thank you very much, Mr. Hansen, to you and your officials for joining with us today and considering this chapter of the Provincial Auditor's report. Thank you very much.

**Mr. Hansen:** — Thank you very much, Mr. Chair, and the members of the committee.

[The committee recessed for a period of time.]

[13:30]

### Education

**The Chair:** — Good afternoon. We are meeting this afternoon to consider the Provincial Auditor's report, the 2008 report volume 3. And for those that are following the proceedings and wish to access a copy of the report, they can do so by downloading that report from [www.auditor.sk.ca](http://www.auditor.sk.ca). And in particular we're dealing with chapter 5, the Ministry of Education.

And joining us are the deputy minister and a number of officials. And I wonder if I could ask Audrey Roadhouse who is the deputy minister to introduce those officials. And then we will go back to Mr. Montgomery from the auditor's office for his comments.

**Ms. Roadhouse:** — Thank you very much. It's my pleasure today to introduce Helen Horsman who's the assistant deputy minister; Dave Tulloch, director of financial planning and management. And in the next row is Sue Amundrud, associate executive director, curriculum and e-learning; Margaret Ball in the first row of seats back there, who is director of education, finance and facilities; Greg Tuer who is the executive director

of human resources; Richard Murray, executive director, policy and planning from the Information Technology Office; and Dawn Court, senior financial manager, financial planning and management.

**The Chair:** — Mr. Montgomery.

**Mr. Montgomery:** — Good afternoon, Mr. Chair, committee members. This afternoon I plan to guide you through the recommendations for the Ministry of Education that are included in chapter 5 of our 2008 volume 3 report. In this chapter we report the results of our 2008 audits of the ministry and its special purpose funds.

I'll begin with the new recommendations. We make four new recommendations concerning the ministry.

The first new recommendation relates to segregation of duties. Proper segregation of duties helps to ensure that no one employee or group of employees is in a position to commit and conceal errors or fraud. Also, a lack of segregation of duties increases the risk of loss of public money without ready detection. We recommend the ministry properly segregate the duties of its employees so that the same employees are not requesting and making payments to the Teachers' Superannuation Commission.

The second new recommendation relates to proper support for payments. The ministry needs to ensure it has proper support for the payments it makes to the Teachers' Superannuation Commission. Lack of proper support increases the risk that public money could be lost or misapplied without ready detection.

Our third recommendation concerns the need for a shared service agreement. The Ministry of Advanced Education, Employment and Labour provides various services to the Ministry of Education. These services include payment processing, revenue processing, cash handling, and support services. We recommend that the Ministry of Education sign a shared service agreement with the Ministry of Advanced Education, Employment and Labour. A shared service agreement will help to ensure both ministries understand their respective roles and responsibilities. Without an agreement there is a risk that there may not be agreement on all matters and that specific needs may not be met.

Our fourth recommendation relates to the monitoring of IT security controls. The Information Technology Office, which I'll refer to as ITO, provides computers and network access to the ministry. To know that its computer systems and data are secure, the ministry needs to monitor and assess the security provided by the ITO. We found that the ministry did not ask for or receive adequate information about security from the ITO. We also found that the ITO did not adequately configure, monitor, and update firewalls at the ministry. Firewalls help to maintain security of the ministry's systems and data. We recommend the ministry monitor the effectiveness of the ITO security controls to protect the ministry's computer systems and data.

This chapter also contains the background and results of our work on the ministry's processes for its Education Technology

Consortium projects under the heading management of grants to school divisions. The ministry's consortium projects were to improve the use of technology in kindergarten to grade 12 education. For the fiscal years 2001 to 2007, the ministry paid about 17 million for consortium projects or about 2.4 million a year.

In 2005 the ministry began an investigation into the management of its consortium projects. It found a number of poor management practices. It also hired an accounting firm to examine its records for evidence of misappropriation of funds. The ministry provided the results of its investigation and the examination by the accounting firm to both the Ministry of Finance and our office. The Ministry of Finance also investigated the management of these projects and provided a copy of its report to our office.

We reviewed the work carried out by the ministries of Education and Finance and the work of the accounting firm. On page 73 of our chapter, we report a lack of legislative authority for payments and poor management practices to manage the consortium projects. We were unable to determine if any money had been misappropriated because we have no authority to examine records of school divisions. Beginning in the 2006 fiscal year, the ministry revised its practices to ensure payments for consortium projects followed its normal approval and payment procedures.

Finally I should like to point out that on pages 77 to 78 of our report, we include a status report on outstanding recommendations of this committee that have not yet been fully implemented by the ministry. Thank you, Mr. Chair. That ends my opening comments.

**The Chair:** — Thank you very much. Ms. Roadhouse, any comments?

**Ms. Roadhouse:** — Thank you very much. I am pleased to be here today to discuss the Provincial Auditor's 2008 report volume 3, released on December 4. We welcome the auditor's report on our ministry operations, and we continue to enjoy a good working relationship with the auditor's office. We value the auditor's opinions.

We are pleased that the auditor noted that the ministry has adequate rules and procedures to safeguard public resources, with the exception of matters reported in volume 3. The ministry complied with authorities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, investing. And the 2008 financial statements are reliable.

As an opening comment, I would say that the ministry accepts the findings of the auditor and agrees with each, with the exception of the finding related to the reporting of incorrect pension costs where the Ministry of Education is bound to follow directions from Treasury Board.

Now with regard to the new findings by the Provincial Auditor: adequate segregation of duties needed. This recommendation speaks to strengthening management operations both at the Teachers' Superannuation Commission and within central processing of accounts payable within Advanced Education,

Employment and Labour.

We agree with the auditor's findings and have moved to ensure adequate segregation of duties in the ministry. Procedures have been reviewed and implemented both at the Teachers' Superannuation Commission and Advanced Education, Employment and Labour to ensure adequate segregation of duties. We believe these changes in procedures will address the Provincial Auditor's concerns.

Proper support for payments needed. We agree with the auditor's findings and have moved to ensure that the ministry receives and reviews proper support for payments prior to making payments to the Teachers' Superannuation Commission for the benefit plans the commission administers.

Shared service agreement needed. The third recommendation speaks to the need for shared services agreement between the Ministry of Advanced Education, Employment and Labour and the Ministry of Education. This agreement will document the shared service arrangement between the two ministries for the processing of expenditures, revenues, and the provision of certain administrative services. The ministry expects to have a signed agreement by the end of the fiscal year.

Monitoring of ITO security controls. The fourth recommendation speaks to the monitoring of ITO security controls and provides a follow-up from the 2007 report volume 3 recommendation of ensuring the ministry follows its established procedures for managing user access to its computer systems and data.

I would like to note that the ministry has adequate procedures in place for managing user access to its computer systems and data. However the ministry did not follow its established procedures within the MIDAS, HR [human resources] system, student data system, and for the grant system.

The ministry service level coordinator is working with ITO to ensure stale accounts are being reviewed and deleted as appropriate and in a timely manner. With respect to the monitoring of ITO security controls, the ministry is working with the ITO to ensure that this matter is resolved to the Provincial Auditor's satisfaction. In addition, we have Mr. Richard Murray with us from the ITO to answer any in-depth questions that you may have.

Management of grants to school divisions. The Provincial Auditor's chapter includes a synopsis of activities and actions taken by the ministry regarding the management of grants to school divisions. This refers to the past inadequate financial practices used by the ministry regarding the Education Technology Consortium, ETC. The ETC was a joint committee with representatives of the education sector and the ministry to lead the use of technology within school divisions. Once the ministry's senior management became aware of past inadequate financial practices at the ETC, steps were taken by the ministry to correct the practices. The ministry changed those practices with regard to funding the ETC, and ultimately eliminated financial support to the ETC in 2008 and '09.

The Provincial Comptroller has reviewed the ministry's work in regard to the ETC and is satisfied with the scope of the



ministry's review and the ministry's actions taken to address the ETC financial management issues.

There are also five prior year recommendations that I would like to provide an update on.

School board financial statements. The Provincial Auditor recommended that the former Department of Learning should require school divisions to prepare their financial statements following the standards recommended by the Canadian Institute of Chartered Accountants. Since this recommendation was made, the ministry has hired an actuarial firm to perform evaluation of the employees' future benefits of school divisions. The ministry is currently working with the Saskatchewan Association of School Board Officials finance committee in order to address the reporting of tangible capital assets. All school boards are to be fully compliant by August 31, 2009.

School division comparisons of costs and timing by key stage projects. In 2005 the Provincial Auditor recommended that the ministry should obtain from school divisions comparisons of planned and actual costs and timing of key stage for each approved project. The ministry has implemented a four-stage authorization and approval process, allowing the ministry to improve its accountability, the transparency of processes, and equability of funding for capital projects. This also enabled the ministry to improve its comparisons of budgeted and actual costs and the timing of expenditures. The Provincial Auditor has advised the ministry of its intent to follow up on work they did in 2005 in the 2009-10 fiscal year.

Identification and mitigation of risks for capital projects. The Provincial Auditor recommended the Department of Learning should document its assessment of processes as it partners to use and mitigate significant risks or set in its own processes to identify and mitigate significant risks on approved capital projects. Since the Provincial Auditor's 2005 report, the ministry has improved the accountability for capital funding by instituting a four-stage authorization and approval process for each capital project, thus minimizing the risk. The Provincial Auditor has advised the ministry of its intent to follow up on the work they did in 2005 in the '09-10 fiscal year.

Human resource plan. In the 2007 Provincial Auditor's report, the Provincial Auditor recommended that the Department of Learning should quantify its own human resource needs, provide details on human resource gap between actual and required resources, provide details on plans to implement the major strategies.

With the consolidation of human resources to the Public Service Commission, some of the service delivery module pieces have been delayed. The ministry continues to work with human resources and expects to have a new resource plan in place for the '09-10 fiscal year.

Service level agreement with the ITO. In 2007 the Provincial Auditor recommended that the Department of Learning should sign a service level agreement with the Information Technology Office. Before the ministry can sign a service level agreement with the ITO, it must clearly define service arrangement with the ITO. This is complicated, as the ministry has a complex IT relationship with the education sector. The ministry will

continue to work with the ITO in establishing a service level agreement.

This concludes my opening remarks, and I would again thank the Provincial Auditor and his office for the work that they do. And I would invite the committee to put forth any questions that they may have.

**The Chair:** — Thank you very much. Questions. Mr. Chisholm.

**Mr. Chisholm:** — Thank you, Mr. Chair. Just a question on the Education Technology Consortium. Did I understand that it's kind of wound down now and . . .

**Ms. Roadhouse:** — It has wound down.

**Mr. Chisholm:** — Okay. And I guess the second part to the question then is, the function that it was performing over the last number of years, who's picked that up? Or hopefully it was doing something while it was alive.

**Ms. Roadhouse:** — I'm going to ask Dr. Horsman to comment. I'll just make a brief comment, and that is the intent was — and I actually happened to be in a school division at the time that actually used some of the resources for the Educational Technology Consortium — was really to get school divisions started to build capacities in a number of areas in the area of technology. So not that it sort of served its whole purpose, but its major purpose of getting things going, it really served that purpose over that five- to six-year period. But I'll ask Dr. Horsman to expand on that.

**Ms. Horsman:** — Sure. And as you know, in 2006 we had major amalgamation of school divisions in our province, and now school divisions are larger and have much more capacity than they have in the past. And so what school divisions are doing is beginning to manage much of the . . . many of the activities that the Education Technology Consortium managed in the past when we had close to 100 school divisions. And so school divisions are doing much more of their own distance learning now, and they are in fact using those resources that were able to be trained. We used a lot of the money for training teachers to do online learning and write online courses and develop web-based resources, and those teachers are now being used in their new larger school divisions to do exactly that.

[13:45]

**Mr. Chisholm:** — Thank you very much.

**The Chair:** — With respect to recommendation 1, what is the committee's wish? So as I listen to the deputy, there's a sense here that some progress is being made on this.

**Mr. Chisholm:** — I just wondered if we were to the point on that one that we can concur and note compliance. Like it almost sounded to me like it should no longer be a problem — is that correct? — not just that we're working on it.

**Ms. Roadhouse:** — That's true that we have made those changes, although we would expect the auditor to review that next year to make sure that we have fully complied.

**Mr. Chisholm:** — So I would be prepared to move and note compliance on that particular one.

**The Chair:** — Okay. Auditor have any comments on that?

**Mr. Nilson:** — I'd note progress, and we'll get the compliance report. That's what we've normally done.

**The Chair:** — Let me just ask the auditor here.

**Mr. Montgomery:** — We would only be able to tell you about compliance when we complete this year's audit.

**The Chair:** — Okay. So can we move concurrence and note progress?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. And recommendation no. 2, I think similarly I judge from the deputy's comments that there's progress being made here, so if you would move concurrence with the recommendation and note progress.

**Mr. Chisholm:** — We concur and note progress on no. 2.

**The Chair:** — Okay. Great. And no. 3, is there a shared service agreement?

**Ms. Roadhouse:** — The shared service agreement is not complete. We expect to have a signed agreement by the end of the fiscal year.

**The Chair:** — Okay.

**Ms. Roadhouse:** — We are working on it with them.

**The Chair:** — So just move we concur with the recommendation.

**Mr. Chisholm:** — Concur and . . .

**The Chair:** — Okay. Is that agreed?

**Mr. Chisholm:** — You're putting words in my mouth.

**The Chair:** — No I'm not. I couldn't do that.

So I have a question with respect to no. 4, and probably more for the auditor's office. When you look at the recommendation, in monitoring the effectiveness of the information Technology Office, security controls to protect this ministry, wouldn't the same question then apply for all other ministries that employ the services of the ITO?

And is there a different recommendation that we should be making to executive government, as opposed to saying each ministry should go through the hoops? Is there then perhaps some other body that could do that on behalf of all the ministries that . . .

**Mr. Wendel:** — What happens, if this work was contracted out to a private sector contractor to provide these services, you would get a report from them saying they have adequate

controls to maintain the security of the operation. And what we're asking for here is a report from the ITO that's audited, that goes back to the ministry and says they have good security controls. And that would be the solution to it.

**The Chair:** — Okay. Mr. Nilson.

**Mr. Nilson:** — I think the people that we have that monitor effectiveness, that's the Provincial Auditor. So really it should say we recommend that the Provincial Auditor monitor the effectiveness of the ITO. I mean, I guess, because it seems a little bit strange that a central organization of government needs to be monitored by a department. I think that's why this doesn't ring right.

**Mr. Wendel:** — To put this in a different way . . .

**The Chair:** — We haven't signed off on your budget yet.

**Mr. Wendel:** — Okay, I'll try and put it in a different way. Our view is the ministry is responsible for their IT systems, regardless of whether the ITO is giving them service or any other organization is giving them service. Their main responsibility goes back to ministerial accountability. When it goes bad, it's the minister in charge that's going to have to answer. So our view is, the minister is responsible.

And then to oversee that properly, they need to get some information from the ITO to know that they've got good practices to manage security. We do the same thing when we call for that when . . . Some of the organizations in government use ISM [Information Systems Management Corporation]. We expect ISM to provide a report to those government agencies saying we've got good security, and then you can rely on that. That's all we're asking for here. So the ministry gets those reports and is aware of what they're up to.

**Mr. Nilson:** — So does that mean that when you audit the ITO you ask them if they're providing those reports?

**Mr. Wendel:** — What we're working towards is getting the ITO to actually prepare this report, and we'll audit it and say it's good or it's not. And I think that's where it should go.

**Mr. Nilson:** — Okay. And then the Ministry of Education can rely on your report that the ITO's doing their job?

**Mr. Wendel:** — That their report is factual.

**Mr. Nilson:** — Yes.

**Mr. Wendel:** — That they have this control and that control and that control, and their assessment of whether they have to do anything more if there's something deficient.

**Mr. Nilson:** — Well it seems to me there is a process in place, but this isn't the right one in this sentence here.

**Mr. Wendel:** — Well I guess we've left it open. If they wanted to engage someone else to do this work, fine. But we do the work, and if they want to actually produce a report, we'll audit it and they can then go to the ministries. All the various ministries can circulate it.

At the moment, all they get now is our report here on the Information Technology Office saying their controls need to be improved. But it's late coming out so it doesn't give the ministries enough time to make changes to do what they have to do.

**The Chair:** — What's the committee's wish with respect to this recommendation?

**Mr. Chisholm:** — Well I concur with the auditor's recommendation pending the . . . I think I can concur with the recommendation. That's where I would . . .

**The Chair:** — Is that agreed? Or is that a question?

**Mr. Nilson:** — I think we should note there's a process problem here that needs to be fixed. And so the recommendation, I think, is in the right ballpark, but somehow how the assessment of central agencies that provide services to all departments is assessed has to be done differently.

Now we did it in the summer with that other issue that arose around I guess the MIDAS that we said, well this is one that we're going to deal with right across the board. And this one in a way, we've seen a few different versions of this one in other departments around the firewall issue.

**Mr. Montgomery:** — It may be written up differently in different departments, depending on how much interaction their IT committee has had with the ITO.

**The Chair:** — Mr. Paton.

**Mr. Paton:** — Mr. Chair, the comment I might have is, first of all I support the comment that the Provincial Auditor said in ministerial accountability being important. And that's why you see it in this particular chapter.

The other thing to note, I think, is that not all services that ITO provide to all ministries are identical. So the Ministry of Finance for instance, with our MIDAS system, might have quite different security needs and arrangements with ITO than what other ministries might.

The last thing I'd draw your attention to is that you are going to be having Information Technology Office appear before you and you might want to concur with this recommendation, but take it into a broader discussion when the ITO is here.

**The Chair:** — So Mr. Chisholm has moved that we concur with the recommendation. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. Agreed. And I think that concludes the recommendations. Are there any other questions, further questions for the department? If not, I want to thank you very much for joining with us today to review this chapter of the auditor's report. Thank you very much.

**Ms. Roadhouse:** — Thank you very much.

## Advanced Education, Employment and Labour

**The Chair:** — We are considering now chapter 2 of the auditor's report and we are joined by the Department of Advanced Education, Employment and Labour. And I would ask the deputy, Wynne Young, to introduce the officials that have joined us here today.

**Ms. Young:** — Thank you, Chair. With me today is: to my right, Karen Allen who is the executive director of corporate services; and behind me is Tammy Bloor Cavers, executive director of programs and training branch; Brent Brownlee from training institutions; and also Glennis Bihun from occupational health and safety. And then finally joining us, if there are specific questions, is Marine Perran from SIAST [Saskatchewan Institute of Applied Science and Technology].

**The Chair:** — Thank you very much. Mr. Montgomery.

[14:00]

**Mr. Montgomery:** — Thank you, Mr. Chair. In this chapter we report the results of our 2008 audits of the ministry, special purpose funds. We also report on the audits of SIAST, three regional colleges, and the Saskatchewan Apprenticeship and Trade Certification Commission. I'll begin with the ministry.

We make four new recommendations concerning the ministry. The first new recommendation concerns the need for a shared service agreement. I just made the same recommendation recently for the Ministry of Education. We recommend the Ministry of Advanced Education sign a shared service agreement with the Ministry of Education. This should help both ministries understand their respective roles and responsibilities and help to ensure that specific needs are met.

The second recommendation relates to access to computer systems and data. The ministry needs to follow its established procedures for ensuring only authorized staff have access to its computer systems and data. By not following its established procedures, the ministry is exposed to the risk of loss of public money and inappropriate access to confidential information.

The third recommendation relates to the need for an adequate agreement on disaster recovery of computer systems and data with the ITO. The ministry's service level agreements with the ITO do not adequately address disaster recovery. As a result, neither the ministry nor the ITO knows when systems and data can be restored when needed in the event of a disaster.

The fourth recommendation relates to the monitoring of IT security controls, which we also discussed during the Department of Education. We found that the ministry did not ask for or receive adequate information about security from the ITO. We also found the ITO did not adequately configure, monitor, and update firewalls at the ministry. Firewalls help to maintain security of the ministry's systems and data.

We also report progress on previous recommendations for the ministry. In our 2007 report volume 3, we recommended that the ministry develop a human resource plan. In October 2008 management told us that the plan had been developed and is in the approval stages. That ends my comments for the ministry.

The chapter also provides the results of our audit of the SIAST board's risk management processes as at June 30, 2008. As of June 30, 2008, we found the SIAST board's risk management processes were not adequate. We make two recommendations to improve SIAST's processes. We recommended the SIAST board use more comprehensive risk management policies and procedures that define key terms and processes, assign roles and responsibilities for risk management, require risks to be identified in relation to strategic objectives, require analysis of risk likelihood and impact including time frames, set criteria to evaluate risk tolerance, and outline guidance to treat key risks. We also recommend that the SIAST board require that the written risk management reports it receives include analysis of risks and outcomes of risk management.

Finally, on pages 45 to 46 of our report, we include a status report on outstanding recommendations of this committee that have not yet been fully implemented by SIAST and Saskatchewan Apprenticeship and Trade Certification Commission. Thank you, Mr. Chair. That ends my opening comments.

**The Chair:** — Thank you very much. Ms. Young, any comments?

**Ms. Young:** — Yes thank you, Mr. Chair. Just a few comments around the specific recommendations from the auditor. And as always, we appreciate the auditor's time looking at our organization, and we take very seriously of course the auditor's comments or recommendations for us.

With respect to shared services agreement, as I think you probably just heard from the Ministry of Education, we have a draft shared service agreement in place, and it should be signed by the end of December.

With regard to user access from computer systems, discussions are under way now with the branches around a new process, and the process is implemented on a test basis now within the ministry. And we're sure that the processes will be in place within the next little while throughout the entire ministry.

With regard to adequate agreement for disaster recovery, as you know and I think as you've heard from the ITO and other ministries, that the ITO does now have a new service catalogue that offers us a variety of services of what we need in the way of disaster recovery. These new services will allow us to choose what is appropriate for us and also help us to find the services that we need. Once we are there, we will determine what requirements we need, and we'll work with the ITO in working that into our agreement.

Regarding monitoring of ITO security controls, early in 2009 the ITO plans to expand its intrusion detection systems. And also another area of improvement to help us with our security controls, they are planning, I believe, a firewall, a 24-7 firewall at the same place. These will upgrade the security systems that we have, and they are intended to improve the quality of security that we have but also the reporting of security that we have. And the plans that we've outlined I think are the best means of achieving that in our ministry.

With regard to the human resource plan — and progress was

noted last time — in fact the human resource plan has been completed and is now being rolled out. It's being signed off and sent to the Public Service Commission. But I guess I would say as a relatively new ministry, we certainly believe that the human resource plan is going to continue to evolve over the next year as we're clearer about what we need and what we need to produce to make sure we have the strongest human resources that we can.

Those were the recommendations around the ministry. With regard to the Apprenticeship and Trade Commission, there was a recommendation around also having an agreement with the ITO. And we do believe that that will be in place before the end of this fiscal year.

And finally, with regard to SIAST, SIAST I think it . . . And progress has been noted. They began their risk management system in 2002 and have been growing and evolving it since then. There has been quite good progress on there, and more specifically, in consultation with the auditor, has gone to more comprehensive reporting to the board. And I believe there is some training that is going to begin in early 2009.

So thank you for the opportunity again to work with the auditor and hear recommendations around that. And I'll turn it back to you, Mr. Chair.

**The Chair:** — Thank you very much. With respect to recommendation no. 1, a similar recommendation we dealt with under Ministry of Education.

**Mr. Michelson:** — . . . we're going to have to pass this one too, don't we.

**The Chair:** — I think we move to concur with the recommendation.

**Mr. Michelson:** — Yes.

**The Chair:** — And if Mr. Michelson will move that, then is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. And recommendation no. 2, what's the committee's wish on this?

**Mr. Michelson:** — I'd like to ask a question on that. It always concerns me when I see that there's a recommendation to follow the established procedures. If they're established procedures, why aren't they followed without the auditor having to make note of that?

**Ms. Young:** — I guess the response would be twofold. One is just human error in not following through on it. What this requires is the human resources to speak to the corporate services, so when a person resigns, that that indication goes to corporate services. We have put some new processes in place. So that's part of the . . . now the checklist that you go through. So that's one thing.

And I guess the other thing I would say is it's been . . . part of this year that was looked at was the new year for the new

ministry and bringing the two ministries together. And I think that there was some challenges around corporately bringing it together. I think that we are in much better shape than we were towards the end of this reporting year.

**Mr. Michelson:** — Thank you.

**Mr. Chisholm:** — So I would like to suggest that we concur and note progress on no. 2.

**The Chair:** — Okay. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. And the recommendation no. 3 with respect to disaster recovery?

**Mr. Michelson:** — I think we concur with the recommendation.

**The Chair:** — Concur on the recommendation. Okay. Moved by Mr. Michelson. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. Recommendation no. 4, monitoring of ITO security controls.

**Mr. Chisholm:** — Concur. It's appropriate. So I would make the . . . I would move that we concur with the recommendation, Mr. Chair.

**The Chair:** — Okay. Moved by Mr. Chisholm. And that's agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. And the recommendations concerning SIAST, recommendations 5 and 6. Any questions? Mr. Chisholm.

**Mr. Chisholm:** — Yes. I have just a question just on . . . I probably should know this. But what is the makeup of the SIAST board — the history, the number of people that are on it? Just we're talking about the SIAST board, so I'd just like to know a little more about it.

**Ms. Young:** — The SIAST board at the present time has 13 members from throughout the province and with some residents in Regina and Saskatoon, perhaps disproportionately to others. They come from a range of occupations — everything from business owners, people retired, accountants, bank managers, student representative on the board as always. And I think that the board has been recently refreshed and the Chair of the board is Mr. Alan Thomarat of Saskatoon.

**Mr. Chisholm:** — Okay. Thank you. That just gives me a little more background.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — Could I ask about . . . to comment on the statement at the bottom of page 37:

The SIAST Board and management told us that the Government of Saskatchewan has not required nor instituted the standards we used in this audit.

Or maybe that's to the auditor. What was used in the past?

**Mr. Montgomery:** — From my point of view, that's a statement that they wanted us to make in terms of that they felt if there was a set of standards out there, they might have had more help in doing this, and that was mainly their comment.

**Mr. Michelson:** — Okay, I understand.

**The Chair:** — Mr. Nilson, then Mr. Chisholm.

**Mr. Nilson:** — That question kind of relates to my question, is that do you in the department do risk management assessment for all of the institutions or is this something new that has been developed?

**Ms. Young:** — The universities are managing their own risk. They handle it themselves. SIAST, as I think I said, has been doing it, has begun since 2002. Actually I don't know the answer around regional colleges, but I will see if either Tammy or Brent know the answer. And then of course in the ministry we are in stages of implementing our own risk management approaches. So I'll just ask about regional colleges.

I'm told that in fact the regional colleges don't have anything formal that they would call their risk management program, but in fact have just a manner of managing to make sure that you understand your risks, whether it's student numbers or actual facilities or instructors and so forth. So they are doing it but maybe on a not as formal a basis as SIAST is.

**Mr. Nilson:** — Okay. Then I have a question for the auditor. This risk management issue, is this something that's developed over many years or is it something that was called something else before? Or what's the history of this whole process?

**Mr. Wendel:** — Yes, Mr. Chair, we've been calling on organizations to come up with strategic plans, set out their objectives, set out their risks to achieving those objectives, and then coming up with strategies to mitigate those risks. So it's something we've been pushing along, pushing along, and this year we decided to have a look at how well they're doing in that process at SIAST. You'll find other cases where we've talked about risk management at Agriculture, in the pesticide regulation. And we do find some of the Crowns have pretty good practices for getting with this.

We can't go to every organization and do this in depth. We'll go to some, put some guidelines out, expect others to use them, work with it, and we'll be probably doing one or two more next year.

[14:15]

**Mr. Nilson:** — Okay, that was what my question was because that's what I thought was happening. So this is developing some new tools to actually help develop better strategic plans.

**Mr. Wendel:** — Just continuing to move them forward.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — My question has been answered. You had me on the speaking list, and I was just getting off it.

**The Chair:** — What is the committee's wish? I note that on page 39 that management tells us that SIAST is in the process of phasing in risk management linked processes. How does the committee want to deal with this?

**Mr. Michelson:** — I imagine in light of that we could concur with the recommendation and note progress . . .

**The Chair:** — Is that agreed?

**Mr. Michelson:** — . . . for 5 and 6.

**The Chair:** — Agreed. Are there any further questions or comments? Mr. Chisholm.

**Mr. Chisholm:** — On no. 6, did we do 5 and 6 together?

**The Chair:** — Yes, I think so.

**Mr. Chisholm:** — Okay. Maybe I missed it, but I didn't get any comments on no. 6 specifically from your presentation. I thought it . . . Did it kind of die at no. 5?

**Ms. Young:** — I think I spoke to it probably just generally. And in fact the SIAST board does receive risk reports now, and they are working to make them more comprehensive. And something I didn't know, which I should, is that SIAST in 2009 is actually putting in a risk management office in SIAST so that they can have some full-time efforts towards this.

**Mr. Chisholm:** — Thank you.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — One other quick question. On page 39, the SIAST key risk profile, political — is that considered a key risk profile? Can you explain that?

**Ms. Young:** — This is SIAST's profile, and so maybe I will ask SIAST if they can help us with that. Just a moment.

It mostly relates to their board, their appointed board, and making sure their board has good orientation and the good information that they need, and that they receive the proper support that they need over the years. It also means — whether it's rightly or not titled — it also means the relationships in working with the ministries.

**Mr. Michelson:** — I'm satisfied with that.

**The Chair:** — Thank you very much for being with us today to consider this chapter of the auditor's report. Thank you.

### Standing Committee on Public Accounts

**The Chair:** — I want to refer members to chapter 21 of the auditor's report, and the title is the Standing Committee on Public Accounts. And we have with us Kim Lowe of the

Provincial Auditor's office to go through chapter 21.

**Ms. Lowe:** — Thank you, Mr. Chair, and members. Chapter 21 of our 2008 report volume 3 has two main purposes. It responds to a prior request of the Public Accounts Committee regarding monitoring the status of its recommendations, and it highlights the work and accomplishments of the PAC [Public Accounts Committee] since the fall of 2007 when we last reported the status of PAC recommendations.

Since the fall of 2007 and at the time of this report, the committee met eight times to discuss our reports. When this report was released, the committee's most recent report to the Assembly setting out its recommendations was its second report of the twenty-fifth legislature. It was presented to the Legislative Assembly on May 16, 2007. That report included over 98 recommendations, including those where PAC concurred with our recommendations.

PAC asked our office to monitor compliance with its recommendations and to report on their status. Many of the past PAC recommendations are included within ministry chapters. Those chapters provide an update on the status of the committee's outstanding recommendations. This format allows the committee to reconsider these recommendations.

The exhibit in this chapter lists all the committee's recommendation that the government has not yet fully implemented and are not already discussed in another chapter. All of PAC's recommendations that were not fully implemented by the government are as at the date we last audited the organization or area — usually March 31, 2008.

We note that the committee's reports, including the second report to the twenty-fifth legislature during the previous five years, contain 282 recommendations. Some of these recommendations may take a number of years to implement. However as at March 31, 2008, the government has fully implemented 67 per cent of the committee's recommendations. Also the government has partially implemented 81 per cent of the remaining recommendations.

It has been approximately eight months since we last audited the organization or areas included in each chapter and the exhibit. As a result the report may not reflect the current status of the PAC recommendations because the government may now have dealt with some of the recommendations.

That concludes my presentation. And we would be happy to answer any questions.

**The Chair:** — Questions.

**Mr. Michelson:** — Mr. Chair, and we just went through this. When we talk about concur with the recommendations or concur with the progress, I'm getting a feeling that maybe when we concur with the recommendation and note compliance, that doesn't mean to say . . . all that's saying is that we're satisfied with what they've done, and it will up to be the next audit to say whether that's good enough or not.

**Mr. Wendel:** — Well if you note compliance, I think what it means is you've heard the testimony of the officials up there,

and they've told you they've fixed it. You can note compliance in your report, but I won't acknowledge it until I go out and audit again. And if I find there's non-compliance, well it's bad. Then you may want to do something about that the next time they appear.

**Mr. Michelson:** — That's fair, that's . . .

**Mr. Wendel:** — But I haven't marked which ones they've said compliance to or non-compliance. I could do that if you want.

**Mr. Michelson:** — But I think there was a bit of misunderstanding there of where we are actually going with one of the committees earlier this morning.

**Mr. Wendel:** — Where you were going to note compliance or not note it.

**Mr. Michelson:** — Whether they were going to note progress or compliance.

**Mr. Wendel:** — Yes, again, that's your choice. You know, if you've heard the testimony and you're satisfied, you want to say compliance, I mean that's . . . I can't speak for the committee. If they . . .

**Mr. Michelson:** — It doesn't mean it's meant the auditor's satisfied. It just means that from our viewpoint, it looks like they have done what they've been asked to do.

**Mr. Wendel:** — That's right.

**The Chair:** — But we might have a discussion at some point about what we mean by progress because to simply say, well we recognize there's a problem and a few of us have batted it around in the office, that wouldn't necessarily constitute progress. But say we recognize the problems and here's specific steps we're taking to deal with that, well that would be progress. That wouldn't necessarily be compliance until we, you know, get the auditor to sign off.

**Mr. Chisholm:** — Just further to that. Like sometimes they are able to offer actual dates of when they think something will be done. Well to me that's progress because there's a date. It's not compliance because we haven't reached that date yet. So it's somewhere when you get that kind of an assurance that they are working on something, and it'll be done by this July or whatever the date is, that to me that says that they are actively working on it.

**The Chair:** — Mr. Paton, you have some comment on this?

**Mr. Paton:** — Thank you, Mr. Chair. I've noted a couple of times during this morning and yesterday where I actually think that, consistent with previous years, the committee may have noted that the ministry had complied with the recommendation. They're always subject to a follow-up audit by the Provincial Auditor, which we've talked about just now, but an example would be where they have to file a financial statement by a due date and they said, well we've filed that statement, and we're going to make steps to ensure that we do it in the future.

Well, you know, they've complied with that. I'm not sure what

more they can do, or they've instituted procedures to make sure that inactive database access has been restricted. And they say well we've got procedures and we're doing that. They've really complied with the recommendation, and the auditor will confirm that in subsequent years or subsequent audits, but I actually think there was a number of instances where you could have noted compliance based on the comments of the deputy minister, subject to a follow-up with the audit.

**The Chair:** — We'll get back to Mr. Chisholm's comment that if a specific date has been mentioned and certain undertakings have been provided for that date then . . .

**Mr. Paton:** — I wouldn't say for a future date.

**The Chair:** — No.

**Mr. Paton:** — If they say that, and we heard where they're going to sign agreements by December 31, well I would say that's progress. If they say they've signed the agreement, that's compliance. Now the auditor may come back later on and say, well we don't think the agreement's very good or it's inconclusive or incomplete. So you may have the issue come back, but the fact that they've signed it is a compliance issue. It's still subject to a follow-up by the auditor.

**Mr. Nilson:** — Just on this issue of filing reports, I think usually it's worded they should file their reports on time, and so then they report, well they filed it late by three weeks. Well the recommendation is still there that we concur in, but they haven't complied with it because that is supposed to happen every year.

And so, you know, I think that we're within the ballpark of where we're supposed to be on all of these things, and the key point is that we actually hear a report that they've done something towards that. And most of the time the way the recommendations are worded, they can't totally comply with them because it's about a practice that's an ongoing practice.

**Mr. Chisholm:** — I think that's particular in some of these issues that we're seeing in the auditor's report now, more and more about, you know, measuring your progress, security issues. They'll never go away. We'll never be there 100 per cent.

**Mr. Wendel:** — I think they'll be better.

**Mr. Chisholm:** — Right, good. Well I'm sure they will.

**The Chair:** — I remember a few applications where you completely forgot the password and no one else will get into it either. Any further questions or comments?

Just for the information for the committee, I talked to Mr. Michelson and we are attempting to see if we can line up for a January 20 meeting someone from the CCAF — which is letters that stand for something that was previously known as the Canadian Comprehensive Auditing Foundation, but they say it doesn't any more which is, I don't know; I don't understand that, but — to see if they might be able to provide one of their principals to meet with us on the afternoon of the 20th to see how other committees are dealing with issues across the

country, significant issues that they might see other committees identifying and help us to understand how public accounts committees are operating in a wider environment.

Mr. Chisholm.

[14:30]

**Mr. Chisholm:** — Yes. Another topic that I think would be interesting in the next 12 months or so is what the auditor addressed about some of the new requirements that are coming into the whole accounting system as a result of some bad things that happened in the world. I think that would be a interesting discussion to have somebody come in and speak to us on that.

**Mr. Wendel:** — Reporting standards?

**Mr. Chisholm:** — Yes.

**Mr. Wendel:** — There must be somebody from my office could. I'm not sure I'm up to speed yet.

**Mr. Chisholm:** — But I think it would be interesting. And we certainly don't have to get into all the nitty-gritty, but just so that we all have a feel of what direction we're going.

**The Chair:** — Good point. And we can identify that, and at some meeting — whether it's January 20 or at some future meeting after that — put that on our agenda.

**Mr. Wendel:** — It's something a lot of the Crown corporation boards are trying to get their minds around at this time. And I'm not sure how far it'll go into some of the government agencies that are following the non-for-profits accounting principles, whether it's going to extend to the regional health authorities or where it's going to go. So there may be some large problems with that yet.

**Mr. Nilson:** — Would it also be possible to include — maybe this will be in the meeting in January — around capitalization of projects and how you account for them, whether you account for them in the calendar year or over a longer period of time, and that particular debate, where it's ended up. Because that's been an issue. I think, you know, I think we're fairly solid in what we're doing now, but is everybody on the same page across the country or if there's some new ideas coming in that area.

**Mr. Wendel:** — I'm not sure exactly what you're getting at yet, Mr. Nilson.

**Mr. Nilson:** — Well basically it's the issue of, if you build a highway and it's going to be there for 40 years, do you put the full expenditure in the year you build it? Or do you spread it out over quite a number of years?

**The Chair:** — I don't know, but I think all jurisdictions are moving in that direction. The only, I guess, dangling participle in Saskatchewan is municipalities and to get them up to speed, but the government is taking steps to do that. There's a process under way to ensure that all municipalities are also accounting for infrastructure in a similar way.

**Mr. Nilson:** — Well the reason I raise it again is I saw that in British Columbia they've done something with their revenues from natural gas that give them a whole big fund of money that's not on the books. And so therefore they're not going to have any difficulty financially for at least the next year. And people are, you know, there's a dispute with the auditor and some of the accountants, and I just want to know and understand what that's about in case we get caught in something like that.

**The Chair:** — Mr. Paton, you want to weigh in on this.

**Mr. Paton:** — Just a brief comment on that one issue. I know that there's a project currently under way by the Public Sector Accounting Board that's looking at the issue that you're talking about here.

My understanding of the situation in British Columbia is that they're taking their sale of Crown land rates, where we currently take it into income, they're actually deferring that income over a longer period. I think they're the only province I know that's doing that, and maybe they're a little bit offside with the rest of the industry right now. I think most jurisdictions take Crown land sales into income in the period that they sell their rights, and BC [British Columbia] is deferring it over a longer period of time.

**Mr. Nilson:** — Anyway I think it's an issue we need to understand because it's clearly causing some consternation both in the legislature and in the accounting profession and among the public, because they don't understand where it is. And you know, the money, a lot of it from up in the Fort St. John north, Fort Nelson area around natural gas, and so it's like the revenue we get here in Saskatchewan from the land sales, and we put it in our budget each year and account for it which then means we get wild swings. They've decided to spread it out over, I think, eight years or 12 years or something like that, even though they have the cash now.

**The Chair:** — Budget into revenues?

**Mr. Paton:** — That's correct. They take it into revenue over a longer period of time and it's going back to an accounting standard that was probably followed, I'll say 10 years ago. It was more of a matching principle where they try to estimate when that revenue is being earned by the province. And so they've arbitrarily picked, I think, it's an eight-year period where they say they're going to take that revenue in. I think that's probably offside with the Public Sector Accounting Board right now.

The only way you can defer that revenue is to indicate that you have a liability to someone. In other words, you know, if the producer didn't drill the well or quit pumping, are you going to refund that money to the person who bought the land rights? And the answer's no, you're not going to. The minute you've sold it, they can drill or not drill — it's up to them — but the rights have been sold at that time.

**The Chair:** — You mean, the actual money doesn't come in? Or the money goes into a trust fund and then the trust fund pays it out over . . .



**Mr. Paton:** — No, they receive all the money. They record a certain percentage as revenue in the current year, and they defer the rest of the revenue. They basically set up a liability for eight years and then take the income over an eight-year period. So I say that's a little bit inconsistent with the rest of Canada.

**The Chair:** — Going from accrual to cash.

**Mr. Paton:** — Yes.

**The Chair:** — I understand that. Well that's the difference between the bank statement and my chequebook.

Any further comments or questions on this chapter? If not, I certainly want to thank the auditor's office for all the support that they provided us and the guidance. It's truly appreciated. And not to be left out, we also appreciate the comments of the Provincial Comptroller's office on an ongoing basis. Thank you very much.

So we stand recessed until 3 o'clock.

[The committee recessed for a period of time.]

[15:00]

### Environment

**The Chair:** — The next chapter that we will be considering in the auditor's volume 3 2008 report is chapter 6, dealing with the Ministry of the Environment. And we are joined by the deputy minister and a number of officials. And I wonder if I could ask Liz Quarshie who is the deputy minister to introduce the officials that have joined us.

**Ms. Quarshie:** — Thank you very much, Mr. Chairman. To my right is Donna Johnson, executive director of finance; to my left is Lin Gallagher, executive director of environmental protection. And also here with me is Bob Wynes, acting assistant deputy minister of lands and forestry division, and Susan Loewen, acting director of financial management section, and Gord Will from SWA [Saskatchewan Watershed Authority], in case there are any questions that SWA needs to respond to; and Richard Murray, executive director of policy for ITO. Thank you.

**The Chair:** — Thank you very much. And now we'll go to Mr. Grabarczyk of the auditor's office.

**Mr. Grabarczyk:** — Thank you and good afternoon, Mr. Chair, and members of the committee, chapter 6 on the Ministry of the Environment begins on page 79 of our report. The chapter describes the results of our audits of the ministry, its special purpose and revolving funds, and its Crown agencies for the year ended March 31, 2008.

Effective November 2007, the government reorganized the ministry. As a result, the Commercial Revolving Fund became the responsibility of the Ministry of Tourism, Parks, Culture and Sport. In 2008 the ministry's program costs were 168 million and it acquired net capital assets of 9 million. The ministry had revenue of 47 million from licences and permit fees for fishing, hunting, and forestry. The ministry also raises

revenue and incurs expenses through its special purpose and revolving funds.

On pages 84 to 92, we make 10 new recommendations. On page 84 to 87, we make four recommendations for the ministry to supervise its employees to ensure they follow the ministry's policies and procedures for, first, billing, collecting, and recording lease and forestry revenue promptly. This will help the ministry to correctly record lease fees, bill, collect, and record revenue earned from joint owned lands, and verify forestry companies' annual returns.

Second, reviewing the reconciliation of its recorded bank balances to the bank records promptly. We make this recommendation as there were instances where there was a lack of evidence of a supervisor's review and approval of the bank reconciliations to ensure staff completed the reconciliations correctly.

The third, to prepare the amount owing to terminated employees. We make this recommendation because staff did not always submit staff terminations to the payroll department prior to calculating final pay. As a result, the ministry overpaid terminated employees \$16,000.

Fourth, to prepare accurate and timely financial records for the financial statements of the Fish and Wildlife Development Fund and the Commercial Revolving Fund. The records and financial statements presented for audit contained several errors.

On pages 88 to 91, we make five recommendations for the ministry to establish processes, first, for changing lease rates and customer information on its computer system. By establishing adequate processes, the staff will have guidance for making changes, verifying changes, and there will be an adequate segregation of duties between those staff making changes and those preparing billings which will help to ensure an accurate billing to customers.

Second, monitoring compliance with its agreements. We make this recommendation as the ministry did not have a complete record of its agreements; including the amount paid, owing, and the amounts committed. As a result, the ministry prepared, reviewed, and approved a duplicate payment of \$42,200.

Third, securing its systems and data as the ministry has not secured sensitive data on laptops. It also does not have processes to determine if it complies with industry standards for credit cards. The ministry accepts credit card payment for some fees such as the big game draw.

Fourth, an adequate information technology plan. The plan should set out the ministry's objectives and how it plans to achieve them.

Fifth, an adequate agreement with the Information Technology Office for information technology services. The agreement signed in April 2008 does not adequately address disaster recovery and the ministry's ability to obtain assurances to the security of its information systems.

Finally on page 92, we recommend the ministry provide the Legislative Assembly the audited financial statements of the

Fish and Wildlife Development Fund by the date required by law. We also repeat three recommendations from our past reports relating to the segregation of duties of employees, defining and documenting the ministry's compliance reporting needs, and preparing a complete business continuity plan.

Your committee has considered all these matters in the past and agreed with our recommendation. The ministry needs to do more to fully address these recommendations, and the table on pages 93 to 94 provides the status of your committee's outstanding recommendations that we did not include in the body of the chapter. We plan to follow up on these recommendations next year and report our findings in a future report.

That concludes my overview.

**The Chair:** — Thank you very much.

**Ms. Quarshie:** — Thank you, Mr. Chairman. The Ministry of Environment welcomes the advice and values the work of the Provincial Auditor and his staff as a means of improving our ministry's operations. We appreciate the opportunity to provide a brief update respecting matters raised in the Provincial Auditor's report of last fall.

We appeared before the Public Accounts Committee in April 2008 when we addressed nine financial or administrative recommendations and six air quality recommendations included in the Provincial Auditor's 2007 report. I'm pleased to note that, through the dedicated effort of ministry staff, nine of those recommendations have been addressed. On the financial or administrative front, the following four recommendations have been removed from the Provincial Auditor's 2008 report: review of payroll, signing a service level agreement with ITO, improvements to the human resources plan, and reconciliation of bank balances.

With respect to the air quality recommendations, as I mentioned when the ministry was here in April, the ministry has addressed five of the six outstanding recommendations over the last two years. We look forward to the auditor's review of those matters in 2009.

The Provincial Auditor's 2008 report issued last week continues three recommendations and introduces 10 new recommendations for the ministry. We are committed to fully addressing all remaining recommendations as soon as possible. Given how recently this report was received by the ministry, I'm pleased to report that two recommendations have been resolved already, those being the review of bank reconciliations and providing the Legislative Assembly with the Fish and Wildlife Development Fund's audited financial statements. I can also note progress on the continuing financial and administrative recommendations.

With respect to the recommendation to properly segregate the duties of employees responsible for disbursement or expenditure of public money, in February 2008 the ministry's internal auditor reported that controls are in place that adequately address segregation of duties. However this recommendation remains in the auditor's report, in fact due to an issue with MIDAS accounts payable module. The MIDAS

accounts payable module is maintained by the Ministry of Finance, and we understand that that matter has been discussed previously by this committee. It is important to note that the ministry did manually segregate the responsibilities of staff who enter payments into the financial system from those who validate or authorize the issuance of payment.

The other report of finance were those of our ministry's internal auditor. This fact indicates that the ministry's full system of internal controls, including the role of internal audit, plays a really important part in operating effectively. The ministry is working to address the three recommendations related to the ITO, and the ministry will continue to work with ITO and other ministries to ensure a consistent government-wide approach to these recommendations.

Regarding the security of systems and data, during 2008-09 the ministry retained a consultant to review our processes and to make recommendations respecting steps that may be required to achieve compliance with new credit card payments. We expect to receive this report in January.

The ministry is also working to ensure that the recommendations relating primarily to the Fish and Wildlife Development Fund are appropriately addressed. The ministry knows that the errors within the FWDF [Fish and Wildlife Development Fund] were due to significant staff turnover. New staff are now aware of the processes.

Mr. Chairman, we thank you for allowing us to make these opening remarks and we welcome any questions you may have.

**The Chair:** — Thank you very much. Recommendation 1, any questions, comments? Mr. Michelson.

**Mr. Michelson:** — Yes thank you, Mr. Chair. Just referring to page 81, on the estimates for environmental protection and water management. The estimate was 26; the actual was 54. Is there a particular reason why that would be more than double?

**Ms. Johnson:** — The reason for the increase there was the payment to the SWA for the Fishing Lake and Waldsea Lake emergency money.

**Mr. Michelson:** — Okay. Thank you. The fire management and forest protection, there was quite a discrepancy there as well.

**Ms. Johnson:** — And in the fire program, the branch that's responsible for the wildland fire suppression is budgeted for what we would call about a 10-year average firefighting season. And in the year under review here, we had significantly fewer expenses than what a 10-year average would bring.

**Mr. Michelson:** — So there's less fires. Thank you.

**The Chair:** — ... questions or comments, what is the committee's wish? So the auditor's report speaks, under agreements, that the question here is supervision of employees.

**Mr. Michelson:** — I think there is a number of them, of these recommendations that deal with the supervision of employees, and that's a fairly big concern. It always concerns me when I

see that the auditor has to make a recommendation that we follow procedures. You'd mentioned there was a huge staff turnover. Would that be a large reason for this?

**Ms. Quarshie:** — The FWDF official allied development fund is managed as a separate entity arms-length, and of course the Ministry of Environment has staff who work within the FWDF. And of course the reason for that particular lack of supervision was the large turnover in staff that occurred during the summer. We didn't have all the replacement staff in place, and are they fully trained to understand the processes that they needed to follow and make things happen. So now that we have the staff in place and actually have done the training, we don't anticipate that this will be an ongoing problem.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — Yes, I just have a question on that, and this is to be directed to the auditors. As I recall this has been a recurring . . . this isn't the first time that we've seen this or similar recommendations relating to the environment, relating to billing, collecting, recording lease and forestry fee revenues. Is that correct or is that . . . Like I don't see it in one of the recommendations that's in the outstanding recommendations, but I recall that being almost a recurring problem with this particular department.

**Mr. Grabarczyk:** — The forestry reconciliation's not being looked at on a timely basis was reported two years ago.

**Mr. Chisholm:** — Right. Okay.

**The Chair:** — Mr. Nilson.

**Mr. Nilson:** — On this particular issue around the collection of the forestry fees, it looks like it's based on the actual volume of trees that are harvested. So does that mean that in this year there's very little harvested so that there are no fees? Or how does this work?

**Mr. Wynes:** — The reconciliations still need to be done regardless of whether it's a large or small volume. If I can maybe explain the progress we've made on this issue . . . Two years ago the collection of forestry fees was identified as an issue, and at that time it was subsequently clearly delegated to the forest service to address that. Historically, the determination of the volume of wood, as you mentioned, was the responsibility of the forest service. After two years ago, the reconciliation with the dollars owing associated with that volume of wood were also made the responsibility of the forest service.

So in the last two years, subsequently, we hired a forestry accountant. And one of the first steps that we needed to do was establish a clear process so that everybody understood — including the auditors when they came to audit our performance. They were able to see the processes outlined.

There's issues, for example, the legislation gives the companies 90 days to submit the data after the end of the fiscal year. So it takes a certain amount of time for that data to be submitted, subsequently, do the calculations, and then subsequently reconcile. So until there's a clear process outlined, it's difficult

to judge the performance against that.

So we've made substantial progress in establishing a clear process for reconciliation of forestry fees, and we're anxious to have the Provincial Auditor look at that next time they visit us on that subject. Unfortunately we were making good progress on completing the reconciles, bringing it up to date, and we had staff turnover — our forestry accountant quit. And so only recently in the last few months that we've been able to hire a new forestry accountant and once again follow the processes that we have established. And it's a good example of where we have established a clear process that we can use for training new staff and ensure consistency and make sure that we're measuring staff against a clear process.

**Mr. Nilson:** — But the volumes are down this year, so that . . .

**Mr. Wynes:** — Oh absolutely, yes.

**Mr. Nilson:** — So are there any forests being harvested?

**Mr. Wynes:** — Yes. I don't have the volume numbers in front of me right now, but there are still companies operating. In fact the companies on the west side of the province — for example Mistik Management which represent the wood for both the NorSask saw mill and the pulp mill in Meadow Lake — they've been operating for part of the year pretty well at full capacity. In fact the Meadow Lake pulp mill is at production records since change in ownership. As well, Meadow Lake OSB [oriented strand board] has been harvesting substantially. So definitely those companies have been harvesting a substantial volume.

There has been wood freed up by Domtar, for example, for other operators that would be chargeable against their volumes. So just about in every one of the FMAs [forestry management agreement] there L & M has been harvesting fully, so there is still wood — reduced volume in many cases, but there is wood being harvested — at some volume across the province.

[15:15]

**Mr. Nilson:** — So this should give you a chance to get all this process caught up and then be ready for the next boom?

**Mr. Wynes:** — Yes. The key thing was getting the new accountant hired and trained.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — Does that explain in that middle of the page, on page 84, it says:

. . . the companies do not remit any remaining fees owing until the Ministry verifies the annual returns. The Ministry has not verified the annual returns for all the companies for the year ended March 31, 2007.

**Mr. Wynes:** — That's the reconciliation process, yes. And it's — just to clarify — it's not only the fees owing from the companies, but in some cases the way it works, the companies have to submit revenue to the province based on estimates from previous year's harvesting. And that's what the reconciliation is about. We are collecting money throughout the year and the

reconciliation just balances the actual volume of wood and the amount owing at the end of year compared to what they paid. And so it varies depending on season of harvest of the wood, whether it's dry, whether it's wet. A number of factors affect the conversion from the volume to the actual weight and the subsequent dollars owing. So at the year end, there may be money owing from the government to the companies or vice versa from the companies to the Crown.

**Mr. Michelson:** — So it's just a reconciliation. It's not money owing.

**Mr. Wynes:** — It is a balancing of the books at the end of the year. All of the . . .

**Mr. Michelson:** — But it wouldn't be a significant amount probably.

**Mr. Wynes:** — Occasionally it's in the neighbourhood of \$100,000, but typically much less than that. But there is money paid throughout the year based on estimates from previous years' conversion factors for volume to weight.

**Mr. Michelson:** — Mr. Chair, I'd recommend we concur with the recommendation and note progress on no. 1.

**The Chair:** — That's agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Recommendation 2. What is the committee's wish?

**Mr. Chisholm:** — I would like to move that we concur with no. 2 and note progress, is my understanding certainly from the deputy.

**The Chair:** — Okay. And that's agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. Recommendation no. 3.

**Mr. Michelson:** — Mr. Chair, if I could ask a question on no. 3. The overpayment paid to terminated employees for \$16,000, was that ever attempted to get back?

**Ms. Johnson:** — Yes. As soon as the overpayments are recognized, we take steps immediately to contact the employees and recover the overpayments.

**Mr. Michelson:** — So it's been recovered?

**Ms. Johnson:** — The full amount has not yet been recovered. As of the beginning of November, the amount recovered was over \$6,000. So there's still an amount to be recovered.

**Mr. Michelson:** — So still \$10,000.

**Ms. Johnson:** — Yes.

**Mr. Michelson:** — What steps are taken to try and recover that?

**Ms. Johnson:** — We contact the employees and we set up repayment schedules if they've been terminated from . . . Many of the employees that we're talking about are people who are recallable labour service, so they'll be coming back to work for us in the summertime. But in any event, we do contact them and go through the routine or the regular collection processes and establish repayment terms with them.

**Mr. Michelson:** — And I take it we're taking steps to make sure that that's . . .

**Ms. Johnson:** — Yes.

**Mr. Michelson:** — Thank you.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — I just have a question on that. If you're overpaid in a period of time — let's say a year, a calendar year — would your T4 reflect that overpayment even though it's been determined that it's an overpayment that should be paid back? And so are you going to end up paying tax on it the year that you received it and then have to do something fancy the next year to get it back? Do you know how that would actually work through payroll?

**Ms. Johnson:** — No, I'm not sure that I can answer your question.

**Mr. Chisholm:** — It's certainly never happened to me that I've been overpaid, so I don't . . .

**Mr. Paton:** — Mr. Chairman, I think that's actually what does happen, is the overpayments, I believe, do record the additional excess amounts paid. And when they're repaid, I understand there's a special form that you can file with Revenue Canada to get the correct amounts reported later on.

**The Chair:** — Okay. What is the committee's wish?

**Mr. Michelson:** — To concur with the recommendation. Do we note progress on this?

**Mr. Chisholm:** — Well we note \$6,000 of 16.

**Mr. Michelson:** — Yes. I guess we do. Okay. Concur with the recommendation and note progress.

**The Chair:** — Okay. Back to recommendation no. 3. And that's agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — And no. 4?

**Mr. Michelson:** — Leading up to no. 4, there was, and I think you mentioned, this is significant staff turnovers. But when I see the statements, "The financial records and financial statements . . . contained several errors," and then, "Due to the several errors in the financial records . . . the Ministry prepared inaccurate interim financial statements . . ." "The CRF's financial statements presented for audit contained errors" as well. How big were the errors? What was the fault? Did we lose

money on that? Is there . . .

**Ms. Johnson:** — No, there was no loss of money. The errors that we had were essentially classification errors. So for instance, a land purchase was made and rather than recording it as a land purchase or an asset, it was recorded as a grant. So there was no instances where the fund believed that it had more money to spend than it actually had. But there were, prior to the financial statements being corrected, there was an understatement of the land holdings that the fund held.

**Mr. Michelson:** — Can we move that we concur with the recommendation and note progress. I think that would suffice.

**The Chair:** — Recommendation no. 5.

**Mr. Chisholm:** — I would move that . . . No, go ahead. Sure.

**Mr. Nilson:** — What kind of agreements are these? Are these lease agreements or are they ongoing agreements or a whole array? Are they federal-provincial agreements? What are we talking about?

**Ms. Johnson:** — The agreements that the auditor references here on page 88 are agreements that the Fish and Wildlife Development Fund holds with Ducks Unlimited, for instance, and the Saskatchewan Wildlife Federation and the Nature Conservancy, NCC [Nature Conservancy of Canada]. And those agreements are agreements that the FWDF has with those parties to acquire conservation easements or to acquire land. So it's those agreements that are referred to here.

**Mr. Nilson:** — Okay. And so that part of the process is that you've started to have a registry of all these agreements or something where you keep track of them? Is that what I understand from this report?

**Ms. Johnson:** — Yes, I think what the auditor noted is that we had a listing of the contracts within the agreements that at points in time were not complete, were not comprehensive.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — Yes. Again I think we've got a fair amount of work to do in this, but I notice there was a duplicate payment of \$42,000.

**Ms. Johnson:** — That's correct. Yes.

**Mr. Michelson:** — Again, where does that come from? Is that just staffing?

**Ms. Johnson:** — Well primarily the turnover in staff. As Deputy Minister Quarshie indicated earlier, in the Fish and Wildlife Development Fund, we have a person who is the administrator of the fund. And the previous administrator had been in that position for decades and then retired, and the person replacing them had very few months on the job prior to the end of the year and closing out the year-end for the FWDF.

And also in the finance and admin branch, the Fish and Wildlife Development Fund has the accounting done for it by a dedicated employee and that employee also retired during the

fiscal year and was replaced by one person who then moved on to another job and so was replaced again. So we had compounding staff turnover that resulted in the errors that you see in the report here.

**Mr. Michelson:** — Is the auditor making note that there's a human resource issue here? Thank you.

**The Chair:** — What is the committee's wish on this one?

**Mr. Michelson:** — To concur with the recommendation and note the progress.

**Some Hon. Members:** — Agreed.

**The Chair:** — And that's agreed? Agreed. Recommendation 6.

**Mr. Michelson:** — Concur and note progress. That obviously is working well.

**The Chair:** — That's agreed?

**Some Hon. Members:** — Agreed.

**Mr. Michelson:** — Can I ask a question on that?

**The Chair:** — Yes.

**Mr. Michelson:** — When you ask, when you say an adequate agreement, what would that entail? What would you identify as an adequate agreement?

**Ms. Johnson:** — What's currently missing in our agreement is a detailed description of the disaster recovery plan and our expectations of the ITO to test our systems and inform us of the results of those tests.

**Mr. Michelson:** — And would you have a date planned for when this might be completed?

**Ms. Johnson:** — We are currently working on it, but I don't have a particular date yet when we expect the improved service level agreement to be signed.

**Mr. Michelson:** — Okay. Thank you. Mr. Chair, I think we concur with the recommendation and note progress.

**The Chair:** — And that's agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — No. 7 and 8. Can we have a motion to concur with the recommendation and I think note progress in this case?

**Mr. Michelson:** — I would move that we concur with the recommendation and note progress.

**The Chair:** — That's agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. No. 9, “. . . establish process for changing lease rates and customer information on its computer

system.” . . . [inaudible interjection] . . . We did those two together, yes we did. Okay. Recommendation no. 9.

**Mr. Michelson:** — We would concur with the recommendation.

**The Chair:** — It’s been moved that we concur with the recommendation.

**Mr. Chisholm:** — My understanding is that is done, or are we still working on that?

**Ms. Quarshie:** — We still have some work to do on that.

**Mr. Chisholm:** — Okay. And note progress.

**Mr. Michelson:** — And note progress.

**The Chair:** — And note progress. And that’s agreed? Agreed. And no. 10, the audited financial statement was provided on August 18, so what can we say? We concur with the recommendation and note compliance.

**Mr. Michelson:** — Do we have a comment on that?

**The Chair:** — Concur with the recommendation? Full stop, period. Okay.

**Ms. Quarshie:** — I did say in my opening remarks that we did provide it so I’ll leave that with you, Mr. Chairman.

**The Chair:** — So the motion is to concur with the recommendation. That’s agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. Any further questions or comments with respect to the Department of the Environment? If not, I want to thank you very much, deputy, for joining with us. Thank you.

**Ms. Quarshie:** — Thank you, Mr. Chairman.

[15:30]

### Justice and Attorney General

**The Chair:** — The next chapter of the Provincial Auditor’s report, the 2008 report volume 3 that we are considering, is chapter 13, the Ministry of Justice and Attorney General. And I would ask Mr. Doug Moen, the deputy minister, to introduce the officials that have joined us today, and then we’ll go to Mr. Ahmad from the Provincial Auditor’s office for his comments.

**Mr. Moen:** — Thank you, Chair. I have with me today Ken Acton, the acting assistant deputy minister from courts and civil justice. Maybe they can just raise their hand: Gord Sisson, the executive director of corporate services; Lionel McNabb, the director of maintenance enforcement and fine collection; Jim Bingaman, the director of information management; Jeff Markewich, the director of assurance and financial reporting; and Richard Murray from ITO who has been with you this afternoon. Thank you.

**The Chair:** — Mr. Ahmad.

**Mr. Ahmad:** — Thank you and good afternoon, Mr. Chair. Chapter 13 begins on page 253 of our report. The chapter describes the result of our audit of the Ministry of Justice and Attorney General and its agencies for the year ending March 31, 2008. The chapter also provides information relating to our advice on Bills No. 31 and 32.

In this chapter we make seven new recommendations and repeat two recommendations from our past report. First, the new recommendations.

The first recommendation on page 259 requires the ministry to work with the Ministry of Corrections, Public Safety and Policing to ensure the fines for the voluntary payment option on issued tickets comply with the law. We found that the voluntary payment option on issued tickets did not always comply with the law.

The second recommendation requires the ministry to secure credit card information in accordance with the credit card industry’s security standards. We understand the ministry is working to implement the required standards.

Our third recommendation requires the ministry to properly segregate the duties of its employees to ensure they cannot authorize payment to themselves. We have made similar recommendations for almost all the ministries.

The fourth recommendation on page 260 requires the ministry to determine and record in its accounting records the long-term disability benefit liability and the related expense for disabled judges. Currently the ministry only records the payment to the disabled judges as expense.

The fifth recommendation requires the ministry to sign an adequate agreement on disaster recovery and security with the Information Technology Office, that is ITO. The current agreement does not identify all the security requirements or time frame for recovery completions.

Our sixth recommendation requires the ministry to prepare strategic and operational information technology plans. Such plans help ensure priorities and initiative support of strategic objectives.

The seventh recommendation on page 262 requires adequate monitoring of security and availability of the ministry’s IT system and data. The ministry did not have adequate processes for such monitoring.

We also repeated two recommendations from our past report. Those recommendations relate to strengthening processes for recording issued tickets and completing and implementing a business continuity plan. Your committee considered and agreed with those recommendations in the past. The ministry continues to progress toward addressing those recommendations. In appendix 4 we provide a copy of our advice to the Minister of Justice and Attorney General on Bills No. 31 and 32. And that concludes my overview. Thank you.

**The Chair:** — Thank you very much. Mr. Moen, any

comments?

**Mr. Moen:** — Thank you, Mr. Chair, and committee members and Mr. Wendel and your staff. And I'd like to begin by thanking the Provincial Auditor and their staff for the work that they've done during the course of the year, and just have a few brief comments. I know it's the end of the day for you.

Just regarding recording tracking enforcement of tickets, the ministry continues to work with the Ministry of Corrections, Public Safety and Policing and law enforcement agencies to emphasize the importance of procedures relative to the distribution, issuance, and the return of all issued, spoiled, or voided tickets. I point out again that there's no evidence to suggest the tickets are not being properly recorded or used for fraudulent purposes, as tickets are widely distributed to agencies within the province. And with each agency and officer issuing tickets at different intervals, we believe the tickets are voided, spoiled, or unissued — the ones in question.

As mentioned at the PAC hearing on August 28, 2008, over the next year we'll plan to undertake some further analysis on this issue to determine the actual disposition of a sample of those tickets.

With respect to fines not in accordance with the law, the ministry is concerned about errors on tickets. However the ministry cannot correct a ticket once it's issued and served on an offender. And regrettably there is a human element in the issuing of tickets, and errors will be made. These are tickets that are written by a police officer or by somebody who is able to issue tickets out there in the world.

Last year there was 125,000 tickets issued throughout the province, and the Provincial Auditor sampled 43 tickets. Six of the tickets were incorrect and nine did not have sufficient information on the ticket itself to validate the voluntary payment option. So for the six tickets that were incorrect, three were issued shortly after the July 1, '08 change in victim surcharge and did not reflect the \$10 increase. Two were simple math mistakes. And one was a mistake in entering the legislative section.

These errors highlight the fact that there is a human element in issuing tickets and did not appear to be part of a larger training issue. The nine tickets that were deemed to have insufficient information were issued by the Highway Traffic Board officers and relate to overweight vehicles and defective brakes. For these types of tickets, the highway traffic officers retain the supporting documentation, such as overweight calculations and vehicle inspection reports that are used to calculate the voluntary payment option. And we're working with that ministry to sort out . . . to review the accuracy of those nine tickets. But we believe that for the most part, they've got the background information, and we believe that the vast majority of those tickets were properly issued.

The ministry has brought the findings of the Provincial Auditor to the attention of officials at the Ministry of Corrections, Public Safety and Policing, and has requested they assist in addressing this concern. And CPSP [Corrections, Public Safety and Policing] has responded by stating they will bring this concern to the table at the next meeting of the Saskatchewan

Association of Chiefs of Police.

And as you will appreciate, you know, this is in the hand of a body that's not part of the ministry. It's in the hands of police officers and folks who are issuing tickets across the province. So we don't have complete control of the situation in terms of remedying the situation.

In terms of compliance with credit card and security standards, the ministry acknowledges the Provincial Auditor's position on this issue and agrees that credit card information should be secured in accordance with credit card industry security standards. However I'd just point out that the credit card information is not stored on any of our computers; rather, credit card information passes through the ministry's computer systems which currently limits potential risk exposure. The ministry has begun work on addressing this issue in '07, prior to the Provincial Auditor's review. In November '07 the ministry initiated a project with ITO and with an external security contractor to perform an assessment on one of its websites that processes credit card transactions to ensure compliance with industry security standards.

ITO is in the process of implementing the infrastructure changes recommended by the external security contractor, and the first payment card industry compliance scan is planned for February 2009 on the assessed website. And so in 2009, the ministry will work with ITO and the external contractor to ensure that all branches have processes in place to secure credit card information in accordance with industry security standards.

With respect to segregation of duties, the ministry does have policies and processes in place to segregate duties to ensure that no employee has exclusive control over a financial transaction, however the MIDAS financial payment system does not adequately segregate or limit functions for processing payments. A compensating control has been developed in the ministry to review all batches of payments that have been approved on MIDAS to ensure that no one employee has exclusively processed, entered, or approved a payment. And this control was implemented on November 3 of this year, and it is completed by an employee who does not have access to approved payments on MIDAS.

With respect to the judges' disability program — the need for appropriate accounting — the judges' disability benefit program has been managed on a cash basis; that is, expenses were not accounted until payments were made. Going forward, the ministry will use an accrual method of accounting and estimate the long-term benefit liability and the related expenses for disability payments and record them in the ministry's accounting record at year-end. So it's from cash to accrual accounting.

With respect to better information technology processes required, the ministry continues to work with ITO to improve its information technology processes. The ministry plans to work with ITO and the other partner ministries to develop a process for the development and maintenance of a partnership-wide disaster recovery plan to ensure that ITO disaster recovery processes meet the ministry's needs.

The ministry is working with ITO to create an annual

information technology operational plan which will identify priorities and set objectives for each priority. Since May '08, ITO has provided the ministry with a monthly service report. The service report contains information that helps the ministry to monitor the security and availability of its information technology systems and data.

I point out that '07-08 was an information technology transition year for our ministry, moving from in-house IT to ITO. During that period the ministry worked closely with ITO, and the transition steering committee met 22 times to plan, review, and monitor progress. Additionally the ministry's information technology management committee met four times to assess the status of the transition. We believe these processes provided adequate management and oversight. In '08-09, now that the transition is over, ITMC [information technology management committee] meets monthly to monitor information technology performance and services provided by ITO.

And the last one I'll reference is the business continuity plan required. The ministry is in the process of updating its business continuity plan to incorporate the delivery of information technology services through ITO and include the lessons learned from the tabletop exercise that took place on November 19, '08.

The tabletop exercise was a structured walk-through test that simulated an instance involving a fire. The goal of the exercise was to educate individuals on their responsibilities and to identify gaps or inconsistencies in the business continuity plan. The tabletop exercise was viewed as a success. In the next fiscal year the ministry tentatively plans to do another tabletop exercise to further assess and update its business continuity plan.

And it might be noted that a couple weeks after the tabletop exercise, the ministry experienced a flood in one of its buildings, and the ministry credits its business continuity plan for being able to react quickly and appropriately to the situation. So these things work, you know. It was a revelation, somewhat of a revelation to me how important it was to have those plans there.

This concludes my remarks, and I welcome any questions. Thank you, Mr. Chair.

**The Chair:** — Thank you very much. Any questions or comments. Mr. Chisholm.

**Mr. Chisholm:** — I just have one comment on your last statement. Was it because the records were on the tabletop as part of the test that they didn't get wet?

**Mr. Moen:** — I think it had something to do with the fact that the water didn't really come down where those records were for the most part. It was a bit of good luck the way it turned out. We lost about, I think maybe 10 computers. And you know, actually they'll be a lot of damage in that building. But the records, it's a record intensive operation — corporations branch, and Public Guardian Trustee — and we really did not lose a lot of records.

But the fact that we were able to work quickly, you know, get

the flood stopped, people getting in there and working on it, on the weekend — of course these things happen on a weekend, so it's occurring on Sunday — and, you know, everybody swings into action and we're doing a mop up pretty quickly.

**The Chair:** — Recommendation no. 1. What is the committee's wish on this?

**Mr. Michelson:** — Concur and note progress.

**The Chair:** — Yes. I agree.

**Some Hon. Members:** — Agreed.

**The Chair:** — Yes. Recommendation no. 2.

**Mr. Michelson:** — Also concur with and note progress.

**The Chair:** — That's agreed? Agreed. No. 3, again I move . . .

**Mr. Michelson:** — Concur with recommendation and note progress.

**The Chair:** — Yes. I agree. Mr. Chisholm.

[15:45]

**Mr. Chisholm:** — Did you not say this was fully implemented on November 3, which would have been just a month ago or so? On no. 3?

**Mr. Sisson:** — On segregation of duties?

**Mr. Chisholm:** — Right.

**Mr. Sisson:** — Yes it was.

**Mr. Chisholm:** — Then I would like to make that a little stronger, that we concur and note compliance.

**The Chair:** — If you want to. You know, it's a question of the auditor being satisfied that, in his view, whether there is compliance.

**Mr. Chisholm:** — He'll tell us next year so . . . I think.

**The Chair:** — But Mr. Nilson agrees, so we agree. And Mr. Bashar, well, you'll tell us next year.

The question of the disability benefit liabilities and related expenses for disabled judges and . . . Mr. Chisholm?

**Mr. Chisholm:** — Yes, I just have a comment on this. This type of a relatively small sum of money, because it deals with a relatively small number of people, I'm just wondering, we don't get into issues of unveiling private information. Let's say there was only one judge in the whole province that was on disability and . . .

**Mr. Sisson:** — There currently is, Mr. Chisholm.

**Mr. Chisholm:** — Oh, okay. I knew there wasn't very many but I didn't know it was that small. Does this somehow . . . Is



there any privacy issue there at all about determining . . . Just a question I throw out.

**Mr. Sisson:** — I don't believe so. There are not . . . Like it wouldn't show up in Public Accounts as, you know, the reason why these payments are happening, so I don't think there would be a privacy issue.

**Mr. Chisholm:** — Right, I just . . . Good. Thanks.

**The Chair:** — The committee's wish with respect to this recommendation?

**Mr. Chisholm:** — I would concur and note compliance, because they have gone from the cash to the accrual system and that's how it'll show up on the next financial statement.

**Mr. Nilson:** — Have you actually done that yet or are you just going to do it for next year?

**Mr. Sisson:** — It will happen at the current year end.

**Mr. Nilson:** — Yes, so the plan is to do this with, you know . . . So I would say that we can't say they've complied yet.

**Mr. Sisson:** — No it has not.

**The Chair:** — Can I have a motion to concur with the recommendation?

**Mr. Chisholm:** — And note progress.

**The Chair:** — And note progress, okay. That's agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — And recommendations 5 and 6, and I suppose 7 with respect to information technology. What is the committee's wish?

**Mr. Michelson:** — Mr. Chair, I think we could concur and note progress on 5 and 6. Would we cover 7 in that as well?

**The Chair:** — Yes. And that's agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. That concludes consideration of . . . Unless members have any other questions. If not, then I want to thank you very much, Mr. Moen, to you and your officials for joining with us and helping us consider this chapter of the auditor's report. Thank you very much.

**Mr. Moen:** — Thank you very much, Mr. Chair. Thank you to the committee members. Thank you again to the staff. I appreciate it very much. Thanks.

**The Chair:** — And if Mr. Harrison is so inclined, we could move a motion to adjourn.

**Mr. Harrison:** — I would be happy to move the motion to adjourn.

**The Chair:** — That's what I thought you said. And that's agreed?

**Some Hon. Members:** — Agreed.

[The committee adjourned at 15:49.]