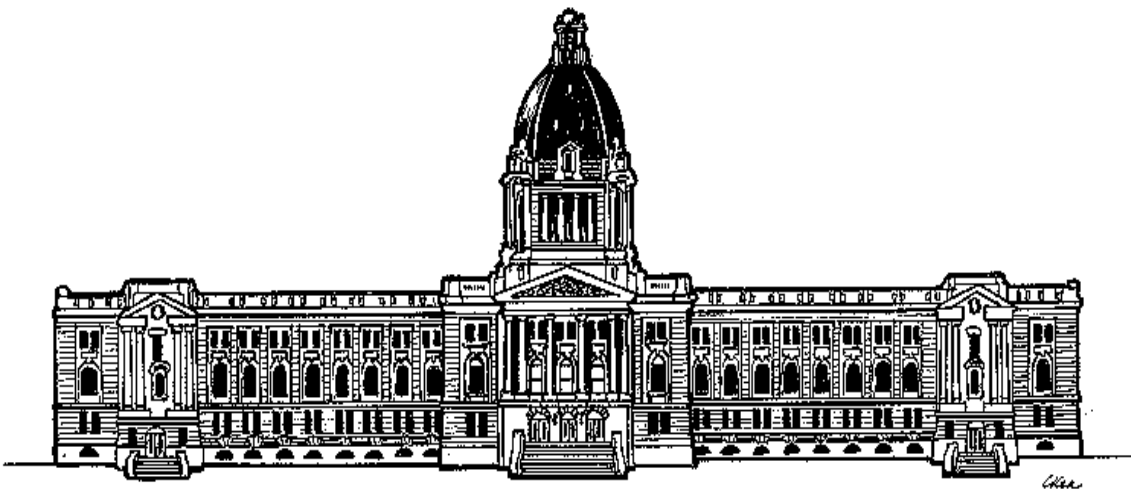




# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

## **Hansard Verbatim Report**

**No. 6 – October 4, 2012**



**Legislative Assembly of Saskatchewan**

**Twenty-Seventh Legislature**

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr. Trent Wotherspoon, Chair  
Regina Rosemont

Mr. Scott Moe, Deputy Chair  
Rosthern-Shellbrook

Ms. Jennifer Campeau  
Saskatoon Fairview

Mr. Herb Cox  
The Battlefords

Mr. Glen Hart  
Last Mountain-Touchwood

Mr. Warren Michelson  
Moose Jaw North

Mr. Corey Tochor  
Saskatoon Eastview

[The committee met at 09:02.]

**The Deputy Chair:** — I'd like to welcome everyone here today to our Public Accounts meeting. I'd like to welcome all members and guests and those watching on television here today. I'd like to welcome Mr. Tochor, Mr. Michelson, Ms. Campeau, Mr. Cox, and Ms. Sproule to our members of the Public Accounts Committee. I would like to also welcome the Provincial Auditor, Bonnie Lysyk, and her staff; the Provincial Comptroller's office, Terry Paton and Chris Bayda.

And at this time I would note that there are no documents to be tabled and there is no correspondence for committee members. And I'm Scott Moe. I'm the Vice-Chair, actually I will be chairing today.

So with that we'll move right into the first agenda item which is from our 2011 Provincial Auditor's report volume 1, chapter 2. And maybe at this time I would ask the deputy minister to introduce their officials that are present here today prior to comments from the Provincial Auditor.

#### Advanced Education, Employment and Immigration

**Ms. Greenberg:** — Thank you, Mr. Vice-Chair. I'm Louise Greenberg, deputy minister of the Ministry of Advanced Education. I've got a number of officials with me today. Joining me at the table, on my left is Karen Allen, assistant deputy minister of corporate and support services. On my right is David Boehm, assistant deputy minister of post-secondary education. Behind me, sort of in the middle — and these individuals do answer questions; they'll introduce themselves — I know for the record is Duane Rieger, executive director of business systems and risk management.

Since you are examining the fiscal year 2011 to '12 when the ministry was then known as the Ministry of Advanced Education, Employment and Immigration, we have asked officials from the labour market development division of the Ministry of the Economy to join us in helping us answer the questions.

Behind me is Rupen Pandya, assistant deputy minister, and Alastair MacFadden, executive director, labour market planning and system supports.

I want to thank the Provincial Auditor and her staff for the work they have done on examining the ministry and its activities. We take the auditor's recommendations very seriously, and we've taken steps to address each one of them. We look forward today to provide a full accounting of our follow-up action. So with that, I'm ready to turn it over to the Provincial Auditor.

**The Deputy Chair:** — Okay. It's at this time I would ask the Provincial Auditor to introduce her officials that are with her today and ask for comments on this chapter.

**Ms. Lysyk:** — Thank you, Mr. Chair, and I would like to introduce who I have with me today. I have Ed Montgomery. Ed is the deputy provincial auditor responsible for the portfolio of Education during the time of these audits. I also have with me Jane Knox, who worked on the files for Education that

we're about to talk about, and also Kim Lowe who is our liaison with the Public Accounts Committee.

I would like to thank the ministry, the deputy minister, and her staff for working with us on these audits and co-operating with us. And we very much appreciate that.

I would like to start by speaking to our report that is the first subject on the agenda. In our 2011 report volume 1, we report the results of our audit of the ministry's risk management processes. Risk management processes are important to help the ministry recognize potential opportunities and to reduce the impact of adverse events that could affect the ministry's ability to meet its strategic objectives. Chapter 2 of the 2011 report volume 1 is on pages 17 to 27. Ed Montgomery will provide a brief summary of this chapter for you.

**Mr. Montgomery:** — Thank you, Bonnie. In this chapter we report the results of our audit of the ministry's agency-wide risk management processes during the period September 2010 to February 2011. During our audit period, the ministry was actively changing its approach to risk management from a program approach to an agency-wide approach. Agency-wide risk management processes consider risks to the entire agency and their impact on major stakeholders as well as interactions among risks across the agency.

On pages 20 to 21, we concluded that the ministry had adequate risk management processes except for its processes to monitor risks. We made three recommendations. On page 24 we recommend that the ministry document its assessment of the cost and suitability of options for treating its priority risks. Documenting the costs and suitability of options to treat risks would make the ministry's decision-making processes more efficient and highlight areas where the ministry needs further analysis of costs and suitability.

On page 25 we recommend that the ministry consult with the relevant stakeholders about options for reducing significant risks. Consulting with major stakeholders could provide additional information to help the ministry to manage its risks in a more timely and economical way.

On page 26 we recommend that the ministry regularly monitor and report to senior management the results of their risk management activities. Timely monitoring and reporting of the results of risk management activities is essential for the ministry to manage key risks and take appropriate action when needed. That concludes our comments on this chapter.

**The Deputy Chair:** — So at this time I'd invite a response from the deputy minister.

**Ms. Greenberg:** — I'll provide a response for each of the risks. The first risk which, the recommendation no. 1, which is about process to monitor risk, we're pleased that the Provincial Auditor recognizes that the ministry has in place adequate evolving risk management processes during the period of September 2010 to February 2011. Work is under way on each of the four risk areas — third party accountability relationships, human resource strategy, skills competency alignment, and information technology planning. We've developed a three-year

schedule that will identify priorities for evaluation and review based on risk, need, and legislative requirements. We've developed a work plan, and we're continuing to identify talent potential and provide development opportunities for emerging public service leaders.

We have a plan that's going to be approved in the fall of 2012, and also our information technology management committee has been reorganized with new terms of reference and executive directors from the higher use IT [information technology] areas. Thank you.

**The Deputy Chair:** — I would maybe just, prior to comments or questions from the members, just inquire as to a little more discussion around recommendations 2 and 3. I think we discussed 1 there, but maybe we'll go through, do 2 and 3 and then we'll invite some questions from committee members.

**Ms. Greenberg:** — No, we'll do that. The next recommendation deals with consulting with relevant stakeholders. We do have informal discussions with our stakeholders on a regular basis. We will though be starting, on a more formal basis, discussions with our stakeholders as our risk enterprise management process within the ministry matures. Having separated into two, with our ministry being separated, we've had to revise our risk management process and separate out risk that pertains to the Ministry of Advanced Education now.

The third recommendation which deals with monitoring reporting, our executive audit committee, which I chair, meets at least quarterly to review progress regarding risk actions. We approve changes to the enterprise risk management policy. We plan the next year's risk assessment and related workshops, and we incorporate lessons learned to date into our strategic and budget processes. So work's under way, and we meet on a quarterly basis looking at our risk surveys and our risk statements.

That's a response, I believe, to all three of them.

**The Deputy Chair:** — Thank you very much for that. And at this time I'd invite questions from committee members.

I would maybe just begin with looking through, you explained very concisely directly to each of the three recommendations, which I appreciate, I think as well committee members do. And it looks to me if there's . . . You noted some progress on each of the three points. Am I correct?

**Mr. Tochor:** — I would actually, on the third one, agree that it's compliance. I'm not sure if I missed it, but I think that they are meeting and I believe they are in compliance with that recommendation. And the other two, I would probably say that they concur with the recommendation and note progress towards compliance. On the third one, I would say that they're compliant.

**Mr. Michelson:** — Could I ask a question?

**The Deputy Chair:** — Yes, absolutely.

**Mr. Michelson:** — I would like to know just . . . You said you

changed the programming from a program to agency. What was the purpose of that? Why was that need to be changed?

**Ms. Allen:** — Karen Allen. What we wanted to do was ensure that we were capturing the risks across programs, so looking at everything horizontally rather than looking at it just from an individual program basis because we felt we could be more comprehensive in the work that we were doing.

**Mr. Michelson:** — I see. So it's expanded right across the . . .

**Ms. Allen:** — We do it across every program, whether it's something that's delivered to clients or whether it's some of the services that we do within the ministry.

**Mr. Michelson:** — Okay. The other thing you'd stated in your reply, that the plan is going to be approved this fall. I was going to say, I was just wondering who was going to approve it?

**Ms. Greenberg:** — The executive committee. We have an executive audit committee; we approve the plan. I would also add that we update the plan every year.

**Mr. Michelson:** — Thank you. That's the only questions I had on this.

**The Deputy Chair:** — Questions? So maybe we'd deal with the first two on their own. I'd invite a recommendation from the committee. Mr. Tochor.

[09:15]

**Mr. Tochor:** — Thanks, Chair. I recommend that we, as noted, concur with the recommendation and note progress towards compliance for recommendation no. 1.

**The Deputy Chair:** — 1 and 2.

**Mr. Tochor:** — 1 and 2.

**The Deputy Chair:** — Okay, Mr. Tochor. Is the committee in agreeance?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — The committee would note concurrence with the recommendation and note progress towards compliance. For recommendation no. 1 that “. . . the Ministry of Advanced Education, Employment and Immigration documents its assessment of the cost and suitability of options for treating its priority risks,” and recommendation no. 2 that “. . . the Ministry of Advanced Education, Employment and Immigration consult with relevant stakeholders about options for reducing significant risks.”

So now with recommendation no. 3, I would invite a recommendation from the committee. Mr. Cox.

**Mr. Cox:** — I would like to move that we concur with the recommendation and note compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — So with regards to recommendation no. 3 that “. . . the Ministry of Advanced Education, Employment and Immigration regularly monitor and report to senior management the results of their risk management activities,” the committee concurs with the recommendation and notes compliance.

So with that we will move to the second agenda item which is volume 2 of the 2011 report chapter 2, also with Advanced Education.

I would invite at this time comments from the Provincial Auditor.

**Ms. Lysyk:** — In our 2011 report volume 2, we report the results of our audits of the ministry for the year ended March 31st, 2011. We also report the results of our audits on the agencies and funds for which the ministry has responsibility. The agencies are SIAST [Saskatchewan Institute of Applied Science and Technology], regional colleges, and the Saskatchewan Apprenticeship and Trade Certification Commission.

Most of the new recommendations in this report aim to improve governance, internal control, and legislative compliance at Carlton Trail Regional College, and improving the ministry's processes relating to all regional colleges. Chapter 2 of our 2011 report volume 2 is on pages 29 to 42. Ed will provide a summary of this chapter.

**Mr. Montgomery:** — Thank you, Bonnie. This chapter contains seven new recommendations and status reports on previous recommendations. On page 34 we recommend that the ministry sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety. The ministry provides payment processing, revenue processing, cash handling, and support services for the Ministry of Labour. A memorandum helps prevent misunderstandings between both parties on the services to be provided.

On page 37 we make three recommendations for the board of Carlton Trail Regional College to improve governance and legislative compliance. These recommendations arose from governance failures at the college that included inappropriate board practices and decision making. Because of these failures, the ministry replaced the board of Carlton Trail with an administrator and hired consulting firms to investigate allegations involving senior management at Carlton Trail and at St. Peter's College.

We recommend the board of Carlton Trail Regional College fulfill its governance obligations and its responsibilities under *The Regional Colleges Act*. In addition we recommend that the board obtain the minister's approval for its chief executive officer's duties, remuneration, term of office, and other terms of appointment as required under *The Regional Colleges Act*. We also recommend that the board formalize its rights and obligations in written agreements when it enters into financial arrangements with other agencies.

In addition, on page 38 we make three recommendations for the

ministry to improve its supervisory role over regional colleges. We recommend the ministry ensure boards are trained to meet their governance and legislative responsibilities, and that the ministry improve its monitoring practices to regularly evaluate whether regional colleges are achieving their governance and legislative responsibilities. In addition we recommend that the ministry ensure the boards of regional colleges obtain the minister's approval for chief executive officer duties, remuneration, terms of office, and other terms and conditions of employment as required under *The Regional Colleges Act*. On pages 38 to 39, we provide an update on the status of our past recommendations, and on page 40 to 41, we provide an update on the status of previous recommendations of this committee.

In this regard, we have discussed six previous recommendations listed regarding a welfare-to-work program which was transferred to the ministry from the former Department of Community Resources and Employment with the ministry. We concluded that the recommendations for this program are no longer relevant as this program no longer exists. The ministry's programs are the same for all job seekers and do not differentiate welfare recipients seeking work. This concludes our comments on this chapter.

**The Deputy Chair:** — So at this time I would invite a response from the deputy minister.

**Ms. Greenberg:** — Thank you. I'll go through a response to each of the seven new recommendations. I will try not to repeat myself because there is some overlap between some of the recommendations when it deals with governance and accountability. So I may explain more detail in the first part of the recommendations, in some of the details that we're doing on accountability and governance for working with regional colleges.

The first recommendation, new recommendation deals with development of a shared services agreement. And so services that are provided to the Ministry of Labour Relations and Workplace Safety are based on a draft shared services agreement. With the recent centralization of certain account payable functions of the Ministry of Finance, this impacts financial processing roles and responsibilities in all ministries.

We are going to complete, have a finalized agreement on shared services this year that identifies services, exact services provided from Advanced Education to Labour Relations and Workplace Safety which recognizes the impacts of centralization of the accounts payable function that has moved over to the Ministry of Finance. So we will be finalizing a service agreement this year.

The second one deals . . . recommendation with Carlton Trail governance. And we've undertaken a number of things dealing on the whole area of governance. First off, the Carlton Trail Regional College is working collaboratively with the ministry to address governance issues. We've done a number of things regarding governance dealing with Carlton Trail, and we first want to ensure that the . . . First, the board of governors of Carlton Trail Regional College was re-established effective September 29th, 2011.

The board is sensitive to and working to fill its governance

obligations and responsibilities. We are providing support to the new board of directors, including working with their boards on their orientation and reviewing all board packages and minutes.

Next we've also done a series of other things, but because of time, I won't go into some of the detail that we've done precisely working with the board on addressing this one.

The third recommendation deals with Carlton Trail appointment. We've done . . . the CRTC, the Carlton Trail Regional College board Chair did submit an interim employment contract to Advanced Education, Employment and Immigration on October 7th, 2011 and the contract — we do a standard employment contract for all CEOs [chief executive officer] — that was approved last year by the minister in October.

The next recommendation, no. 4, deals with governance and it asks that Carlton Trail formalize its rights and obligations in written agreements when it enters into financial arrangements with other agencies. The board has been made aware and will assure financial arrangements with other agencies have written agreements which formalizes Carlton Trail's rights and obligations.

The next recommendation deals with regional college governance, and I'd like to speak to what we're doing in the whole area of regional college governance. The ministry has developed a three-year action plan on governance and accountability to strengthen excellence in governance and accountability through the entire post-secondary sector based on best practices. Our focus is to build capacity across the sector to have a consistent level of governance accountability based on best practices.

We've taken a number of actions that are part of the implementation process on an action plan we're dealing. We've engaged the Johnson-Shoyama School of Public Policy to develop a specific sector, board governance training and certification. We are in this education sector. What we plan to do is provide the following: board development training and certification; fiduciary and regulatory compliance oversight in our training; assessment and evaluation of board performance; risk management contexts and policy; selection, compensation, and performance for the executive management team; a policy dealing with human resources and compensation; enterprise risk management monitoring, and learning, and business continuity; financial management, audit reporting, and stewardship; human resource management and compensation; strategic and business planning processes; and institutional accountability framework.

So working with Johnson-Shoyama school, we'll be rolling out a package of board governance for all our regional colleges and we've also been speaking to the universities and SIAS to participate. The universities themselves have specific board governance that they do, but we are inviting them.

We had a meeting this summer that we invited all the board Chairs of the regional colleges and the universities and SIAS as a rollout to explain the board governance model that we're using. We are actually following a model that was developed for the regional health authorities working with the Ministry of Health. And we plan to have our first sessions hopefully in

November of this year.

The sixth recommendation also deals with regional governance, regional college governance, and it asks that we regularly evaluate whether boards of regional colleges are fulfilling their governance responsibilities under *The Regional Colleges Act*. We are working co-operatively with all our post-secondary institutions to implement this governance plan that I just reviewed, and it's really a key priority for us as we move forward. We do review and monitor how the board is doing because we review all the board meeting packages and the minutes. During the next year, we will undertake a review of the inventory and assess current governance practices and evaluate board performance.

And I believe the last recommendation deals . . . that the boards of regional colleges obtain the minister's approval for chief executive officer duties, remuneration, terms of office, and other terms and conditions that are required under *The Regional Colleges Act*. The ministry has enhanced its process to require CEO contracts to be vetted by the ministry prior to providing a recommendation to the minister. The ministry also follows up to ensure that the minister's directions are implemented.

This goes along . . . We're using a standard set of guidelines called the regional colleges CEO compensation guide, and this is a guide that we're using with hiring of all new CEOs that every CEO follows the same standard contract when the individual is being hired. And I believe that is all of the seven recommendations.

**The Deputy Chair:** — At this time I would invite any questions from committee members. Ms. Campeau.

**Ms. Campeau:** — For no. 2, when you talked about re-establishing a board, is it all new board members?

**Ms. Greenberg:** — It's for all current and new board members would get training.

**Ms. Campeau:** — Okay. But the board, is it all new board members? When you said re-establishing the board for Carlton Trail, are they all new members?

**Ms. Greenberg:** — Oh sorry. Yes, they are all new members.

**Ms. Campeau:** — Okay.

**The Deputy Chair:** — Mr. Michelson.

**Mr. Michelson:** — Thank you, Mr. Vice-Chair. On page 31, the financial overview, there was two things that kind of stood out for me. The post-secondary education, the estimates were five ninety-one and the actual is six eighty-seven. Is there an explanation of that? And also with the capital assessment, assessed acquisitions were quite a bit less than actual. I just wanted an explanation.

[09:30]

**Ms. Greenberg:** — We don't have our actual estimates and our documentation with us, but we would be pleased to get back to you with that information on those two questions through the

Vice-Chair.

**Mr. Michelson:** — Thank you.

**The Deputy Chair:** — Ms. Sproule.

**Ms. Sproule:** — Thank you. I have a couple of questions about the appointment of the CEO, the chief executive officer, both . . . [inaudible] . . . under recommendations 3 and 7. One's a specific a question, and that is you indicated that the new CEO for Carlton Trail was approved in October of 2011. Can you tell me what day in October?

**Mr. Boehm:** — So the employment contract for the interim CEO was approved on October 7th, 2011. Now that's the interim CEO. There has since been a new CEO, a permanent CEO appointed for Carlton Trail, and he was appointed on June 12th of 2012.

**Ms. Sproule:** — Okay. Thank you. I guess my other question then is just generally what the role of the board is, and I just want to make sure I understand. So they would do the hiring, the seeking of the CEO. They're responsible for setting up their own internal process for selecting someone, and then at that point the ministry would be required to approve basically just their duties, remuneration, terms of office which are standard across all regional colleges. Is that correct?

**Ms. Greenberg:** — Yes.

**Ms. Sproule:** — Okay. Thank you.

**The Deputy Chair:** — Mr. Michelson.

**Mr. Michelson:** — I take it in regards to Carlton Trail Regional College there's been huge changes in there right from the board to the governance. You're satisfied that everything's on the right track now, so to speak? I guess when I read . . . It comes across in several of the reports from the auditor that did not follow appropriate governance practices, and that always is a red flag to me. And I understand that there was some problems there that had to be solved.

**Ms. Greenberg:** — I'm confident that the new CEO and the board will follow standard board practices, good practices. And it will be further assured with all the training that we're going to put through, all our board members, with governance and accountability. That will be a further cementing of good board practices and best practices throughout for boards to run and operate.

**Mr. Michelson:** — Thank you.

**Ms. Sproule:** — Thank you. With regards to the fourth recommendation about formalizing financial arrangements with other agencies, you indicated that the board is aware of that. Are you aware of any instances where they have entered into these types of arrangements since this recommendation was made? I guess I'm just assuming these are contracting for services or procurement contracts. Is that the type of arrangements?

**Mr. Boehm:** — So there is one agreement that Carlton Trail

will have entered into, and it's for the new Humboldt educational complex that's being developed with two of the local school boards. And they would have entered into a lease-type contract with the two school boards, and that agreement has been shared with the ministry and reviewed by the ministry.

**Ms. Sproule:** — And it's going to be your practice to continue to review this for some time, or are you just going to trust that they're doing that? I know there's no requirement by the auditor.

**Mr. Boehm:** — In terms of the ongoing practice of our relationship with each of the institutions, any major contracts that can have a material impact on the institution, we would expect the contract to be brought forward to the ministry for review by the ministry and possible discussion with the minister.

**Ms. Sproule:** — I'm sorry, when you say expect, is there a legislative requirement to do that, or is it a policy of the ministry?

**Mr. Boehm:** — I believe if the contract can have a material impact on the institution that the institution is required to have the minister's approval.

**Ms. Sproule:** — Okay. Thank you.

**Mr. Boehm:** — And just to add to that, the minister can also direct the college in a, you know, if the circumstances are such that the minister wishes to be advised of the situation for the institution to be required to bring that information forward.

**Ms. Sproule:** — And has that happened? Has that direction happened in the last year on the ministry's part?

**Mr. Boehm:** — In certain circumstances, not necessarily with this particular institution but with others.

**Ms. Sproule:** — Okay. Thank you.

**The Deputy Chair:** — Ms. Lysyk.

**Ms. Lysyk:** — I just wanted to comment in response to Mr. Michelson's question. If you go to the bottom of page 31, this is the question dealing with the estimates and the actual. We've got a footnote there that indicates why the estimates are showing higher than the actual. It's as a result of a couple of orders in council that approved additional amounts, so just to clarify.

**The Deputy Chair:** — Ms. Sproule.

**Ms. Sproule:** — Just one more question. On the seventh recommendation, you indicated . . . And I took notes very quickly, and you gave a lot of information, so I just want a little more detail maybe. You indicated that the ministry has enhanced your processes. Could you just elaborate on that a little bit.

**Mr. Boehm:** — So with a CEO contract, as was pointed out earlier, the board of the institution will select the individual that

they deem appropriate to be a CEO for the institution. But the contract, before the institution, before the college can enter into a contract with the proposed CEO, that contract must be submitted to the ministry, reviewed by the ministry, and ultimately approved by the minister. And as Deputy Minister Greenberg indicated earlier, we do have a framework or a guideline that we use to evaluate any of the college, regional college CEO contracts, and it is that guideline that will determine whether approval is granted or not.

**Ms. Sproule:** — [Inaudible] . . . comment was you've enhanced your processes. So is that a new guideline? Is that what you mean? Or what's been enhanced?

**Ms. Greenberg:** — What's been enhanced is the accountability guidelines.

**Ms. Sproule:** — And that would be a policy document from within the ministry basically. Is that something that's available in print?

**Ms. Greenberg:** — It's our action plan which I referred to in responding to one of the recommendations.

**Ms. Sproule:** — Okay. Thank you. And just one more question generally in terms of the Carlton Trail Regional College. There was significant costs to the taxpayer as part of what happened there. And we're just wondering if there are additional costs or if you can estimate the costs that this, to the taxpayer, for this whole situation.

**Ms. Greenberg:** — The cost is approximately \$400,000, and that would have covered the cost that was done by the . . . We had a number of different audits and reviews done, so it was approximately \$400,000.

**Ms. Sproule:** — Okay. Thank you very much. I don't have any more questions.

**The Deputy Chair:** — So in light of no other questions, we'll begin to deal with these recommendations. There is seven of them. We'll go through them maybe one at a time. So with regards to recommendation no. 1, I would look to the committee members for a motion on that. Mr. Tochor.

**Mr. Tochor:** — I would make a motion to concur with the recommendation and note progress towards compliance.

**The Deputy Chair:** — Is the committee in agreement?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Be noted with regards to recommendation no. 1 that the committee of Public Accounts will concur with the recommendation and note progress towards compliance.

I would invite a recommendation from the committee on the Provincial Auditor's recommendation no. 2. Mr. Cox.

**Mr. Cox:** — I would make a motion that we could look at 2, 3, 4, 5, 6, and 7, and I would concur with the recommendation and note compliance. No? Would you rather just do it one at a time?

Okay. I'll make a motion for . . .

**The Deputy Chair:** — Let's do one at a time here for now.

**Mr. Cox:** — For recommendation no. 2 that we concur with the recommendation and note compliance.

**The Deputy Chair:** — Is the committee in agreement?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Be noted that the committee with regards to recommendation no. 2 concurs with the recommendation and notes compliance.

We'll move on to recommendation no. 3, and I would invite a motion from a committee member.

**Ms. Campeau:** — For recommendation no. 3? I would note . . . I'd concur with the recommendation and note compliance.

**The Deputy Chair:** — Is the committee in agreement?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — With regards to recommendation no. 3, the committee would concur with the recommendation and note compliance.

We'll move on to recommendation no. 4.

**Mr. Michelson:** — In regards to no. 4, I would concur with the recommendation and note progress on no. 4.

**The Deputy Chair:** — Committee in agreement? Let it be noted that the committee with regards to recommendation no. 4 concurs with the recommendation and notes progress towards compliance.

We will move on. I will invite a recommendation from the committee with regards to no. 5. Mr. Tochor.

**Mr. Tochor:** — Thank you, Vice-Chair. I would like to make a motion to concur with the recommendation and note progress towards compliance.

**The Deputy Chair:** — Is committee in agreement?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — This committee agrees . . . or with regards to recommendation no. 5 concurs with the recommendation and notes progress towards compliance. We'll move on to no. 6. Mr. Tochor.

**Mr. Tochor:** — Vice-Chair, I'd like to make a recommendation for . . . concur with the recommendation and note compliance.

**The Deputy Chair:** — Is the committee in agreement with that?

**Mr. Michelson:** — I think, Mr. Chair, if I could.

**The Deputy Chair:** — Sure. Mr. Michelson.



**Mr. Michelson:** — From what I hear, everything's in place for compliance although they haven't reached that yet. I think the system is set up so that will, if I understand this correctly, that it should progress into full compliance. So as far as that's done, I would agree that . . . I think we would agree that it is complied with although the auditor will look at it again next time around.

**The Deputy Chair:** — So, Mr. Michelson, you would vote progress?

**Mr. Michelson:** — I just think they've done the compliance. Now they will have to check to make sure that it's going ahead but everything's in place to go forward.

**The Deputy Chair:** — Ms. Sproule.

**Ms. Sproule:** — It's difficult to note whether it's regularly evaluated. That's the problem with the wording of the recommendation. So it's a bit of semantics here actually. But we don't know if they've regularly evaluated because there hasn't been enough regularity to determine that. But as far as we know, it's complied with. So I leave it to, you know, either way, either note compliance or note progress. I think either would be appropriate.

**Mr. Michelson:** — May I ask what the auditor would feel comfortable with?

**Ms. Lysyk:** — We think when something is tied to a plan like a three-year plan that they need to actually have some time go by and see whether or not they're doing this in accordance with the plan. So we would say progress at this point, but we do go back and we do re-evaluate the status of the recommendation. So you know, if you were to say compliance, we're still as an audit office going back and confirming compliance. But because they refer to a three-year plan and an evaluation around a three-year plan, I think progress is what we had originally thought.

**Mr. Deputy Chair:** — Mr. Michelson.

**Mr. Michelson:** — I think in that light . . . I'm under the understanding that if the system's in place obviously the auditor will go back and make sure that everything is working as according to plan. But I would like to make a recommendation we note progress on no. 6.

**The Deputy Chair:** — Is the committee in agreeance? Let it be noted that the committee with regards to recommendation no. 6 concur with the recommendation and note progress towards compliance. We'll now deal with recommendation no. 7.

**Mr. Michelson:** — I'll make a motion that we concur with the recommendation and note compliance.

**The Deputy Chair:** — Is the committee in agreeance? With regards to the last recommendation no. 7, the Public Accounts Committee concurs with the recommendation and notes compliance.

With that I would like to thank ministry officials very much for attending here today and their very concise dealing with the recommendations from the Provincial Auditor. It's appreciated by everyone here. I think with that we'll change officials here,

just have a . . .

**Ms. Sproule:** — I have a question here.

**The Deputy Chair:** — Sorry. Ms. Sproule.

[09:45]

**Ms. Sproule:** — Just in terms of process, when there's past recommendations that are not implemented and continued to be recommended by the auditor, are those dealt with at this time, or normally how are those dealt with?

**The Deputy Chair:** — I'll just turn that over to Ms. Lysyk.

**Ms. Lysyk:** — Thank you. We include them in the chapter as an update for the committee. We tend to speak a little bit more to the recommendations that are just recent. Having said that, Ed did highlight that those are outstanding. So if there are any questions on those, we're presenting them in the report so that the committee can have a discussion around them.

We do note in the status here, the status of implementation on all of these, we do go back and do a formal follow-up, and we'll bring the results of the formal follow-up in a separate chapter back to this committee. But right now it is there for your information, and if you had any questions, we or the ministry, I suppose, are able to answer questions on this material.

**Ms. Sproule:** — I don't have any questions at this time. I was just wondering about the process. Thank you.

**Mr. Michelson:** — Mr. Chair, I was wondering if the ministry would like to comment on any of these, of the past recommendations.

**The Deputy Chair:** — Would the ministry like to comment on any of the past recommendations?

**Ms. Greenberg:** — I will wait for further review by the Provincial Auditor when she reviews the . . . and provides her next report on those.

**Mr. Michelson:** — Again I noticed on that very first one “. . . we found that the Ministry did not remove MIDAS access for 2 terminated employees . . .” and again that's one of those things that's not following procedures, and that always bothers me a little bit. And I noted that the auditor noted that it was not implemented, and I was wondering why not.

**Ms. Greenberg:** — I can comment on that. I'm looking for a piece of material. Actually we send out regularly emails now to all staff across the ministry advising them that they need to remove. And we just did it yesterday, an email to all staff advising them that they have to make sure that people are removed from the system in terms of being on the global address list, that all the documentation is done in terms of ending employment contracts. And we do that on a quarterly basis, sending out a note to all staff. And that was . . . So we are taking that seriously, and we have dealt with that.

**Mr. Michelson:** — Thank you.

**Ms. Lysyk:** — Just to comment on that question, and it's a relevant question, is this ministry is not the only ministry where we're finding that issue. We actually, you know, I'm just going through the chapters that we're finishing on the next report that'll be issued in December, beginning of December, and we're finding that when people leave the services of the ministries, that in general they're not being removed. Their access is not being removed on a timely basis. Now we're holding people to a high bar, and we're saying that upon termination, so within a day of termination, that access should be removed. We're finding though that in some cases it takes anywhere from, you know, five days to in some cases we've found three months. So you will find as a committee, you will find this mentioned in a number of our reports. And to be fair, I mean the ministries acknowledge this and they are making significant attempts to expedite the removal of employees that leave ministry services.

**Ms. Greenberg:** — I was successful in finding the email that was sent out, so I could table this document so that the committee could have it, the type of language that we use when we notify staff. And it's really about termination checklists. So I can provide it. It does list names or it lists the name of the email that came out so I won't refer to that. But I will provide this if you'd like to have this email as what we're doing to address that.

**The Deputy Chair:** — Thank you very much for that. Anything else, Mr. Michelson?

**Mr. Michelson:** — I don't know if it's necessary to have the email and to file it with us. Just it's something that's kind of a common sense thing, and I think it needs to be looked at on a regular basis. And I'm glad to hear you're doing that. Thank you.

**The Deputy Chair:** — In the essence of time, I will thank the officials again for their time and their concise answers. We appreciate it very much.

We'll have just a quick little break here while we change officials for our next chapters. And thank you again.

**Ms. Greenberg:** — Thank you.

[The committee recessed for a period of time.]

## Health

**The Deputy Chair:** — So we'll begin here today. We'd like to thank all the officials and the committee members that are here as well. We will start on our next chapters, beginning with Health, the first chapter being from the 2011 Provincial Auditor's report volume 2, chapter 14A. And I'd like to begin with asking the Provincial Auditor to introduce her officials with regards to this chapter.

**Ms. Lysyk:** — Thank you, Mr. Chair, committee members, and officials. I would like to introduce Bashar Ahmad. Bashar is the deputy provincial auditor in the office responsible for the Health portfolio. As well I have here Regan Sommerfeld. Regan is responsible for conducting audits in the Ministry of Health.

**The Deputy Chair:** — I would like to welcome the officials from the Ministry of Health here and I would ask the deputy minister to introduce himself and his officials here prior to some comments from the auditor.

**Mr. Florizone:** — Great. Thank you, Mr. Chair, and I recognize the Chair and the members present and the Provincial Auditor's office. On behalf of the Ministry of Health, I want to thank you for the opportunity to be here before you. We have several staff, ministry staff, and staff of a couple of agencies that are present today: Max Hendricks, associate deputy minister; Nilesh Kavia, vice-president of finance and corporate services for the Saskatoon Health Region; Susan Antosh who is the CEO for eHealth Saskatchewan; Megan Hanson, chief financial officer for North Sask Laundry; Jason Pirlot, manager, regional financial services unit; and Matthew Timmons, senior financial analyst. As questions are asked and individuals step forward, we will ensure that they introduce themselves before they speak.

We do want to say once again, the Provincial Auditor's office plays a very important role in terms of fundamentally looking at effective, open, and accountable government. At the ministry, we obviously have a very strong interest as well to live those same principles, those same values. And we are certainly committed to those goals of moving forward with the health system and look forward to the questions today and the ability to provide clarity where it's requested. Thank you.

**The Deputy Chair:** — Thank you, Deputy Minister Florizone. Just prior to the auditor's comments, I would like to acknowledge a participating member. Mr. Wotherspoon has joined us here for these sections. With that I would invite the Provincial Auditor for her comments on the chapter.

**Ms. Lysyk:** — Thank you, Mr. Chair. I would like to begin by thanking the deputy minister and his officials and the representatives from the health authorities for the co-operation that they extend to our auditors during the conduct of audits in the ministry and in the authorities.

Chapter 14A begins on page 241 of the 2011 report volume 2. This chapter reports the results of our audit of the Ministry of Health and its Crown agencies for the year ended on or before March 31st, 2011, except for the regional health authorities and Saskatchewan Cancer Agency. We report these audits in separate chapters.

In this chapter we make five new recommendations and repeat three from our past reports. I will ask Bashar Ahmad to provide an overview of the chapter.

**Mr. Ahmad:** — Thanks, Bonnie, and good morning, Mr. Chair, committee members, officials. As Bonnie said, in this chapter we make five new recommendations and repeat three from our past reports.

Our first recommendation on page 246 requires the ministry to implement a process to verify that patients received the medical services for which doctors bill the ministry. In the past, the ministry compared each doctor's billing to the doctor's historical trend and sought confirmation from patients receiving services. During 2011 the ministry stopped seeking

confirmation from patients receiving medical services. Management told us that the ministry expects to implement a new process to verify services that the doctor provides to patients.

Our second recommendation on page 247 requires the ministry to update its risk assessment for agencies delivering health care services to help monitor their performance. The ministry provides money to agencies to deliver health-related services. The ministry has a process to assess annually the risk that these agencies may not spend money for the intended purposes. The ministry then follows up on those agencies that is assessed as high risk. However the ministry has not updated its risk assessment for all agencies for a number of years. Without updating the risk assessment, the ministry may not be able to identify agencies that it must follow up.

[10:00]

On pages 247 we continue to recommend that the ministry develop a capital asset plan to help ensure they can carry out a strategic plan. We first made this recommendation in our 2003 report volume 3. Your committee considered this matter in 2004 and agreed with our recommendation. The lack of a capital asset plan increases the risk that the health care system may not have the capital assets it needs to deliver the services required or that it may have vital capital assets they could use at some other location.

Also on the same page we continue to recommend that the ministry revise its human resource plan to quantify its human resource needs and provide measurable indicator and targets for all its strategies. We first made this recommendation in 2006 report volume 3. Your committee considered this matter in 2007 and agreed with our recommendation. We are pleased to inform that the ministry has now revised its human resource plan to address the above recommendation.

On page 248 we continue to recommend that the ministry prepare a complete business continuity plan. We first made this recommendation in our 2005 report volume 3. Your committee considered this matter in 2006 and agreed with our recommendation. The ministry now has a draft plan that is awaiting formal approval. Once approved, the ministry needs to test the plan to ensure its effectiveness.

Pages 248 to 250 report the results of our audit of the North Sask Laundry. On page 249, the first recommendation requires the North Sask Laundry to establish policies for controlling payments to its employees. We noted that the employees did not always sign their time sheet and their supervisor did not always leave evidence of their review and approval, nor did management review and approve the payroll register before paying employees.

The second recommendation on that page and third recommendation on the next page require North Sask Laundry to clarify policies and procedures for purchasing goods and services and for using the corporate credit card. The current policies do not require that employees must complete and obtain approval of purchase orders before ordering goods and services, nor do they set out who can use the corporate credit card, for what purpose, and the approval process. The board of

North Sask Laundry has now implemented an appropriate credit card usage policy. Also North Sask Laundry has now recovered the full amount from the official who used the corporate credit card for personal expenses.

The tables on pages 250 to 252 list your committee's recommendations that are also outstanding. We plan to follow up on these recommendations and report our findings in our 2012 report volume 2 and 2013 volume 1. And that concludes my comments on this. Thank you.

**The Deputy Chair:** — Thank you very much. At this time I would invite a response from the ministry.

**Mr. Florizone:** — Mr. Chair, would you like us to handle each of these in turn and respond to each of the recommendations? Or we could just enter into a question and response at this time.

**The Deputy Chair:** — Maybe just go through each of the five recommendations, how you're approaching them, for the committee. And then we'll deal with them at the end, all five.

**Mr. Florizone:** — Excellent. Thank you, Mr. Chair. So with respect to the recommendation around verifying that patients receive the medical services for which their doctors billed the ministry, the ministry at this time has completed a redevelopment of its verification program. They will, we will resume the verification of selected medical services that have been billed to the ministry. I'm pleased to say that in March we've used through our IT systems, that we've tested, verified, and we'll be proceeding throughout '12-13 in this verification approach to ensure that there's a particular system in place to ensure that what's being billed is what's being delivered.

With respect to the recommendation that the Ministry of Health update its risk assessment, the ministry agrees with this recommendation and is in the process in working with branches to ensure risk assessments are updated accordingly, and that work is under way right as we speak.

With respect to the continuing recommendation that we continue to recommend the ministry develop a capital asset plan to help ensure that it can carry out its strategic plan, the ministry concurs, agrees that capital asset planning plays an integral role in the delivery of effective and efficient health services. The ministry is working in conjunction with regional health authorities and the Saskatchewan Cancer Agency to develop a multi-year capital plan.

On human resource planning, I think that we probably have this if . . . I believe, Mr. Chair, we've got this covered. There have been updates made to our health human resource plan. The current plan itself has several elements. It includes developing current employees and planning for future workforce needs. We also have more of a systematic succession planning approach in place and the development of our current employees through orientation and training is also a component of that plan.

We are, through our improvement efforts, our lean efforts, we are discovering new ways of working. And those ways have led to process improvements, reducing unnecessary steps, unnecessary processes, thereby maximizing the efforts for all employees. And we'll continue on that journey of improving

the work that we do and utilizing our staff to the best of their potential and capability collectively.

We're also working hard to meet the government's overall targets under the workforce adjustment strategy. We have clear targets and time frames and we've been working through that. We'll continue to provide the services that are valued by Saskatchewan residents, play a very important and an ongoing role as a Ministry of Health, but we're going to do it in a way that is done with fewer staff in that effort. So a lot of our work will be around focusing on our core, what is important, what is the role of the ministry going forward, to be able to be that strong catalyst for change, and support to our minister and to the health system going forward.

Implementation and measurement of indicators and targets is also fundamental to the approach that we're taking as a ministry. So we will be and we have been reviewing targets on a monthly basis and aligning resources and actions to ensure our key system and ministry targets are met, and that will mean from time to time a redeployment of human resources to shore up in areas where we don't see the progress that's necessary.

Mr. Chair, with respect to the recommendation around business continuity planning, the ministry has developed a business continuity management program which includes a comprehensive business continuity risk management framework. The ministry's plan has been prepared and partially tested. The program plans, our plan is to fully test all elements of the plan this fiscal year. The ministry has completed this recommendation and at this point is waiting on the Provincial Auditor's review. We obviously need further testing to satisfy ourselves that there are ongoing revisions and refinements to keep this plan current and alive as we move forward.

With respect to North Sask Laundry, we have . . . there is a recommendation around establishing policies and procedures for controlling payments to employees. The board approved a chief financial officer position in July 2012. We're very pleased to have Megan Hanson here today with us should you have detailed questions. She is that newly minted chief financial officer. The position was filled in July and they're looking to have a formal policy in place by March 31st of 2013.

With North Sask you also recommended, the auditors have recommended North Sask Laundry & Support have clear policies and procedures for purchasing goods and services, and I can say — and Megan can speak to this directly — that she is looking at having internal controls over the purchasing function established and in place by the end of this fiscal year.

And finally, Mr. Chair, the recommendation that North Sask Laundry & Support Services establish policies setting out the use of corporate credit cards. A corporate credit card policy has been approved and implemented as of October of 2011, and as per the March 31st, 2012 financial statement audit report, all activities related to the personal use of a corporate credit card or credit cards, plural, have ceased.

Mr. Chair, that's a quick synopsis of each of those recommendations. Thank you.

**The Deputy Chair:** — Thank you very much. At this time I

would invite questions from committee members. Ms. Sproule.

**Ms. Sproule:** — Thank you. I have a question about the continuing recommendation regarding a capital asset plan. This is now almost nine years old, and although you say you concur, you haven't been able to complete it yet. Could you indicate why this is a difficult thing to complete?

**Mr. Florizone:** — I'm going to have Max Hendricks speak in a little more detail to this. But part of the challenge that we have are the sheer number and amount of need that exists around capital infrastructure and capital equipment.

We had started . . . And I would take us back probably nine years ago. There was a time when in fact, before the regional health authorities, a little more than 10 years ago, when the health districts were encouraged to run surpluses in order to create the type of capital reserve to be able to fund capital equipment. It was also apparent that there were needs on the infrastructure side, where a particular policy of 65/35 — 65 being the provincial share, 35 being the local share — on the vast majority of capital projects outside of Saskatoon, Regina, and the North, where regions were expected to create a connection with municipalities, with foundations, and fundraising efforts to be able to handle those infrastructure needs. The needs had a tendency throughout all of those years to outweigh and outstrip the availability of resources.

So without making excuse, what is really important is to be able to understand the priorities, not only that exist in a snapshot in time but also that emerge. So as we would work through a year, we would find that we were busy fixing roofs that leaked or replacing. And this is where regional health authorities were replacing equipment that was failing.

And where it becomes really critical now is we have since 2007 done a whole verification, a review in 2007 of all of our capital infrastructure. And we have through VFA conducted that. We have a sense of exactly where the needs are on the current infrastructure, and we have a huge burden in terms of not only the need to replace existing infrastructure, but we also have a huge appetite out there for the construction of new facilities.

Most recently in the last few years we've undertaken more of a lean approach to facility design. And what that has meant is that while we were down a track of renewing and looking at a possible replacement, but a lot of it was renovation of existing facilities, it became clear to us that the biggest burden created by old infrastructure was that it was imposing barriers to smooth and efficient and effective operation. In other words, the current staffing and the delivery of health care in this century when we're dealing with buildings that are designed in the '40s or '50s has created an operational burden on the system. So the design that we're looking for and the work that we're doing today is really about engaging the front-line providers in a discussion around not only the current need but also the future need and looking at more efficient and effective ways of working together and then having form follow function. In other words, that buildings would follow.

I'm not making excuses, but frankly our learnings with respect to our capital needs, our capital financing, the type of buildings that we're looking at, the need . . . Whereas we would have

done a renovation which is cheaper in some cases than new construction, we're now looking at both capital costs and operating costs in concert and saying, you know, where we would have renovated in the past, we probably should construct new and make sure that it's properly designed for the services that we're providing today and into the future.

I'm going to turn to Max to see if I've left anything there in terms of gaps.

[10:15]

**Mr. Hendricks:** — The only other thing that I would mention is last week our provincial leadership team had a gathering to develop our strategic priorities for the next fiscal year. And so this includes the CEOs of all the health regions, all the agencies, the health managers in the ministry, and our 12-month target is to have a 10-year fiscal plan done by the end of '12-13. So we would like to get that plan. But a plan is a plan. It's subject to appropriations. It's very dynamic. Oftentimes if there is an appropriation and we're maintaining old facilities, we have to shift money from new construction to maintenance. The health capital file is huge. We have \$5 billion in infrastructure. A lot of it over the past several decades has been depreciated, so it's a moving target in a sense. So I would just put that caution on our plan as a plan.

**Ms. Sproule:** — Could I follow up with a question for the auditor? I'm just wondering if the auditor could maybe explain then what, given what we've just heard, what exactly you're looking for in this recommendation.

**Ms. Lysyk:** — I think it was very encouraging to hear what was said and how all the pieces are being thought out and pulled together to pull together a capital plan. So I think it's much the same. We're looking for much the same as what we heard, that at the end of the day all the components that you need to consider that lead you to capital plan creation are being considered, and that at the end of the day there is a document that — understanding it'll be a fluid document because you have to be nowadays — that it'll be something that exists that can support some of the decisions that are made around either capital construction or delaying capital construction or putting more money in maintenance. So I think we're very pleased. I'm very pleased to hear what was said.

**The Deputy Chair:** — If there are no other questions, maybe I will look to the committee for a recommendation. I think we'll split the first one out anyways. I did note some compliance on recommendation no. 1. I did note the compliance on that, and I'd look to the committee for a recommendation. Mr. Tochor.

**Mr. Tochor:** — Vice-Chair, I'd like to make a motion to concur with the recommendation and note compliance.

**The Deputy Chair:** — Let it be noted that this . . . All agreed?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Let it be noted the committee with regards to recommendation no. 1 will concur with the recommendation and note compliance.

Would it be possible for this committee to consider recommendation no. 2, no. 3, and no. 4 together? So I'd look for recommendation with regards to no. 2, 3, and 4. Mr. Michelson.

**Mr. Michelson:** — The committee would concur with the recommendation and note progress on no. 2, 3, and 4.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Be known with recommendations 2, 3, and 4, this committee concurs with the recommendations and notes progress.

We will move to recommendation no. 5. I would look to the committee for a recommendation. Ms. Campeau.

**Ms. Campeau:** — For recommendation no. 5, concur with the recommendation and note compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — With regards to recommendation no. 5, it be noted this committee concurs with the recommendation and notes compliance. I'd like to thank the officials.

And we will move on to the next chapter also with Health from the 2011 Provincial Auditor's report volume 2, chapter 14B. And I would look to the Provincial Auditor to introduce her staff and comments on this.

**Ms. Lysyk:** — I have with me the same individuals, Bashar Ahmad and Regan Sommerfeld, who are responsible for the work in this chapter.

Chapter 14B begins on page 253 of our 2011 report volume 2. In this chapter we report the result of our annual audits of the 10 regional health authorities for the year ended March 31st, 2010. We listed the RHAs [regional health authority] and their appointed auditors on page 255.

This chapter also reports the results of our follow-up work to assess two RHAs' progress on their past recommendations. We report the results of our audits of Regina Qu'Appelle RHA and Saskatoon Regional Health Authority in separate chapters of this report. Bashar will provide an overview of this chapter.

**Mr. Ahmad:** — Thank you, Bonnie. In this chapter we make six new recommendations for various RHAs and repeat nine from our past reports. On page 257 our two new recommendations are for Keewatin Yatthé and P.A. [Prince Albert] Parkland RHAs to follow their processes to control their bank accounts. We made these recommendation because employees and their supervisors at P.A. Parkland and Keewatin Yatthé did not always sign and approve completed time sheets. Also employees at Keewatin Yatthé did not obtain approval of supplier invoices before processing them, and some board members' expense claims did not have evidence of review and approval.

On this page we also repeat our recommendation from 2008 for Prairie North to follow its processes to control its bank account. During the year employees and supervisors of Prairie North did not always sign and approve employees' time sheets. Lack of approval of time sheets and supplier invoices increases the risk of incorrect payment without detection.

On page 258, recommendation 3 and 4 require Prairie North and P.A. Parkland to follow their processes to grant and remove user access to their IT system and data. Recommendation 5 requires Keewatin Yatthé to improve its process to identify and remove access for those individuals who no longer need access to its system and data. We noted that RHAs did not remove access in a timely manner for some individuals who no longer worked for them.

On pages 258 and 259 we also repeat a recommendation for Mamawetan Churchill River, Heartland, and Sun Country to protect their IT system and data. Sun Country has addressed our recommendation, while Mamawetan and Heartland continue to make progress toward addressing our past recommendations.

On page 259 we repeat our 2009 recommendation requiring all RHAs to establish a disaster recovery plan and test those plans to ensure their effectiveness. RHAs continue to make progress. Keewatin and Prairie North had completed and tested a disaster recovery plan. P.A. Parkland tested its 2008 plan and identified needed improvement but has not documented how it addressed the needed improvement. Sunrise had not tested its plan. Sun Country, Cypress, and Mamawetan Churchill did not complete their plans. Heartland and Kelsey Trail need to update their plan to reflect system changes. Lack of an up-to-date and tested disaster recovery plan increases the risk that the system and data may not be available when needed.

On page 260 we continue to recommend that Cypress RHA established complete financial management policies and procedures. Cypress needed to establish policies for buying and selling capital assets and for investing.

On the same page we continue to recommend that Prairie North assess the need for an internal audit function.

On page 261 we repeat the recommendation from 2008 for Keewatin Yatthé to count its capital asset and agree its capital asset records to its accounting records regularly.

On page 262 our new recommendation is for Keewatin Yatthé to comply with *The Regional Health Services Act* when constructing, renovating, or altering its facilities. The Act prohibits authorities from constructing, renovating, or altering a facility without the minister's approval where the cost of doing so exceeds the prescribed amount. Regulations set the prescribed amount at \$100,000. Keewatin renovated a facility for a total cost exceeding \$580,000 without receiving the minister's approval.

On the same page we continue to repeat the recommendation from 2001 that all RHAs should prepare a capital plan that contains the key elements of capital equipment plans in the public sector. Your committee has previously considered and agreed with this recommendation. We are currently following up on this recommendation for all RHAs. We will report the

result in our 2012 report volume 2.

Pages 262 to 268 report the result of our follow-up work relating to immunization of young children at P.A. Parkland and management of hospital-acquired infection at Sunrise. We are pleased to inform you that both RHAs have fully addressed our past recommendations. And that concludes my comments on this chapter. Thank you.

**The Deputy Chair:** — At this time I would invite a response from the ministry.

**Mr. Florizone:** — Thank you. Mr. Chair, perhaps I can with your permission, with the permission of the committee, focus in on the new recommendations and then have some form of blanket statements around the continuing recommendations. These do pose an issue. They're problematic. I want to express some frustration, and I'm sure the committee feels the same frustration that some of these just continue to reappear. And we do need to think about these continuing recommendations as being issues that should be embedded into performance plans and performance requirements of executives and senior folks out in regions and agencies. So with your permission, if I could focus in on the new ones, and then we could speak to kind of our performance thoughts with respect to continuing recommendations that appear.

**The Deputy Chair:** — Yes.

**Mr. Florizone:** — Okay thank you. So with respect to Keewatin Yatthé, the recommendation around or the process to control bank accounts, Keewatin has indicated that it is in the process of establishing those means and those processes to control its bank accounts.

With respect to Prince Albert and a similar recommendation around processes to control its bank accounts, Prince Albert Parkland has indicated to us its commitment to ensure the approvals are properly documented. Department managers and supervisors have been reminded that they need to properly approve these records before sending them to payroll, and payroll staff are continuing to monitor approvals to be certain that time sheets have been properly approved and that they are continuing to monitor these approvals.

Similarly with Prairie North, a similar recommendation. Prairie North has indicated to us it's committed to ensuring the approvals are properly documented. Pay information is audited by payroll supervisors every pay cycle. Prairie North is committed to having all time sheets approved by supervisors or their designates. All managers are regularly advised of the requirements for them to sign off. They've used some of these quality improvement initiatives, lean, to undertake a review of scheduling and time card components to try and streamline and ensure that there's mistake proofing put into place. This initiative, when installed during this fiscal year, we use an electronic workflow process for time sheet approvals to make sure that it's not only streamlined, it's automated. It should, in their view, resolve many of these manual errors.

Prairie North, the recommendation around IT systems and data. The Prairie North's IT department is actively working with human resources, payroll, and finance to ensure internal

processes to grant and remove access is being followed and that their protocols are being followed in a timely fashion. The region itself is currently in the final stages of implementing the online account workflow and is on target to have electronic workflow accepted for production by December 31st, 2012, followed by a regional implementation plan completed by March 31st of 2013. IT is also working with their local payroll teams on the new provincial system to automatically trigger alerts to IT for staffing changes. So we're trying to link those approaches so that it automatically and in real time when somebody leaves or departs, that they're removed from those systems.

Information with respect to Prince Albert Parkland and the process to grant and remove user access. Information technology department is working with payroll and human resources to remove inactive employees in a timely fashion. It has also begun a lean initiative to streamline and mistake-proof this process, so it's developing policies and procedures that strengthen account management processes to an acceptable level. Policies and processes have been established and communicated to all staff and physicians. In addition human resources and department managers will be informing the IT administrators of any staff transfers, resignations, or terminations. Again our expectation is that they will do this wherever possible in real time rather than batching and queuing this type of work.

With respect to Keewatin Yatthé, the authority has been recommended that they improve their processes to grant and remove user access to IT, a similar recommendation. The region is in the process of implementing a system where employees' access to the region's IT system is removed in a timely manner once employment has been terminated.

[10:30]

I'm looking through just to see if there are any other new . . . Oh yes, so a recommendation, Keewatin Yatthé around complying with *The Regional Health Services Act* when constructing, renovating, or altering its facilities. And this, according to the regional health authority, was an oversight by the authority. The request was sent after the fact and approved by the Minister of Health. It's the intention of the health authority to comply with *The Regional Health Services Act*, and of course that would always be our expectation.

I think I've covered off all of the new recommendations. Now, Mr. Chair, many of these recommendations fall into what we would suggest to be the basic expectation of sound financial systems management and control.

When I talked about performance issues, our frustration is that, when these appear, we put out and make sure that our message is quite clear that this is an expectation that these basic requirements are complied with. We will have to do some reflection in terms of compliance. We do have pay for performance, but we also need to have this as a baseline performance expectations. And our aim as a ministry will be to align those performance expectations, be crystal clear with these boards. And if it is such a case that they cannot continue to comply or get into compliance on these matters, then we ought to look at another method of delivering financial services

within certain regional health authorities. That sounds like it's a threat. It's actually a promise that we need to continue to work towards improvement of basic financial controls and systems. I'll turn to Associate Deputy Minister Hendricks just in case I've left anything out.

**Mr. Hendricks:** — I think you've covered it.

**Mr. Florizone:** — Okay. Thank you.

**The Deputy Chair:** — Thank you for your comments around those five recommendations. I would now open the floor to any committee members that have questions. Mr. Wotherspoon.

**Mr. Wotherspoon:** — Maybe just more of a comment. I guess I appreciate the comments that I've heard as it relates to all the outstanding recommendations. Because I too, when I looked at this report and I saw numerous, numerous recommendations that have to do with control and important financial controls that provide some assurances back to the public, I was certainly concerned by what I saw and would believe it to be unacceptable to see the volume of recommendations that are fairly straightforward around procedural financial controls that are not implemented, that have been concurred by this committee in years previous.

So your statements have been fairly firm as to the importance of this. And certainly I think it's important for us as a committee to highlight the importance of addressing these outstanding recommendations. And certainly I'd like to add my voice to the record and to be conveyed certainly back to these health authorities that these aren't small matters, and it's an important matter of trust with the public and protection of the public when these have been put forward. And we'll be expecting action on these fronts and compliance on these fronts.

And certainly as a member of this committee, and in conjunction with the good work of the auditor, looking forward to tracking the progress of implementation and fully expect that next year when we come to see the report of the auditor that follows up on this, we should see action on all these fronts and not see, you know, all these volumes of recommendations that are important to the public but not implemented.

So I appreciate hearing from our deputy minister that he shares that conviction, and I'm sure it's a point that is shared by all committee members. So that's not a question to the specific, to the recommendations.

The one question I may have, and you may have touched on it, I was reading through some of these, at the time, all these outstanding recommendations and having some concern, but specifically the capital expenditure without authorization. And just wondering if this is an issue with process with one health authority or whether these sorts of . . . whether this has occurred with other health authorities in the previous fiscal year as well.

**Mr. Florizone:** — So there may be issues with other health authorities that we're unaware of. Of course when we receive these requests, it goes through in a very prescribed way the approvals, the thresholds for approval. We're just not aware of the extent by which they may be making purchases and then seeking approval after the fact or forgiveness. I would suggest

— and once again we need to reinforce this for regional authorities — that's a very dangerous territory to be into. It does not comply with legislation nor regulation and hence would be outside of the legal framework and their ability to approve.

Now they may, in some cases, think that it works because the approvals had come through, but the day it doesn't work is, you know, they actually get caught in terms of that. The good work of the auditor in picking this up has actually shone a spotlight on a potential problem, and we will ensure that we meet with the chief financial officers to remind them of the obligation, and through them to their boards, of the obligation of the authorities to seek approval before and not after.

**Mr. Wotherspoon:** — It also undermines the capital asset management plans and long-term planning. I think I heard some discussion about some 10-year plans that we're going to see, but if plans are in place but not necessarily adhered to, or process, that there doesn't engender a level of trust that you're taking on the projects of greatest risk or greatest importance at a given time. So I appreciate your commitment to follow up as well with the CFOs [chief financial officer].

**The Deputy Chair:** — Ms. Sproule.

**Ms. Sproule:** — I too have a question on recommendation 6 and particularly your comments where you indicated that, in the ministry's view, this was an oversight. And I find that when there's a half a million dollars being overspent without the proper authorities and you say has now been approved by the ministry, what are the consequences when an official or a health authority exceeds its authority by half a million dollars? Is it just sort of, you guys shouldn't have done that, or are people fired? Or you know, when they're not following the law, what are the consequences from the ministry's perspective?

**Mr. Florizone:** — Once again, the oversight is not the position of the Ministry of Health. Rather, it's the position of the health authority. So what they've said is it was their oversight. I guess the way to look at it is, in terms of a progressive approach, for them to acknowledge the problem and to apologize is step one. If we see the activity continue, then we step up the game.

So this may be the first pass. Again the auditor, the work of the committee, it served its purpose in terms of the checks and balances that are necessary to identify a problem. What we do is we go through the progressive, kind of more of the progressive discipline — the warning, the alerting, the warning. Also we have so much turnover in many of these areas that by the time the audit report comes out, it may not even be the same players that were in place at this time.

So there's a lot of complexity here, but I can assure you that we will be following up. And if such behaviour continues, then our obligation, as is any staff member of the Legislative Assembly or the ministries of the government, is to ensure that there is compliance with legislation and regulation.

So no, we wouldn't be firing every time that someone receives a recommendation from the Provincial Auditor. Having said that, on these fundamental issues, there cannot be a continuation of this sort of activity or behaviour.

**The Deputy Chair:** — If there are no other questions, then we will look at dealing with the recommendations at this committee. With regards to recommendation no. 1, Ms. Campeau.

**Ms. Campeau:** — With regards to recommendation no. 1, I concur with the recommendation and note progress towards compliance.

**The Deputy Chair:** — Does this committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — With regards to recommendation no. 1, it be noted the committee concurs with the recommendation and notes progress towards compliance. Do we want to deal with recommendation 2, 3, 4 as a group?

**An Hon. Member:** — No.

**The Deputy Chair:** — Okay, let's go with . . . We'll do it individually. We'll go with recommendation no. 2, I would look for a motion from the committee. Mr. Michelson.

**Mr. Michelson:** — I would note recommendation no. 2, concur with the recommendation and note progress toward compliance.

**The Deputy Chair:** — Does the committee agree? Let it be known that this committee, with regards to recommendation no. 2, concurs with the recommendation and notes progress towards compliance.

We'll now look for a motion regarding recommendation no. 3. Mr. Cox.

**Mr. Cox:** — With regard to the recommendation no. 3, I would concur with the recommendation and note progress towards compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — The committee, with regards to recommendation no. 3, this committee concurs with the recommendation and notes progress towards compliance.

I will now look for a motion regarding recommendation no. 4. Mr. Tochor.

**Mr. Tochor:** — Vice-Chair, I'd like to make a motion that we concur with the recommendation and note compliance.

**The Deputy Chair:** — The committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — With regards to recommendation no. 4, this committee concurs with the recommendation and notes compliance.

And now I would look for a motion for recommendation no. 5. Mr. Tochor.



**Mr. Tochor:** — Vice-Chair, I'd like to make a motion that we concur with the recommendation and note compliance for no. 5.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Recommendation no. 5, this committee concurs with the recommendation and notes compliance.

I will now look for a motion with regards to recommendation no. 6. Mr. Tochor.

**Mr. Tochor:** — Vice-Chair, I'd like to make a motion that we concur with the recommendation and note compliance for no. 6.

**The Deputy Chair:** — Does this committee agree?

**Ms. Sproule:** — I'm not sure that there's been compliance here because we don't know if they are doing it, although I'd certainly concur with the recommendation. There's no way of knowing if they're complying. I don't know if that's what you're looking for, Madam Auditor.

**Ms. Lysyk:** — I guess we think that this issue came up and it's been dealt with and . . . [inaudible interjection] . . . yes.

**Ms. Sproule:** — That's not exactly how the recommendation reads.

**Ms. Lysyk:** — I don't think we're aware of any situations after this one where they've been constructing, renovating, or altering where they haven't had anything, the proper things approved.

**Ms. Sproule:** — So in your view there is compliance with this? Okay. Thank you. No further comment.

**The Deputy Chair:** — So agreed?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — This committee, with regards to recommendation no. 6, concurs with the recommendation and notes compliance. And I believe that's all the current recommendations with regards to chapter 14B, so with that we'll move on to the next chapter.

**Mr. Michelson:** — Do we want comments from any of the other outdated . . .

**The Deputy Chair:** — Pardon me?

**Mr. Michelson:** — Did the ministry want to comment on any of the outdated ones?

**The Deputy Chair:** — They did comment on them as they went along.

**Mr. Michelson:** — And we're happy with those?

**The Deputy Chair:** — Yes. Okay, we'll move on to the next chapter. The chapter is from the 2011 Provincial Auditor report

volume 2, chapter 14D. And I would turn it over to the Provincial Auditor and her office for some comments on this chapter.

**Ms. Lysyk:** — Chapter 14D of our 2011 report volume 2 provides the results of our audit of Saskatoon Regional Health Authority for the year ended March 31st, 2011, and the results of our follow-up work related to reducing injuries to care staff. This chapter is on pages 287 to 301 of our 2011 report volume 2. In this chapter we make five new recommendations and repeat three from our past reports, and I will ask Bashar to present an overview of the chapter.

**Mr. Ahmad:** — Thank you, Bonnie. To complete our audit of Saskatoon Regional Health Authority we relied on the work and report of the authority's appointed auditor. That's KPMG chartered accountants.

In this chapter we also report the result of our work on the continuing care and service agreement with Amicus Health Care Inc. and our follow-up relating to reducing injuries to care staff.

[10:45]

As Bonnie said, in this chapter we make five new recommendations and repeat three recommendations from our past report. Your committee had previously discussed and agreed with those recommendations.

The first recommendation on page 291 is for the authority's affiliates to comply with the law when borrowing money for capital projects. We made this recommendation because the Act prohibits affiliates from borrowing money without the minister's approval. The affiliate and the RHA signed an MOU [memorandum of understanding] for the RHA to fund, interest free, the affiliate's portion of required funding totalling about \$5 million. The affiliate did not obtain the minister's approval before signing the MOU. The MOU is similar to a borrowing agreement.

The second recommendation is for the authority to comply with the law when making changes to the funding arrangement for capital projects. We made this recommendation because the MOU effectively changed the original agreement that the Ministry of Health had approved. The ministry had agreed that the RHA would provide only 65 per cent of the project cost. *The Regional Health Services Act* does not allow regional health authorities to make agreements with health care organizations that are not consistent with the ministry's directions.

The third recommendation is for the Ministry of Health to clarify whether or not the regional health authorities have powers to lend money to health care organizations. We made this recommendation because *The Regional Health Services Act* does not specifically allow RHAs to lend money to affiliates.

On page 292, we repeat two recommendations from 2004 and 2009 relating to the authority's policies and procedures for the security of information technology. The authority continues to make progress but does not have complete policy and procedures based on threat and risk analysis and a complete

disaster recovery plan.

On page 293, we repeat a recommendation from a past report relating to capital equipment plans. We are currently doing a follow-up to assess the adequacy of capital equipment plans of all regional health authorities, and we will include our finding in our next report.

Pages 293 to 298 report the result of our work relating to a service agreement with Amicus Health Care Inc. In this section we make two recommendations. On page 297, we recommend that both the Ministry of Health and the authority establish policies to use when seeking interest from private sector health care providers to build health care facilities. Our second recommendation on the same page is for both the ministry and the authority to establish criteria to use when selecting private sector health care providers to build health care facilities and provide the criteria to all interested private sector health care providers. We made these recommendations because the ministry and the authority were not able to tell us what processes they used to seek interest from private sector health care providers to build a new facility or what criteria they used to select Amicus.

On pages 299 and 300, we report the result of our follow-up work relating to the authority's processes to reduce injuries to care staff. This was our fourth follow-up. We are pleased to say that the authority has now implemented all of past recommendations.

The table on page 301 notes the past recommendations that your committee had previously agreed. We are currently following up to assess the authority's progress to implement those recommendations. We plan to report our finding in our next report. That concludes my comments on this chapter. Thank you.

**The Deputy Chair:** — Thank you very much. I would now turn it over to Deputy Minister Florizone for some comments in relation to the five recommendations from this audit.

**Mr. Florizone:** — Great. Thank you very much. I'm once again pleased to introduce Nilesh Kavia, vice-president, finance and corporate services for the Saskatoon Regional Health Authority. What we'll do is we'll do a bit of tag team. Nilesh will speak to those recommendations that have to do with Saskatoon, and because some of these are either ministry specific or joint, we will attempt to answer questions of the committee as they arise. So first of all with the first two recommendations, I'll turn to Nilesh.

**Mr. Kavia:** — Good morning, and thank you for allowing us to respond to these. So with respect to the recommendation that affiliates and RHA comply with *The Regional Health Services Act* when borrowing money for capital, we completely agree with that and intend to comply with all regional service, all components of *The Regional Health Services Act*.

I think it's important to note in this recommendation that there was really no intent to borrow money. And this is an example again of where we've had turnover in the health region. So this was a predecessor of mine where the decision was made. It was at the end of the year when we assessed whether Oliver Lodge

was going to be able to raise the funds and then had to, from an accounting perspective, set up an allowance for that doubtful account. We have since established a memorandum of understanding with Oliver Lodge and they intend to pay the remaining outstanding accounts receivable to us.

With respect to the recommendation that we comply when making changes to funding agreements with capital projects, Saskatoon RHA is and will continue to comply with *The Regional Health Services Act*, as I mentioned before.

**Mr. Florizone:** — Recommendation no. 3 speaks to the Ministry of Health clarifying whether regional health authorities have the power to lend money to health care organizations. Our position is that RHAs do not have lending power. And it's not just our position. It's our view that those lending powers do not exist within *The Regional Health Services Act*, and the ministry obviously is working with Saskatoon and others just to clarify our position on that. And as you can see through the statement Nilesh made, we're certainly on the same page with respect to this at this time.

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

**Mr. Kavia:** — So regards to recommendation no. 4 that the Ministry of Health and Saskatoon Health Region establish policies for use when seeking interest from private sector health care providers to build health care facilities, Saskatoon Health Region and the ministry does have competitive bidding policy in place which covers the operational and capital procurement and it is our full intent to be following and being compliant with that policy.

**Mr. Florizone:** — If you want to take 5 and then I'll follow up.

**Mr. Kavia:** — Sure. Okay. So recommendation no. 5 that the Ministry of Health and Saskatoon establish criteria to use when selecting private sector health care providers to build health care facilities, it's really the same as the response to the previous recommendation. And when we're developing future new projects — other than replacement facilities where we've already gotten an established provider if it's a renovation to that facility — so future new projects, we would be issuing a request for proposal to ensure that we've got a competitive bid process in place.

**Mr. Florizone:** — And once again the ministry and Saskatoon Regional Health Authority are on the same page with respect to the need for and the establishment of the competitive process.

**The Deputy Chair:** — Thank you very much for your comments around those five recommendations. I'd open it up to the committee members for questions now. Mr. Wotherspoon.

**Mr. Wotherspoon:** — So we hear now, we hear that there's a commitment to follow processes. Were those processes in place when this project that's referred to as the, I guess the Amicus project here, were those processes in place? I know the project was sole-sourced or wasn't tendered. Were those in place at that point in time?

**Mr. Florizone:** — The processes were not in place at that time. I can tell you that it was a very unusual stage in terms of a new

health care organization or even if we look at that category of affiliate. We hadn't, for decades, started a new venture like that where either a religious, not-for-profit, or for-profit had come forward and actually looked at an expansion in that area, of a brand new greenfield site. So our policies and our approach needed to be dusted off, and they have been. We've brought clarity in terms of addressing the recommendations of the Provincial Auditor. That exists right now.

**Mr. Wotherspoon:** — So why wasn't the project tendered?

**Mr. Florizone:** — There were a couple of things that were at play with respect to the Amicus initiative. One was there was a huge amount of pressure that existed in Saskatoon Health Region and, as deputy, you know, my obligation, our obligation is to be able to not only do the right thing but do it in a way that obviously is timely.

With the 100 beds that Amicus was about to suggest they could bring online within very short order, we saw almost an immediate resolve to some of the acute care issues that we were facing. We were having some clear difficulties within the Saskatoon Health Region with people requiring long-term care being cared for in an acute care setting. That acute care setting is . . . It's just not about blocking those beds. The bigger issue is that while it's very good acute care, it's not the care that's needed for the individuals that we're caring for.

So for instance in acute care, it's really geared towards episodic . . . towards that short-term recovery. So you may not have your clothes put . . . you don't get dressed every day. And using and losing those activities of daily living happen very quickly in an acute-care setting. Also acute care can be a dangerous setting in terms of — for the elderly, for geriatric care — infections, falls. The type of support of a residential service was one of the key drivers. So we were looking at wanting to free up those acute-care beds, but most importantly providing the right care in a timely way.

Now Amicus came along. They were looking at a number of, through the Catholic Health Corporation, a number of innovations. And where government had come from on, this is the need to come up with not just timeliness of getting a building up and running, but an innovation around aging in place. We had heard through Patient First Review and many of the conversations we've had with seniors — a particular legislative secretary who'd been involved with a review of seniors — that what seniors wanted was a residential setting where they could age in place and not just simply move from home to housing to facility, long-term care or personal care. But if we could start to look at complexes where that full range of services could be available, people could progress through their care in that way.

So Amicus wasn't just 100 beds. It was actually 100 beds that were associated with housing as well and provided more of that community context. So (a) it solved some immediate concerns with residents who were in acute care; (b) we very much saw the policy as a particular pilot or prototype that could possibly be spread throughout Saskatchewan.

The other thing that was interesting with the Amicus approach is that, after looking at similar facilities in Alberta, they decided

to lift what was already a blueprinted design in terms of aging in place. They work very closely with their Alberta counterparts in terms of the Alberta Catholic Ministry, and what they found is that they could construct such a facility. They came to us and they said, here's 100 beds and we can construct this facility not only in a timely way, which was appealing in itself, but they said, we can construct it at \$27 million.

Now we looked at that, and we were tasked by our minister and others to answer the question what would it cost for us to construct a similar facility of 100 beds. And our amount came to \$40 million. Now how do you do that? And the real question is, you know, so what are we giving up by moving to a \$27 million facility versus something that would be 40 million? And what we found is that the design remains sound. We have obviously some learnings in terms of the lean work that we're doing around the need to redeploy and redesign facilities in the last few months, and informed actually by Saskatoon and others. But I can tell you that lifting that blueprint, they were able to avoid those types of architectural costs. They were able to avoid some of the difficult decisions and approvals and felt that they could come in with more of a residential-type construction than an institutional-type construction.

Now there's no doubt our \$40 million facilities will outlast a \$27 million facility. Our sense is that, you know, there's probably a time, age and expiry. We've been building buildings that, whether we design them for it or not, they've been lasting 40, 50, and the case of Sask Hospital, North Battleford, 100 years. Obviously there's got to be some decisions made in terms of how much we spend for residential long-term care and whether we need to build institutions or build a purpose-built facilities that may not last 50 years but may be good for 25 years. So those are some of the decisions.

[11:00]

The final point I want to make is that Amicus and the Catholic Health Ministry were a known vendor. So while there is obviously . . . And we have resolved to go with a competitive process. And we feel that that's important — as does the Provincial Auditor, as does this committee — and we concur with that.

There is another alternative to a competitive process, and that's more of the Walmart-type approach where we say here's the price, now come in at our price. Again we've made policy decisions on how we want to proceed, but if we can go to the private, or in this case the non-profit sector, and say we want you to deliver a home at 27 million and we want you to operate that home in a consistent way at a price equivalent to the public system or less, and we can say on top of that we'd like you to deliver it on time and not take three or four years, these are kind of the components of what I would refer to as an isolated prototype.

We're going to learn a lot from Amicus. The learnings have been great so far, but I do want to give you a kind of a sense of what the thinking was at that moment. It wasn't to launch off or, you know, do something that was inappropriate. In fact it was really driven by getting a hundred beds up, running, and care delivered to long-term care residents in Saskatoon.

**Mr. Wotherspoon:** — The comments around the timeliness and need, I recognize. But I don't believe that dismisses due process, transparency, value for money, ensuring that we're managing our capital assets in a way that are in the best interests of this generation and the long term. And really none of that is in place on this, and it leaves a lot of questions. Even the statement — unless I misunderstand how this was done — the statement about going out to the private sector and calling for requests on a certain dollar and certain components for a certain plan, I don't believe that occurred on this plan.

**Mr. Florizone:** — It didn't.

**Mr. Wotherspoon:** — It didn't occur. Okay. And that's part of the issue here. I mean part of it's the whole sole-source piece. I know when we're dealing with public dollars and public projects that there is, if we're going out to the private sector, that there's a fair competitive process that should be engaged in. And I don't buy that that gets in the way of being able to be timely and responsive as a government to the needs of people.

**Mr. Michelson:** — Mr. Chair, I'd like to call a point of order. I think this is out of the realm of what we're trying to do with the public accounts.

**The Deputy Chair:** — Did you have a question there, Mr. Wotherspoon? Do you have a question in your comments?

**Mr. Wotherspoon:** — I sure do, yes. So I wanted to verify whether or not . . . Because there was a suggestion that maybe you can pick a number and put a plan out to the private sector to then see if they can meet it, but that's not what was done here. There was engagement with one provider and a sole-sourced, untendered process in a \$27 million project.

One question I would have, Mr. Michelson, and I'm sure you have some questions on this as well because I'm sure we all have concerns about this process, one of the questions I would have is who engaged who on this process? Did the Ministry of Health engage Amicus and say, listen, how do we address this need? Or did Amicus come to the Ministry of Health and say, we perceive there to be challenges. We'd like to address it with . . . Here's our plan.

**Mr. Florizone:** — It's an interesting look back in terms of who approached who. Obviously we had, you know . . . How do I put this? The stars aligned. We had a need and Amicus had an opportunity. I can tell you that we were interested in the aging-in-place concept before Amicus stepped forward. And they were able to actually put to us, because of their work and their review in Alberta, put to us more than just a concept: it allowed us to actually try something, and in that way, see how it might work. I do acknowledge, and in fact the reason for the policy change is we do acknowledge that the best approach is to put it out to the market, but this was in fact sole sourcing and we did sole source. Part of it was our strong relationship with this particular vendor. Again we talk about it being the private sector, but it is the non-profit sector, and it is the Catholic Health Ministry.

Again I don't want to sound defensive or that, you know, we're making excuses because I take full responsibility for the fact that there was a need, there was an opportunity. And we,

through our work with government, sought the direction to be able to see this facility up and running and meeting the needs of that population.

**The Deputy Chair:** — We'll go to Mr. Tochor for a minute. He's had his hand up. We'll get back to you, Mr. Wotherspoon.

**Mr. Tochor:** — Yes, Vice-Chair. I just want to go back to the recommendation no. 1, and it's almost a joint question to Bonnie and for ministry staff about the MOU and how that relates to the Act. And I apologize for not knowing that Act fully but in your view, without going into great detail about the MOU, was it legally binding for the health region to commit those funds? Usually, in just my kind of limited experiences on MOUs, is it's not legally binding. It's kind of like, all right we're looking at this, and was there something else in that MOU that you were concerned about? And I'm not sure if there's clarification from the ministry staff on . . .

**Ms. Lysyk:** — Well no, I think that's why in looking at the MOU, we posed the recommendation that we posed and that we recommend that the affiliates of the Saskatoon Regional Health Authority comply with the Act when borrowing money for capital projects. So didn't think it was okay on the part of the affiliate, didn't know whether the ministry would think it's okay, and so hence the three recommendations that are there. From a legality perspective, I mean, they signed an MOU. Whether they were able to under the Act, again that's why we posed the recommendations.

**Mr. Tochor:** — Okay.

**The Deputy Chair:** — Mr. Tochor.

**Mr. Tochor:** — Vice-Chair, to our Provincial Auditor, thank you for that comment. And once again not to get into the legal aspects of the MOU that closely, but it seems like it's almost a somewhat chicken before the egg kind of conversation. How do you get to start something without getting approval first from the provincial government, but you also want to start something so you can bring something forward to it. And maybe I'm totally off on understanding, but maybe you have some comments on that.

**Mr. Florizone:** — So one of the key components here of the provincial policy framework is the cost sharing, the local share and the need for communities to provide some type of support in cost sharing with respect to serving their citizens, in this case in long-term care.

When the 35 per cent . . . And this was the policy of the day; it was 65/35. We provide 65 per cent. The local community, through either fundraising or municipal support or in this case it was a non-profit affiliate, they have to come up with a plan and an approach for the 35 per cent. An MOU in and of itself isn't a problem because cash flows on these projects can occur over the course of several months, or in our case it could be years as the project progresses from planning to detail design right through to even the construction. So what we're looking for, some demonstration that the 35/65 is going to be paid over the course of the project so that by the time it's opened the amounts have been paid in full. Where we get into difficulties is where a region potentially unilaterally says, no need for the local share;

we'll fund 100 per cent. Or no need to pay all of it; we'll pay part of it.

Now in fairness to Saskatoon, that's not exactly how this played out, and Nilesh can speak to this. But what occurred is they were looking at the capacity for this non-profit organization to actually make full payment. And in accounting terms to set up, you know, a doubtful account is really more of an obligation on a chief financial officer to make sure that the financial statements clearly reflect the risks that, you know, this may not be collectible: all good intention with the MOU, all good intention around the ability to pay, but it's proving out that this may not be able to be paid by the time, not only by the time it's open because it's past open, but over a course of a period of time. What we don't want are regional health authorities making unilateral policy decisions that could have impact across the province when that's the purview of the minister, the government. So hopefully that clarified a bit.

**Mr. Tochor:** — [Inaudible] . . . a follow-up just so that we can understand the Act a little bit, just 100 per cent clear. So the health authorities cannot go out there and loan money or enter into legally binding agreements with third-party organizations without the ministry sign-off, but they can start to have conversations of. Is that, the Act gives us . . .

**Mr. Hendricks:** — So it's not that a region can't enter into an agreement with a third party authority. What happened here is they entered into an agreement with . . . Well first of all they determined that it was likely that Oliver Lodge wouldn't be able to pay their portion of the capital cost. And so what they did was they set up . . . They tried to write it off. The ministry is clear in their view that they cannot write that off, and we've communicated that to the region. In terms of what they did is because they had to pay the cost of the capital project and Oliver Lodge didn't have the money, they basically reached an agreement where they would pay their portion, Oliver Lodge's portion, and Oliver Lodge would pay it back. Our view is that you cannot lend money to a third party organization without the ministry's approval.

**Ms. Lysyk:** — I think the difference here is that usually there's 35 per cent of money already in place before the project starts. In this case they were required to raise the money after, and so that's a little bit of an anomaly in this situation. I think initially the project was for a smaller facility and the number of beds required increased, and I think that's when they I think recognized and communicated they didn't have the funds available for a bigger facility at the front end.

**The Deputy Chair:** — Ms. Sproule.

**Ms. Sproule:** — I do have some questions about this. And maybe in follow up to Mr. Tochor's comments is, in an imaginary situation, what would happen if a health region entered in good faith with an organization in good faith who had every intention of meeting their obligations in an MOU and they hadn't raised the money in advance? Now I'm hearing from the auditor that that's an expectation. Are there other situations where there are these MOUs where community organizations are raising the funds and then for whatever reason they fall apart? They're volunteer organizations. What happens at that point? And has this happened in the past? And if not,

what would the health region do?

**Mr. Florizone:** — And again it's a very difficult situation to be in. We're not aware right now of any similar circumstance where a local agency or a municipality has defaulted. I guess if I were the regional health authority I'd look at it this way. In order to set up an MOU, I'd want to make sure that the organization has deep enough pockets to be able to make good on those payments and those cash flows, otherwise the risk is transferred to the regional health authority. And while we can require and do require that they seek payment, that still is no guarantee they're going to get paid. Setting up a doubtful account, allowance for doubtful accounts, doesn't mean they stop collecting either. It just means let's be realistic here about what the possibility is.

Now you know, there are all kinds of legal remedies, but we need to keep in mind that this is the same organization that's providing care. So the last thing we'd want to do is push an organization into default or bankruptcy or any other issue. That's why, after the fact, it's very, very difficult. It's a lot easier to collect money before than it is to, after the fact, have that same level of urgency around fundraising for something that's already been built, open, ribbon cutting — you know, it's already there — and how we're going to pay for what was as opposed to pay for what will be.

Nilesh has just a few comments if that would be okay, Mr. Chair.

[11:15]

**Mr. Kavia:** — Yes. Just to add to what's already been said, a couple of things. One is that we were very mindful in terms of the MOU to make sure that we're not putting it in a way that it's just . . . You know, it's something that's more concrete than just a piece of paper. So the mechanism within the MOU is that Oliver Lodge is providing us a percentage of their continued fundraising because they're always fundraising. So that's one of the mechanisms. The other aspect that we wanted to be mindful of is we don't want to compromise them from a perspective of not being able to provide the care that they need to provide to our residents and clients.

The question about what mechanisms are in place to avoid this type of situation from happening in the future, one of the things that is in place is that we approach our capital projects on a gated process. So it really means that you are really approving to the next gate. And at every gate you're assessing, where are you at? Do you have the confidence that you can move to the next gate? Part of that is assessing, are there any fundraisers involved in the capital project?

Now we have a lot of capital projects where we're relying on our foundations to provide some of the funding. So we have continued discussions with the foundations that, you know, what's your level of confidence and how much have you raised to date so that we're not getting into that situation where the project's completed and we haven't had the cash flow from the external sources or foundations or those types of providers. So that's one mechanism that we've got in place, and it has been working quite well.

**The Deputy Chair:** — Thank you. Mr. Wotherspoon.

**Mr. Wotherspoon:** — To the Amicus project, could you cite what the cost of borrowing is for the project for Amicus, for the third party?

**Mr. Kavia:** — You know, I don't have that handy. But I can certainly provide that.

**Mr. Florizone:** — There was a cost of borrowing that would . . . And again I'm sorry. I don't have that at top of mind, but we can certainly get that to you. The original agreement with Amicus set a cost of borrowing that was actually revised, further refined. It is above, as you would imagine, above our government rate of borrowing, but I would have to get the exact number to you. Sorry I don't have that handy.

**Mr. Wotherspoon:** — Do you know the difference between, when you were doing the analysis, do you know the difference between the rate of borrowing that government could borrow at and that for which Amicus has entered into?

**Mr. Florizone:** — Oh yes, absolutely. And in terms of being able to do that analysis, that analysis was done at the time.

Now it's really important to note here that we were also dealing with a base. When you do the comparisons, you normally compare the cost of borrowing. With many of these types of public-private arrangements, part of what it is is about risk transfer and assumption of risk as well. But we were also of this great benefit of what would've cost us 40 million was at a capital amount of 27 million. So as you amortize and look at the analysis, you need to also look at the fact that the capital amount that we were investing would've been less than had we built it ourselves.

**Mr. Wotherspoon:** — That being said, building . . . 40 million was to build something entirely different or a different plan. I think it's what's been reflected here, that Amicus has put forward a different model and then that the model has some efficiencies or cost efficiencies that are brought about. So it's not fair to suggest, I guess, if the ministry was going at building that model instead of a different model, then we're not exactly comparing apples to apples when we're . . .

**Mr. Florizone:** — No.

**Mr. Wotherspoon:** — So there certainly could have . . . If the new model was the desirable model for the region and for the ministry to pursue, that certainly didn't negate any sort of competitive process or fair process or for the ministry to go at it itself.

**Mr. Florizone:** — Yes, that's absolutely correct. So the cost of borrowing obviously is a cost that needs to be factored in into these arrangements.

One of the challenges that we have is to be able to figure out what the balance of risks are. Owning a facility is another roof to repair, another boiler to fix, another lawn to mow. You know, while we're picking up operational costs and we see these costs very much being in line, we have a pretty deep understanding of what it takes to run a long-term care facility and 100 beds in

particular. So on the operational side, we have a lot of ability to say — you know, whether you put it to a competitive process or not — we know what you're going to come in at. You know, there may be that small range, but your costs, many of the costs are fixed. And even those costs that are variable, we know what it costs to have nurses and aides, and we've got a pretty good idea of what the staffing ratios would be to be able to run long-term care because we have many of these facilities.

The balance of risk is really, you know, it's an understanding that whether a point in interest is going to be so significant over a period of time that it would mean that we would want to own another asset, once again, have another roof that might fail or another building that will need to be redeveloped.

The other thing is at the end of the term of this contract or this arrangement or this mortgage, there may not be something that we actually want. In other words it may be, given the life cycle of the building, it may be a good time for them to renew it by just replacing it, building it to a new structure, new standard to what the care needs are of the day as opposed to running it 40 years and then ending up with some rigid, concrete structure that we can't adjust.

So I really appreciate the comments. It is a number that I should have top of mind but I don't.

**Mr. Wotherspoon:** — Thank you for endeavouring to provide that information to the committee. And just to be clear, what I'd like to see — and let me know if this isn't possible — but what rate the third party provider has borrowed at and what the rate and the term, the duration, the length of those dollars and then what the rate for government at that point in time was to secure, whether it's 20-year money or 20-year term, and if you can provide that back to committee members at this table.

As far as risk, I think whenever you're talking about health care and about deferring risk of course I think there's a level of caution on this because of course we have to ensure quality of care should be our focus. And whether we're having a third party provider delivering that care or whether the ministry or the region is specifically, there's expectations around that quality of care and the facilities, and they have to be managed either way.

Now if you're entering into it with third party providers, then it's incredibly important to have a robust agreement and framework for accountability, and certainly there's risk. In fact when you're entering in with a third party provider, if that isn't the case, if it isn't as strong and robust as it should be, in fact that you're placing at risk the individuals that . . .

**Mr. Michelson:** — Mr. Chair, a point of order please. Mr. Chair, we're here to discuss the auditor's report. We're not here to discuss the details of Amicus. I think if the auditor goes through the process and finds fault, they will make the recommendations. But I think we have to get on with what the recommendations are that are from the file, and I would like to rule on the process here please.

**The Deputy Chair:** — Just in light of the time as well, do you have a question, Mr. Wotherspoon?

**Mr. Wotherspoon:** — I certainly do. So one of the questions was talking about risk, and I have a question about risk as well. Because I know in this case, I believe the ministry has assumed a fair amount of risk as well, and in the event that the third party provider isn't able to provide the service that they're intending to, in fact it's the ministry then that steps in, including the liabilities in place. Is that correct?

**Mr. Florizone:** — Thank you for the question. When we were looking at the agreement with Amicus, it was really important on the risk front that they didn't decide midstream to step away. And if they did, there was some concern that they may sell the facility or convert it to something else.

One of the risks that we attempt to mitigate, and we certainly did with the regional health authority in Saskatoon in this agreement, is to make sure that if this, if the Catholic Health Ministry or Amicus were to walk away from this agreement, we actually wanted those beds. We needed those beds. And in fact we wanted to make sure that we could take those beds and continue to operate them.

So the way this went isn't to try and guarantee their loan. Actually what we were trying to do is guarantee that we don't have pay for it twice, that they wouldn't, through our payments which include operating and capital, that they wouldn't just simply pay off their building, turn around and sell it, and then we've got another contractor at us saying, well we want you to pay for not only the operating but our capital investment. What we were after is if they had walked away that we could take that building over and we would only be required to continue the payments going forward and not have to worry about the payments that have already been made having to make them again.

Now when the auditor came along and said, well this is a mortgage guarantee, it was really an interesting look at it. And I suppose that, you know, obviously I've . . . Due respect to the auditors. That's exactly where they came from and looked at it and said, you know, it feels like this. There's a bit of a differing opinion from certain folks and accountants. But it was not our intent, it wasn't our intent to set out a guarantee. What we wanted, what we were after, the guarantee we were looking for is that we'd get 100 beds, we'd maintain 100 beds, and we wouldn't have to pay for this place twice or three times.

**Mr. Wotherspoon:** — Of course with the choice of financing we are paying more by way of the interest rate by securing it through the third party provider. But I've just a question. It's been cited that there was no value-for-money analysis done of this project. Is that correct?

**Mr. Florizone:** — You know, it depends on how you define value for money. We cut it a number of ways. I was very interested in the capital costs. I was very interested in the operating costs. I was very interested in the cost of . . . [inaudible] . . . Now in terms of value for money, we use that terminology when we think of P3-type arrangements. And the value-for-money analysis is really about not only looking at long-term spending, but once again I mention risk and risk transfer.

So it's one thing to pay more on an interest rate for the capital

cost but the real question is, what are the other offsets here? What are the risks that get transferred to the third party? And again I think the clear indication as we went through today is that we've got a hell of a lot of capital infrastructure that's out there. We haven't exactly kept up with keeping the facilities in new or relatively new shape. So in this prototype and pilot, we're thinking, well maybe the mistake we're making is to think we can build for 40 or 50 years and keep up with that constant renewal. Or maybe what we should be doing is building for 25 and then being in a better position to anticipate population, the change, the growth, and the size, and the efficiency of these facilities instead of just kind of setting them literally in concrete.

**The Deputy Chair:** — Just have a moment here. Many of these questions, Mr. Wotherspoon, were discussed with regards to recommendation 4 and 5 where they established policies and established criteria around where they've went since then. And then just with that, Mr. Tochor's had his arm up for a little bit if I could . . .

**Mr. Tochor:** — And I appreciate, Vice-Chair, for the opportunity here, and the value for money, the different way of looking at what this project is. And I appreciate your comments around and answers too. I represent Saskatoon Eastview and that's near this complex. And I know there's a lot of seniors that are very appreciative that we have 100 additional beds.

Looking back to see your responses and to the committee work here, I believe with the recommendations all being covered off, and we agreed that they're in compliance . . . or the recommendations and that they are in compliance, I'd move a motion that this, concur with recommendations and note compliance on these.

**The Deputy Chair:** — One more question just prior to dealing with the motion, if we can. Ms. Sproule had her arm up here.

**Ms. Sproule:** — Thank you, Mr. Vice-Chair. I do have some concern about the recommendation no. 4 because it's recommending the establishment of policies for use when seeking interest from private sector health care providers to build health care facilities. And the response that we've heard from the ministry is that they are going to have a tendering process. And yet everything we've heard from the deputy minister seems to support the decision to may, not to follow that.

So I'm not clear whether the new policies that he's referred to will still have this prototype, stars aligning kind of sort of outlet that would allow the ministry and the region to make a similar decision in the future. And I'm concerned about that. And I would be interested in knowing if that's the position of the ministry because certainly the responses we're hearing right now indicate that there is a justification, in the view of the deputy minister, that this was an appropriate process. And yet it conflicts with their statement that they intend to now use the tendering process. So that's certainly my concern and would be interested in a response to that.

And just in support of that, I sat on a Saskatoon Regional Health Authority almost 10 years ago now. Aging in place is not a new concept. And this is the ministry that has access to all

kinds of resources. So why they would decide that that's an alignment of stars is somewhat startling to me and of concern. So I just would be interested in the deputy minister's comments in relation to that.

[11:30]

**The Deputy Chair:** — Can we have some clarification from the deputy minister around the policies with recommendation no. 4.

**Mr. Florizone:** — So I'm sorry for the confusion that that created. Just to be crystal clear, we're concurring obviously with the auditor's recommendation around the tendering process. Whether we go, you know . . . Whatever route we go, it's important to be able to test the market, to know who's available, know what they're willing to propose, that there be very crisp and clean criteria by which the selection is made. So I'm sorry for the confusion; I was talking about the past.

Where we're at currently is a very strong support for the recommendation of the Provincial Auditor that we need to and we will use a competitive framework.

**The Deputy Chair:** — Mr. Wotherspoon.

**Mr. Wotherspoon:** — Just a question. I guess two questions. There's the per diem day rate of 185 that was established as a maximum rate when this project was brought on. It was also stated that there wasn't yet a formula in place for a day rate. Has that . . . I guess the justification for the 185, what was that based on? And then has a formula been established and could that be shared with this committee?

**Mr. Florizone:** — Yes, there is a breakdown of the 185 that shows the capital component — the interest rates would be built into that capital component — and then the operating component. What we did was we took a look at 100-bed facilities or similar size facilities. We did analysis on Saskatoon to see where it was. And the reason why it says up to 185, that was a requirement that I set forth. While there was a fairly good confidence that that was the right number, I wanted to make sure that as we operationalized this that we had, you know, the right to say it's something less than that. And again it was a bit of a mitigation of risk, making sure that we were coming in at the right number.

**Mr. Wotherspoon:** — And so is there a new number in place, and is there a formula that's been established?

**Mr. Florizone:** — In terms of a formula, it's a number. So there is a per diem. But what we can do, we just simply modify that by multiplying by 100 and showing the breakdown of the capital amount and the operating amount. Now obviously the capital amount is fixed. The operating amount, based on nurses' agreements and other agreements and cost of inflation, that will be adjusted over time. So I wouldn't say it's necessarily a formula, but it is a breakdown, so I can give you the operational and the capital amount.

**Mr. Wotherspoon:** — Thank you for providing that to the committee. This contract's for seven years right now, and it's renewable for five years further at that point. Is that correct?

**Mr. Florizone:** — I don't have the contract in front of me. That sounds right. And again the whole intent here isn't necessarily that it ends at 12 years; it's that this portion of the contract allows us to move into a longer term relationship and that we would have the ability then to regroup and renew at the end of that period. Now just like aging in place isn't necessarily a new concept — and I agree with that; Saskatoon has done some really good work in this area and really appreciate hearing that — nor are affiliates new. In fact the majority of what Saskatoon Health Region has is affiliated-run long-term care. Regina's in a similar situation.

So in terms of what's new here, maybe what's new is a new building, you know, the fact that this is something that has occurred and is up and running. And again, a bit of a different environment for us as a new affiliate coming on scene.

**Mr. Wotherspoon:** — I know that if there's surpluses that are being run, certainly those aren't going to be clawed back by the Ministry of Health or the health authority. I believe that's a provision within the contract. Is there a provision to have clear understanding of the financials to understand the actual cost of providing the services and servicing the capital on behalf of the third party provider?

**Mr. Florizone:** — Absolutely, and that would be our due diligence in working with Saskatoon Health Region and the ministry. We've got to keep in mind that this organization is a health care organization under *The Regional Health Services Act*, and that Act, that legislation actually sets forward restrictions. It trumps any contract or agreement. I mean obviously as the law, that Act and those regulations set forward some of the conditions and restrictions. So the use of money, you know, to not claw something back immediately is one thing. But that use of money is intended for health care, and that's what it's intended to be used for under this prototype or pilot.

**The Deputy Chair:** — Ms. Lysyk has a few comments.

**Ms. Lysyk:** — I should just comment that the importance behind recommendation 4 and 5 is we thought that that was a good process, those were good processes to put in place to ensure that there is proper documentation and proper evidence and support for all the decisions around these significant dollar transactions. And so really the intent of the recommendations are on a go-forward basis to ensure that whatever decisions are made and however they're made, that at least as auditors we're able to go in and see that information and make an assessment because we're able to see something that supports a situation one way or another, a decision one way or another. So I just wanted to clarify that in terms of why 4 and 5 are important for this committee to hear. Thanks.

**The Deputy Chair:** — So as a committee, are we ready to look at these five motions?

**Mr. Wotherspoon:** — I guess there's two things. Of course the purview of this committee is set out in an agenda to look at the auditor's recommendations, but the scope of the committee is much broader than that, and that's the public accounts of Saskatchewan, the projects that are taken on in an after-the-fact audit and an analysis and discussion of it. So some of my



questions, certainly I think we've heard responses to the auditor's recommendations that have both been placed here, so I think we're probably in a position to be dealing with those recommendations as a committee, based on actions of government.

But that still doesn't dismiss maybe from committee members who share concerns about the actual process for which this project was put together with. And certainly the scope of the committee allows much broader questioning as well in any area of the public expenditure — not to debate policy but to look for the process, the value for dollar, the kind of analysis that certainly I think allows the public a sense of trust that their dollar has been expended in a way that's in the best interest. And certainly in this case, and highlighted by the auditor's recommendations, there was weak controls in this place, inadequate, unacceptable review of dollars. I'm certainly comfortable with the committee voting on or making a motion as it relates to these two recommendations, but I think there's still a couple of questions that remain in this chapter while we have officials — or not necessarily in this chapter — while we have these officials here before us today.

**The Deputy Chair:** — Mr. Tochor.

**Mr. Tochor:** — Vice-Chair, to the committee members. On that request I think there's, you know, we're past our time allotment on this one. I believe our officials have fully, are in compliance with the recommendations. So once again I would make the motion to move that 1, 2, 3, 4, and 5 concur with the recommendation and note compliance.

**The Deputy Chair:** — Ms. Sproule.

**Ms. Sproule:** — A question for the Vice-Chair. Are these time frames considered to be cast in stone?

**The Deputy Chair:** — Which time frames, sorry?

**Ms. Sproule:** — That we were supposed to be finished the Health part by 11:15. Or is that just an estimate?

**The Deputy Chair:** — They're estimates.

**Ms. Sproule:** — So there's no requirement to, under process, for us to stop questioning on this area. Is that correct?

**The Deputy Chair:** — Those are time estimates to get through with the questions.

**Ms. Sproule:** — In that case then I'm not sure I'm prepared to put the question at this point. I know there's still some outstanding questions that we would like to ask.

**The Deputy Chair:** — We'll go with a few more questions.

**Mr. Wotherspoon:** — And from my perspective, you know, the recommendations can be dealt with, but there's still some questions that could be dealt with before I guess we turn our attention to the next consideration on the agenda. And just some of my questions there are when, when and how is this . . . Maybe it's a question for the deputy minister; maybe it's a question for the auditor. But when and how does this and where

is this displayed as a liability on our balance sheet as a province, either the service agreement and how it's reflected and what the impact is? Or is it included at this point in time?

**Ms. Lysyk:** — I can just comment that it would be, once the facility was built, it would be considered an item for disclosure in the financial statements. So it would be disclosed in a note to, in this case, Saskatoon Regional Health Authority's financial statements.

**Mr. Wotherspoon:** — Okay. And it would be . . . do we know how that . . . the total cost of that liability or how that's being stated at this point in time from a public perspective?

**Mr. Kavia:** — The Amicus is disclosed in our notes to our financial statements and it's in accordance to the CICA [Canadian Institute of Chartered Accountants] recommendations of how we are required to disclose these types of arrangements.

**Mr. Wotherspoon:** — Are you able to share the value of that liability?

**Mr. Kavia:** — It's not recorded as a liability. And I'm, you know, happy to have the auditor comment on that.

**Mr. Wotherspoon:** — It was just stated that it's not reported as a liability.

**Ms. Lysyk:** — No, that's correct. It's a note disclosure on the existence of an arrangement with them but not . . . The liability doesn't become the actual liability for booking a liability on the financial statements unless there was, you know, a turnover of the facility to the ministry.

**Mr. Wotherspoon:** — Okay.

**Ms. Lysyk:** — In terms of the debt down the road.

**Mr. Wotherspoon:** — Has there been analysis as to whether it's the length of the contract, I guess seven and five years, where we're going to have renegotiation occurring? Has the ministry done analysis to ensure that we have some controls? I know the deputy minister's spoken of risk here today. Certainly there's risk when you're going to renegotiate with a third party provider and in doing so with public dollars. Why was this term chosen, seven years and then five years? And what sort of risk analysis has been done as far as costs that may be incurred at that point in time?

**Mr. Florizone:** — We didn't do again a full risk assessment with respect to this. The term is, I would suggest, was selected as being long enough to be able to get into an agreement where there was enough of a relationship identified and reflected in a contract that Amicus wouldn't just walk away.

We wanted to make sure that — and you could imagine with any investment that's made by any third party, in this case non-profit — we wanted to make sure that the agreement had enough of a duration so that they were confident that they could make a go of this and undertake this investment.

**Mr. Wotherspoon:** — The deputy minister cited that there was . . .

**The Deputy Chair:** — Just if I could cut in for a moment, in the essence of time do you feel we have questions that are going to lead in past noon? Or how are we . . . Okay, will we still . . .

**Mr. Wotherspoon:** — I'll ask one other question here.

**The Deputy Chair:** — Yes.

**Mr. Wotherspoon:** — And maybe what I'll say is that, you know, I think that it's fair to say, and I want to put onto the record, there's a lot of concern with how this . . . Not the project — we have a need and we need to respond to it, and we need to find solutions in doing so — but the process and the lack of protections and assurances to the public that this was the best way to go about it.

Now some of that gets into a policy field type debate that doesn't necessarily fit into this committee, and it's also a debate that I think is held best between the Minister of Health, if you will, or the Minister of Finance and respective critics. So I won't get into all those aspects. But certainly there's a lot of concern with the sole sourcing of this project and some of the lack of assurances that have been provided along the way.

This committee of course is there to seek fact, learn more about process. We've learned a little bit more today. It certainly hasn't provided us assurances with this project. Certainly on a go-forward we've heard assurances that this kind of process won't be acceptable. That is good.

But just around the value for money — and I know there is different ways to analyze projects — could the deputy minister provide back to this committee any documentation, any reports that were used to analyze why this was in the best interest to go with this specific provider as opposed to sole sourcing to choose this model, the new model that's been highlighted here, as opposed to what's been highlighted as what used to be a more expensive model? So that choice, and then also the choice to be doing this through third parties as opposed to a role or a lead role for government. Would the ministry endeavour to provide that sort of information back to this committee?

[11:45]

**Mr. Michelson:** — Mr. Chair, as a point of order, I've thought that that information was provided, that there was a need for a hundred beds. This came in at a considerably less cost than if the ministry would have done it. I think these questions have been answered.

**The Deputy Chair:** — If I could interject here too, if you'd look to page 296 with regards to the question. In the second paragraph, if you look at the bottom of that paragraph, "Health could not tell us what criteria is used to select Amicus for this project. Nor could Health provide us with a cost benefit analysis of the proposal."

Is that a satisfactory answer to the question you had?

**Mr. Wotherspoon:** — Well that's hopeful, because there was

some suggestion that there was some analysis and it was hopeful that whatever analysis had been done was tabled. It was certainly placed onto the record by way of the auditor that there wasn't satisfactory information to date of the analysis done to ensure that this was in the best interest.

So I appreciated that. I heard some statements from the ministry suggesting that there was some analysis done. I was interested in just seeing what that analysis may have been. So if it's available to the committee then . . .

**Mr. Florizone:** — Sorry for the caucus. What we needed to do is just really be clear on what it is that you seek. As a committee, a Public Accounts Committee, anything that the committee requests, we provide. So if . . . There are very few limitations or restrictions that I am aware of. It would be similar to the auditor coming in and taking a deeper dive and looking at these matters.

So if it is the wish of the committee for us to do something, please just instruct us and we'd be more than pleased to do it. I'm not trying to set up any false barriers, but it's really easy to do things in retrospect and for me to speak to what was in my mind, in our thoughts at the time.

What we need to do though is not try and recreate the past. What did we have at the time that has got an audit trail and, you know, these documents and crisp, clear analysis? What was there? It's just not quite packaged up in a way that would say, here's the value-for-money approach. Now I could tell you in future projects, we've learned what we need to do is do a full-blown value for money. Those will be the types of documentation that will guide decision making. And for the purposes of this pilot, getting 100 beds, getting it up and running, getting it done quickly, trumping, you know, the due process that we've talked about today, and the importance of that due process.

I just don't want to make it sound like we're going to deliver to you a report that says, here's the full-blown approach. How we do things in future, I hope to be in a far better position and I do apologize that I don't have that for you.

**The Deputy Chair:** — And then with regards to recommendations 4 and 5, as always there will be a follow-up audit that'll be performed by the Provincial Auditor's office, and I think we can have faith in that. So with that, are we ready to deal with the five recommendations? Mr. Tochor.

**Mr. Tochor:** — Yes, thank you, Vice-Chair. I'd like to make a recommendation that, or sorry, the motion that we concur with 1, 2, 3, 4, and 5 recommendations and that we note compliance on such.

**The Deputy Chair:** — Is the committee agreeing?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — It will be noted that with regards to recommendations 1, 2, 3, 4, and 5 by the Provincial Auditor's office that this committee concurs with the recommendations and notes compliance.

We will now move on to the final chapter with Health which is from the 2011 Provincial Auditor report, volume 1, chapter 18, and I will turn it over to the Provincial Auditor and her office for some comments.

**Ms. Lysyk:** — This one is a little bit shorter chapter. Chapter 18 of the 2011 report volume 1 begins on page 189. In this chapter we described the results of our audit of the Saskatoon Regional Health Authority's processes to maintain its medical equipment at three Saskatoon hospitals and Humboldt District Hospital during the 12 months ended February 2011.

We concluded that the authority had adequate processes to maintain its medical equipment except that it did not have written policies and procedures for maintaining medical equipment in all of its health care facilities. On page 193 we recommended that the authority do so. The authority had some policies for specific types of equipment like laboratory equipment, but it did not have complete policies and procedures for maintaining all types of medical equipment. In early 2011 the authority developed draft policies and procedures for management, inspection, maintenance, and repair of medical equipment for the region.

During our next follow-up audit of the authority's progress to implement this recommendation, we will examine if the drafted policies and procedures have been approved. And that concludes my comments on that chapter.

**The Deputy Chair:** — I turn it over to Deputy Minister Florizone for comments.

**Mr. Florizone:** — And with your permission, I'll turn it over to Nilesh to just speak to that recommendation . . . Your comments around the recommendation in this chapter.

**Mr. Kavia:** — Sure. So we concur with the auditor's findings and we have been drafting the policies for all facilities. And one of the things that we've actually done is in the past we had, when we were organized differently, we had the rural facilities reporting to a rural VP [vice-president], including the maintenance and engineering and all of those components. We have now organized by lines of function rather than geographically, and our maintenance managers and facilities directors are responsible for all facilities, which is going to allow us to make sure that policies are consistent across the board.

**The Deputy Chair:** — I now ask, if you've finished, I'll ask committee members for any questions or comments.

In light of no questions, would we have a motion from a committee member with regards to recommendation no. 1? Ms. Campeau.

**Ms. Campeau:** — Thank you, Mr. Chair. With regards to recommendation 1, motion to concur with the recommendation and note progress towards compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — This committee, with regards to recommendation no. 1, concurs with the recommendation and notes progress.

I would like to thank the officials for their time here this morning and their effort in addressing the recommendations made by the Provincial Auditor's office. It's appreciated greatly by this committee. Thank you.

I think we'll try to start chapter 2. If we can run into our lunch hour again, we'll switch officials and try to get a little bit into our lunch hour here and shorten it up maybe a little bit and that should catch us up.

[The committee recessed for a period of time.]

**The Deputy Chair:** — I would like to reconvene here with our Public Accounts meeting and we'd like to thank the officials for their patience and for attending here today. If I could turn it over to the deputy minister to introduce herself and the officials that are here today prior to turning it over to . . . I guess I'll introduce the chapter first. Pardon me. It's Education, chapter 4 from the 2011 report volume 1.

Now I'll turn it over to the deputy minister to introduce her officials prior to the auditor's comments. Thank you.

### Education

**Ms. Senecal:** — Thank you very much. I'm Cheryl Senecal. I'm the deputy minister of Education and with me I have Greg Miller, assistant deputy minister; Donna Johnson, assistant deputy minister. As well, behind me I have Val Lusk, executive director of education funding; Lori Mann, executive director of finance and corporate services; Doug Volk, the executive director of the Teachers' Superannuation Commission; and Tim Caleval, our executive director of student achievement and supports. So we will certainly be relying on them as we ensue in our conversations about the report.

**The Deputy Chair:** — Maybe what we'll do here is we'll turn over to the Provincial Auditor and we will deal with these chapters, chapter 4, as well we will deal with chapter 1 from the 2012 report volume 1 at the same time. So I will turn it over to the Provincial Auditor and her office.

[12:00]

**Ms. Lysyk:** — For this chapter, I have with me Ed Montgomery who is the deputy provincial auditor who is responsible for the education portfolio in our office and responsible for the audits in the school divisions; as well as Kelly Deis, who at the time was not a principal in our office responsible for these chapters, who is a recent deputy auditor, deputy provincial auditor, I'm sorry, with our office.

Okay. And I'd just like to start by saying thank you to the deputy minister and her staff for the co-operation extended to us during the audits that we're about to discuss.

In our 2011 report volume 1, chapter 4, we report the results of our audits of school divisions for the year ended August 31, 2010. This chapter is on pages 45 to 47. Because of changes to

*The Education Act, 1995*, effective April 1, 2009, our office became responsible to audit school divisions. This was the first year that the office was actively involved in auditing school divisions' financial statements, processes to safeguard public resources, and compliance with authorities.

It was noted that school divisions made significant progress in improving the measurement, presentation, and disclosure in their financial statements. And I would like to comment and say thank you to the school divisions for the co-operation they've extended to us. It has been a new process for school divisions working with our office in the last two years and we found them very co-operative as well as the external auditors that work with those school divisions. They have also worked with our office very well and I would like to note that and convey our appreciation.

This chapter contains guidance in the form of 11 recommendations to school divisions. We followed up on those recommendations in 2011 and note that three recommendations have been implemented. Our new recommendation was made in our 2012 report volume 1, one new recommendation. Ed will provide a summary of this chapter and also a summary of chapter 1 from our 2012 report volume 1, which reports on the school divisions for the year ended August 31st, 2011 year-end. So the two chapters kind of go hand in hand. One builds on the other. This chapter is on pages 21 to 30 of the 2012 volume 1 report.

I should note that when we started doing the audit on school divisions, we indicated to the school divisions that we would report on the recommendations without naming a particular school division. We would just indicate what the recommendation was and how it could be applicable to school divisions. Beginning this coming-up year we will be reporting on school divisions and identifying the school division. So we had basically a two-year understanding that that would be our process. Anyway, I'd like to pass this over to Ed and he'll walk you through the chapters.

**Mr. Montgomery:** — Thank you, Bonnie. I'll begin with chapter 4 of our 2011 report. When we became responsible for the audit of school divisions, we assessed how best we could contribute to school divisions' practices and accountability. We worked with the ministry to improve guidance for school divisions to prepare financial statements, and we worked with appointed auditors and school divisions to assist in the transition to the reporting requirements set out in our Act.

In 2010 the financial statements of almost all school divisions complied with generally accepted accounting principles. On page 49 we made two recommendations to improve financial governance at school divisions. We recommended that school division boards approve policies on when and how the school divisions prepare periodic financial statements for their boards, and review financial reports prepared in accordance with generally accepted accounting principles and document the review in their minutes.

On page 50 we recommended that school divisions establish code of conduct and conflict of interest policies and communicate these to staff. As noted in our 2012 school division chapter, this recommendation has been implemented.

On page 52 we make two recommendations to improve segregation of duties. Segregation of duties among employees helps safeguard public resources from misuse. We recommended that school divisions have segregation of duties policies and assess the risks of incompatible functions and take appropriate action.

We make two recommendations to improve school divisions' compliance with legislation. On page 52, we recommend that school divisions obtain the approval of the Minister of Education for the existence and use of lines of credit. As noted in our 2012 chapter, this recommendation has been implemented. On page 54, we recommend that school divisions obtain the approval of the Minister of Education before making purchases or disposing of real property. Again as noted in our 2012 school division chapter, this recommendation has been implemented.

We make two recommendations to improve controls over information technology. On page 53, we recommend that school divisions establish information technology security policies. On page 54, we recommend that school divisions prepare and test their information technology disaster recovery plans. Also on page 54, we make one recommendation to improve processes to collect and record all funds generated in schools. A lack of adequate processes means increased risk that money may be misappropriated and that revenues recorded in the financial statements are not complete.

Our final recommendation in this chapter is on page 55. We recommend that school divisions ensure that when they enter into financial transactions with other agencies, they formalize the rights and obligations in written agreements. Without formal agreements, there's an increased risk of misunderstandings about current or future rights and obligations. That concludes our comments on that chapter.

I'll now briefly summarize chapter 1 of our 2012 volume 1 report, which reports on school divisions for the year ended August 31st, 2011. This chapter's on pages 21 to 30 of our 2012 report. The school divisions continue to make improvements in their financial statements and their internal control. As previously mentioned, 3 of the 11 recommendations reported in 2011 were implemented.

Also in this chapter, we added one new recommendation. On page 23, we recommended that school divisions periodically verify the existence of their physical assets. If school divisions do not periodically verify the existence of their physical assets, this increases the risk that physical assets such as computers and other equipment may be disposed of without authorization and proper adjustment to the accounting records. That concludes our comments on both chapters in the school divisions.

**The Deputy Chair:** — At this point I would turn it over to the deputy minister for comments. If we could keep our comments relative to the . . . I guess it would be — is it 11 or 12? — 12 recommendations by the auditor.

**Ms. Senecal:** — We welcome the auditor's reports on our ministry and certainly acknowledge that it is an excellent guide to identify opportunities where we can improve our existing

controls and processes. We value the auditor's opinions and in general agree with the recommendations of her office.

We are pleased that the auditor has noted that the ministry and school divisions have adequate rules and procedures to safeguard public resources, with the exception of matters reported.

The ministry and school divisions complied with authorities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing, with the exception of matters reported.

I must also bring to your attention that the Teachers' Superannuation Commission audit is still in progress and so there will be some further findings coming from that.

The auditor has provided only one new recommendation for school divisions, which is to periodically verify the existence of its physical assets such as computers and other equipment. Although there are mitigating processes in place such as allocating and tracking computers by employee, we look forward to working with both the school division and the Provincial Auditor to address this recommendation.

The auditor has provided recommendations for the ministry's operations, including a better control over operating and capital grant payments, and to have written agreements with school divisions over capital grants. Once again we welcome the auditor's report and view it as an opportunity to improve our existing controls and processes. Since these recommendations were made, I am pleased to report that we have reviewed our processes and updated our documents to enhance our existing controls over grant payments.

The ministry has undergone significant efforts to address and resolve many of the past recommendations provided by the auditor, including school divisions establishing a code of conduct and conflict of interest policies and communicate these to their staff; school divisions obtaining the approval of the minister for the existence and use of lines of credit; school divisions obtaining the approval of the Minister of Education before making purchases or disposing of real property. The ministry is also . . . Sorry?

**Ms. Sproule:** — I just have a question. What recommendation, could you identify what recommendation you're speaking to so I can follow along. I'm having trouble finding that, the reference to grants. I'm sorry I can't find the reference.

**The Deputy Chair:** — I think we had jumped a head a little bit into chapter 5 actually there periodically. But if we could deal specifically with the 11 recommendations in chapter 4, and then we've lumped in with that the one recommendation with chapter 1, which is actually a review of those 11 and then one additional one. If we could deal with those 12 first, and then we'll jump into chapter 5.

**Ms. Senecal:** — I have no more comments, so why don't we just go into the conversation and the questions, and we'll take it from there. Because we had our . . . I'm sorry. I apologize. We had our information organized differently.

**The Deputy Chair:** — Okay. Okay. So maybe we'll go into the recommendation no. 1 from chapter 4.

**Ms. Sproule:** — I had a question.

**The Deputy Chair:** — Okay. Ms. Sproule.

**Ms. Sproule:** — So if I could ask the deputy minister, are you suggesting that all the recommendations in the first chapter . . . volume 1, 2011, chapter 4 that you . . . like can you comment on whether you've met them. Or is it your position that you've dealt with them all? They're implemented? Or is there any . . . Sorry I can only deal with these one at a time.

**Ms. Senecal:** — So the recommendations that we're speaking to in chapter 4 all relate to school divisions, and in that regard they are for the school divisions to take the responsibility around addressing those. So what we can say is that in all of these situations, working to address these deficiencies, we're working closely with school divisions and certainly making ourselves available to provide assistance or advice or clarification. But certainly it's been our experience thus far that, you know, we've certainly had some conversations with school divisions around the recommendations, but they are addressing the recommendations and working within their own organizations to ensure that the appropriate steps are being taken to address the deficiencies.

So in terms of me commenting as to whether they are complete or not, I'm really not in a position to comment on how school divisions might report themselves on how they are addressing those issues. In our estimation, all of them are progressing.

**The Deputy Chair:** — I'll maybe just ask the Provincial Auditor, Ms. Lysyk, for a few comments.

**Ms. Lysyk:** — So just to give you a status, I think that what the deputy said is correct. Just to add to that, in 2012 we did — in the other chapters, second chapter here, the 2012 report volume 1 — we did test whether or not there was any actions on the first 11 recommendations. There were actions on . . . Recommendations no. 3, no. 6, and no. 9 have been implemented by all the school divisions. So those are . . . They are definitely complying with those recommendations.

**The Deputy Chair:** — What numbers were those again?

**Ms. Lysyk:** — 3, 6, and 9. The other recommendations, the eight remaining, are still outstanding based on our second chapter follow-up. So with respect to chapter 4, the 11 recommendations, three of those are implemented and eight are still in progress based on our subsequent year review, if that helps.

**The Deputy Chair:** — With that subsequent year review, is there progress on those eight chapters?

**Ms. Lysyk:** — Yes, there is progress being made on those eight recommendations.

**The Deputy Chair:** — Ms. Sproule.

**Ms. Sproule:** — [Inaudible] . . . Vice-Chair. Is there any way

for this committee to actually hear from the people that are responsible for these recommendations, or is it always through the ministry? We're getting sort of second-hand information here.

**The Deputy Chair:** — I'll look to Ms. Lysyk for some comments in that as well.

**Ms. Lysyk:** — This is the first two chapters that actually have information on school divisions, and it is actually the first time this type of information comes to this committee. So I think, you know, we've kind of followed the standard process where the ministry is invited to comment.

[12:15]

But having said that, we didn't in the first two chapters name the school divisions, so you know, it wouldn't have been appropriate to invite one school division over another. But in the next chapter on school divisions we, as I mentioned at the beginning, we have an understanding with the school divisions that we will start reporting by school division. So at that point it may be appropriate to have a representative of the applicable school division present.

**The Deputy Chair:** — So in light of this being a new area for the Provincial Auditor, I would look to the committee . . . Mr. Michelson.

**Mr. Michelson:** — Yes. Thank you, Mr. Vice-Chair. With these recommendations, like I noted, made notes on no. 1 and 2 that the board approved policies. Would those guidelines come from the ministry then to each to . . . as a policy that the boards in general would look at? Or does each individual board, are they individually responsible for making up their own policies? Because I would suggest that perhaps some guidelines would have to come from the ministry.

**Ms. Senecal:** — Certainly it would be our position that school divisions have the authority to develop those policies within their own authority. But that being said we would also certainly be involved in conversations around bringing further clarification to boards or assisting boards where they would request our advice or information or clarification. The other thing that I would say is that certainly policies of this nature we would of course always assume that they were being developed within the parameters of accepted financial practice and financial management.

**Mr. Michelson:** — Is there courses or something that they can . . . We're coming into the critical time too with the civic elections, board elections coming up too, so we could have new boards as well. So I'm thinking that the approved policies that would be made would be encompassed on each individual board, that the guidelines of some kind would come from the ministry and the same with the reporting financially. And you kind of answered that they would be along accepted policy procedures. The same goes with the code of conduct and those kinds of things. Would each individual board be responsible then for their own policies and code of conduct descriptions?

**Ms. Senecal:** — Certainly respecting the autonomy of boards of education, they do have the ability and the responsibility to

establish their own policy. I think it's certainly mindful . . . or we should be mindful of the fact that boards of education are some . . . I mean they vary in size, but certainly some boards of education are very large, sophisticated organizations who have, you know, a range of expertise within their respective staff whose job it is to look at these issues and to help guide the board in the approval of policy and what have you.

So I think that we have to remember that certainly the elected boards are, yes, the entity that governs those structures. But those structures also have internal resources that bring expertise and knowledge and background to help the board develop effective policy and to assist the board in terms of making good policy decisions. That being said, certainly the ministry is interested in providing, as I said before, in providing assistance or clarification particularly to boards who may be smaller and have less internal resources.

But really that is, as I said, the bottom line is is that school divisions are independent authorities and really, you know, their request of us to provide assistance or direction is really at their prerogative. And certainly we make ourselves available, and where appropriate we are certainly ensuring that there is oversight from our perspective, that we have confidence in the way in which they are submitting their reports, their annual reports, and what have you. And we provide guidance around the format and structure of those reports and work closely with them in terms of them tabling their annual submissions.

So you know, certainly we have a very close working relationship with school divisions and with CFOs and their staff but also balanced with being respectful of the fact that they are independent authorities where the Minister of Education has entered into a relationship with them to provide education. So it's collaborative.

**Mr. Michelson:** — I guess what I'd be expecting is some uniformity through all the boards in that . . . [inaudible] . . . the same that the health boards do, that kind of thing.

**Ms. Senecal:** — I think that again there is different . . . I mean first of all I think if we go back to 2006 with amalgamation of boards, they've come through that piece of work. They are continuing to evolve and understand the parameters of very complex responsibilities. And I think that, you know, certainly their association, the Saskatchewan School Boards Association, also works to provide some greater clarity around consistency of approaches to management and policy development.

But again I think that certainly we would consider that school divisions take on the responsibilities. They have authority to do so. They seek appropriate assistance. We would be one of the bodies that they would seek assistance from. But they certainly have, as I've said, internal resources that they utilize. They connect with their association through the SSBA [Saskatchewan School Boards Association] who also provides assistance and direction. So it is, you know, I would say that absolutely we would assume that school divisions are working towards similar approaches, but they are somewhat in an evolution themselves.

**Mr. Michelson:** — Any of these policies that they established, does the ministry review it? Do they report it to the ministry? Do you have a copy of the policies they would establish?

**Ms. Johnson:** — Donna Johnson here. I think it would be fair to say that it depends on the policy itself. So when we're talking about financial policies, their financial policies should be embedded within the PSAB [Public Sector Accounting Board] guidelines and the standards that are established for all publicly reported entities. So they are, in those cases, merely interpreting what guidelines are provided by the chartered accountants association.

So in those cases, I mean certainly if they take any of that material and they apply an interpretation to it and create a policy-like document that that particular school division operates under, we can and will take a look at those policy documents to make sure that they are interpreting PSAB correctly. But for the most part this is a body of knowledge from the financial reporting and from the financial accounting policies. It's a body of knowledge larger than the ministry that they're going back to and that they are applying within their organization.

**The Deputy Chair:** — Thank you.

**Mr. Michelson:** — Mr. Chair, if I could make a motion that we concur with recommendations 1, 2, 4, 5, 7, 8, 10, 11, that we would concur with the recommendations and note progress.

**The Deputy Chair:** — Is it agreed by the committee?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Be it known for recommendations 1, 2, 4, 5, 7, 8, 10, 11 that we concur with the recommendation and note progress. With regards to recommendations 3, 6, and 9, I would look to the committee for a recommendation. Mr. Cox.

**Mr. Cox:** — With regards to recommendations 3, 6, and 9, I make a motion that we concur with the recommendation and note compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — With regards to recommendations 3, 6, and 9, the committee concurs with recommendation and notes compliance. We'll move on to recommendation no. 1 in chapter 5 of the 2012 auditor's report. Oh sorry, I jumped ahead one. Sorry, wrong report. The recommendation with 4.1 of the 2012 auditor's report. Recommendation no. 1 on page 23. I would look to the committee for a motion. Ms. Sproule.

**Ms. Sproule:** — I recommend that this committee — I'm going to get my sheet here — concurs with the recommendation and notes progress towards compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — With regards to recommendation 4.1, this committee concurs with the recommendation and notes progress. With that we will move on to chapter 5 of the 2011 Provincial Auditor's report volume 2. And I will turn it over to

the Provincial Auditor's office for some comments.

**Ms. Lysyk:** — Thank you, Mr. Chair. In our 2011 report volume 2, chapter 5, we report the results of audit of the Ministry of Education for the year ended March 31st, 2011. This chapter also contains the results of a follow-up of a performance audit on the ministry's processes to achieve compliance by school divisions in delivering student instruction time as required by the minister.

Chapter 2 of our 2011 report volume 2 is on pages 101 to 113. This chapter contains two new recommendations to improve the ministry's controls over operating and capital grants to school divisions, and Ed Montgomery will take us through the material.

**Mr. Montgomery:** — We found that the ministry was not complying with its delegation of authority for approving grants to school divisions. So on page 106, we recommend the ministry approve school division operating and capital grant payments in accordance with its delegation of authority. This recommendation has now been implemented.

We also found that the ministry's communication of its school capital funding decisions to school divisions needed improvement. Clear communication helps avoid misunderstandings by school divisions as to terms and conditions. And on page 107, we recommend that the ministry enter into written agreements with school divisions setting out the terms and conditions of its capital grants that support the ministry's expenses. On page 107 to 108, we set out a status report on the implementation of our past recommendations.

The remainder of the chapter reports the results of our follow-up work. In our 2009 report volume 3 chapter 4, we made four recommendations to improve the ministry's processes to achieve compliance by school divisions in delivering student instruction time. Since our report, the ministry has been consulting with school divisions and working towards addressing our recommendations. However more work remains. We continue to make all four recommendations.

Finally on pages 112 to 113, we set out the status of previous recommendations of this committee. That concludes our comments on this chapter.

**The Deputy Chair:** — I would now turn it over to Deputy Minister Senecal for some comments around the two recommendations that were made in this chapter.

**Ms. Senecal:** — I think just in the brevity of time, certainly we concur with, you know, with the auditor's findings and we continue to work towards compliance. We certainly have progress to report and certainly we would be interested in responding to the committee's questions on these four recommendations.

**The Deputy Chair:** — So I would turn it over to committee members if there are any questions around the two current recommendations or previous ones. I did note that the Provincial Auditor's office noted that the recommendation no 1 was implemented. I would look for a motion regarding recommendation no. 1. Mr. Cox.

**Mr. Cox:** — With regards to recommendation no. 1, I make a motion that we concur with the recommendation and note compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Let it be known with regards to recommendation no. 1, the Public Accounts Committee concurs with the recommendation and notes compliance. I would look to the committee for a motion with regards to recommendation no. 2. Mr. Tochor.

**Mr. Tochor:** — Thank you, Vice-Chair. I would like to make a motion to concur with the recommendation and note progress towards compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Let it be known with regards to recommendation no. 2 that this committee concurs with the recommendation and notes progress.

I would like to thank the officials for staying a little later with us here today and able to get through these recommendations. We appreciate it very much. With that we'll have a lunch break, and we'll reconvene at 1. That's what we're planned for; 1 o'clock all right with everyone? Okay. Thank you again.

[The committee recessed from 12:30 until 13:02.]

### Highways and Infrastructure

**The Deputy Chair:** — I'd like to welcome everyone back to our Public Accounts meeting here today, all the members and guests and officials. As we start on our schedule here this afternoon, we have a pre-approved schedule on our time frame here, so we will be sticking to that this afternoon.

I will begin with ... Prior to the Provincial Auditor's comments, I'll ask the deputy minister to introduce himself and any officials that are with him here today.

**Mr. Penny:** — Well, thank you very much. I'm Rob Penny. I'm the deputy minister of the Ministry of Highways and Infrastructure, and with me today I have Ted Stobbs who is our assistant deputy minister of regional services, Jennifer Ehrmantraut who's our assistant deputy minister of ministry services and standards, and behind us is George Stamatinos who is the assistant deputy minister of planning and policy. I have a few opening remarks, but I'll let the auditor go first.

**The Deputy Chair:** — So with that we'll introduce the chapters and we'll deal with all three chapters together if that's all right. So what they are is 2011 Provincial Auditor report volume 1, chapter 6, and then the 2011 Provincial Auditor report volume 2, chapter 15, and as well the 2012 Provincial Auditor's report volume 1, chapter 9. So with that I'll turn it over to the Provincial Auditor's office to make some comments and introduce her officials.

**Ms. Lysyk:** — Good afternoon, Mr. Chair, committee members, and officials. I am accompanied for these reports by Judy Ferguson, assistant provincial auditor, to my left. Trevor St. John, audit principal, is sitting to the rear along with Kim Lowe who is our liaison with this committee and an audit principal with our office.

I would also like to take the opportunity at this time to thank the ministry, the deputy minister, and his staff for the co-operation provided to my staff during the course of the audit, to our office.

I do want to start by just also talking to the three chapters together. We're presenting the three chapters. They're from three different reports: chapter 6 from 2011 report volume 1, chapter 15 from 2011 report volume 2, and chapter 9 from our 2012 report volume 1. These chapters include in total four new recommendations for the committee's consideration relating to the work on the ministry's processes to keep bridges in good repair. These recommendations relate to chapter 6 of the 2011 report volume 1 on the audit of keeping bridges in good repair. We will also report on the status of recommendations from our past reports, and I will now ask Judy Ferguson to provide an overview of the chapters for the committee.

**Ms. Ferguson:** — Thank you, Bonnie, Chair, committee members, and officials. I'm actually going to go sequentially through the chapters, so I'm going to start with the 2011 report volume 1, chapter 6, keeping bridges in good repair. This chapter reports on whether or not the ministry had adequate processes to keep bridges within the provincial highway system in good repair for the year ended March 31st, 2010. The audit focused on the ministry's processes. We concluded that the ministry's processes were adequate, except for the matters reflected in our four recommendations.

In our first recommendation, which is on page 79, we recommend that the ministry keep its bridge management system records up to date. The ministry has about 800 bridges, of which 170 are larger concrete bridges. The ministry uses a computer system called the bridge management system to track and accumulate key information on its bridges. Key information includes location, structure, date of last inspection, and importantly, condition of the bridge. The use of a centralized computer system is essential given the number of bridges the ministry is responsible for and that manual records on the bridges are located throughout the province.

In our audit we found that for over the half of the files that we examined that the information in the bridge management system was not updated for the most current inspection report. That is, it didn't include the inspection date or bridge condition, and as a result, management did not have readily accessible up-to-date information on bridge conditions to make informed decisions about planned and required maintenance.

In our second recommendation on page 81, we recommended that the ministry document its key bridge maintenance planning processes and its bridge maintenance plan. In our audit we found that many of the ministry's bridge maintenance planning processes were partially documented. While staff showed that they understood the ministry's current planning processes and practices, the key processes weren't documented and the results



of the planning processes weren't combined into a bridge maintenance plan. Lack of documented, detailed procedures could hamper the ministry's ability to effectively plan and carry out bridge maintenance in event of unplanned staff turnover.

In our third recommendation on page 82, we recommended that the ministry set long-term service objectives for bridges and use them to determine its annual and longer term maintenance priorities. In our audit, we found that the ministry did not set levels at which it would maintain bridge condition over the lives of the bridges. Setting long-term service objectives help the ministry make decisions on maintenance consistent with its priorities, help the ministry determine what maintenance to do and when, and in turn help the ministry determine what resources, maintenance resources it will need over the longer term.

In the fourth and final recommendation on page 84, we recommended senior management of the ministry receive and review reports on the results of bridge inspection and maintenance activities. In our audit, we found that Highways senior management did not receive reports about the progress of bridge inspection activity, changes in bridge condition over time, or the expected impact of deferred maintenance work on the conditions of the bridge. This information is necessary to make informed decisions concerning future bridge maintenance activities.

Now I'm going to move on to the next report, the 2011 report volume 2, chapter 15. This report actually includes the results of our annual audit of the ministry and of the Transportation Partnership Fund. It doesn't include any new recommendations at all. Rather it provides an update on matters that we've previously reported. I'm just going to highlight a couple of them.

For the first repeat recommendation on page 328, in that report we noted that the ministry hadn't signed an adequate agreement with the highway hotline service provider that addresses the ministry's maintenance, disaster recovery, and security needs. We're quite pleased to report that in our 2012 audit we note that this agreement is now signed.

The other recommendations relate to the ministry's need for an agreement with ITO [Information Technology Office] to include disaster recovery and for the ministry to follow its processes to remove unneeded user access promptly. Our 2012 audit actually reflects that these concerns continue.

Moving on to the final chapter, the chapter actually includes status of recommendations that we made in our 2010 report volume 1 about the ministry's processes to maintain highways. You'll find that those recommendations are quite similar to the recommendations I just presented on the bridges, and we're very pleased to report that the ministry's implemented one of the recommendations and has actually made significant progress to implement the remaining two. So that concludes my presentation. Thank you.

**The Deputy Chair:** — Well thank you very much. I would now turn it over to the deputy minister to address the four recommendations in the . . . I guess they're in chapter 15 and in any other . . . pardon me . . . oh, chapter 6; I'm in the wrong one

. . . to address the four recommendations and any other comments that you may have.

**Mr. Penny:** — Thank you, Mr. Chair, and thank you very much to the auditor for their comments. And I just would like to start out with a few general comments and we'll open it up for any questions. Our understanding of the mandate of the Provincial Auditor is to provide independent assurance and advice on the management, governance, and effective use of public resources, and as such the ministry values the auditor's input into our ongoing efforts to enhance our internal business processes.

And the ministry concurs with the recommendations and is in the process of implementing all of them. There are a couple of important initiatives under way within the ministry, each of which influences all of these recommendations. So I'd like to address them collectively.

The first thing that is happening is our move to a new bridge management system. We began developing this system in 2009 and it became fully operational this summer at the same time as the ministry completed a reorganization last year. And because of this reorganization we've decentralized our structure and transferred more FTEs [full-time equivalent] into the bridge system.

We've placed bridge preservation engineers and established bridge inspection teams in all three of our regions. As a result, the bridge preservation engineers are actively working on the review of inspection reports to reduce the backlog.

We've also set up a committee that is overseeing the integrity of the historical data transferred into this new bridge management system and arranging for previously collected inspection data to be entered into this system.

Also as part of our reorganization, we've set up a bridge standards section within our technical services branch. They are tasked with documenting our maintenance planning processes and guidelines. This section, along with our regional bridge preservation engineers, is being tasked with developing our bridge preservation replacement and rehabilitation programs.

All of these measures: standardizing and documenting our planning processes, implementing the bridge management system and populating it with historical data, will then allow the engineers responsible for our bridge program to provide the reporting to senior management as per the auditor's recommendations.

With these actions the ministry is laying the foundations for a bridge asset management strategy such as the Provincial Auditor recommends.

In chapter 9, the Provincial Auditor followed up on recommendations made with respect to our maintenance practices in 2010. Again, the ministry concurs with all these recommendations and continues working towards their full implementation. As the auditor notes, we fully implemented one of the recommendations and are making significant progress in implementing the other three. Among the three outstanding recommendations, the auditor recommends that the ministry set long-term service level objectives and use service

level objectives to determine annual and longer term maintenance priorities.

A major focus within the ministry that responds directly to these recommendations is the development of a comprehensive preservation policy. This is being done in three phases, two of which are complete. The first phase involved defining a hierarchy for the provincial highway system. This hierarchy allows for better priority setting of our preservation activities.

The second phase involved the development of an overall preservation policy and standards. This policy is clearly defined goals on which our maintenance strategies will be based and it requires measurable service level objectives to be defined to guide our work.

And the final phase is to develop our long-term business plan to realize strategic preservation policy outcomes. The work on this phase began this spring and will be completed in late 2014. The two-year development time frame for the ministry's long-term business plan is typical for an organization such as Highways and Infrastructure.

[13:15]

The auditor also recommends that senior management receive a report on the results of the maintenance activities at the end of the maintenance season. I'm pleased to report that the ministry executive has received and reviewed reports on the ministry's planned maintenance activities and results for 2010-11, 2011-12, and our planned maintenance activities for 2012-13, and expect a report on the results at the end of this maintenance season which will be coming up in the next several weeks.

In addition, the executive will be receiving a report on the results of our maintenance activity this year, after the season ends as I said. Also currently updating our asset management guidelines to document this report, ensure consistency, clarity, and to assign roles and responsibilities. We expect these guidelines to be in place by the end of the calendar year.

The Provincial Auditor's also made three recommendations with respect to our information technology systems. The auditor recommended that we have an adequate service level agreement that addresses disaster recovery and service needs in place for both the highway hotline service provider and the ITO. And as noted, I'm pleased to report that we now have a service level agreement in place for the hotline service provider that addresses the auditor's recommendations, and we've provided a draft of a revised MOU [memorandum of understanding] with the ITO to the Office of the Provincial Auditor for her review.

Finally, the auditor recommends the ministry follow established procedures for removing user access to its computer systems and data. This is important in safeguarding government information technologies and data. The ministry continues to reinforce the need to follow procedures when employees leave the ministry. The current standard calls for a service request to be submitted to the ITO within a day. We continue our efforts to educate supervisors in their responsibilities in this regard. We are also working with the ITO to find more efficient ways of doing things like establishing predetermined deactivation dates for summer students when they are first hired.

In total the Provincial Auditor has made a number of recommendations that the ministry sees as important and holds the potential to improve our business practices; and as you can see, we've been making diligent efforts to implement all of them.

And now my officials and I would be happy to answer any questions the committee may have. Thank you.

**The Deputy Chair:** — Thank you very much for your concise information around the four points as well as the review. Are there any questions from committee members? Ms. Sproule.

**Ms. Sproule:** — Thank you. On recommendation no. 2 in chapter 6 regarding the bridge maintenance planning processes and the bridge maintenance plan, I do have a question. I come from the city of bridges and I actually have two bridges right within my riding because the water's edge for Broadway bridge and the freeway bridge actually are in my riding. So anyways the Victoria bridge is one bridge that's in my riding — you might be familiar with it — in Saskatoon and what I understand is that one of the reasons it's being actually dismantled this week is that the city wasn't able to keep up with the maintenance required, you know, that there was slippage in the maintenance over the years and then it became deteriorated to the point where it now has to be dismantled.

My question to you is this: what is the ministry's relationship with cities when it comes to bridge maintenance? Like is that something the ministry is not involved in? Is that entirely city responsibilities or do you have a role in the maintenance of bridges within city limits?

**Mr. Penny:** — And I'll have others supplement what I'm going to respond. It depends on which route it's on. If it's on one of the what we would call an urban highway connector which will, like in Saskatoon would be the Circle Drive, those sort of things because it connects the highway on both edges of the city . . . By legislation the city is responsible for all of their bridges but we have a role, primarily a funding role, for the bridges that are on what would be urban highway connectors. And the level of our funding is determined by our provincial interest in those bridges.

So the one is you've talked about, the traffic bridge in Saskatoon that is being dismantled, that is not on our provincial highway network and would be 100 per cent the responsibility of the city of Saskatoon.

**The Deputy Chair:** — Are there any other questions? So with regards to looking at the recommendation, there's four to deal with here. And I noticed on 1, 2, and 3, I noted progress on each of those, I think, with two of three phases done with recommendation no. 3 and possibly compliance with recommendation no. 4. I believe compliance with recommendation no. 4. Anyway I'll entertain the committee for a motion. Let's start with no. 1. Let's do 1, 2, and 3 together. Is that . . . 1, 2, and 3 together.

**Mr. Michelson:** — Mr. Chair, I move that we concur with the recommendations and note the progress on no. 1, 2, 3.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — With respect to recommendations no. 1, 2, 3, and 4, this committee concurs with the recommendations and . . . Sorry, 1, 2, and 3. This committee concurs with the recommendations and notes progress. So we have some discussion around recommendation no. 4? Ms. Sproule.

**Ms. Sproule:** — Thank you. It would be helpful for the auditor to repeat their comments in relation to that recommendation, if he would.

**Ms. Lysyk:** — The comments or the recommendation?

**Ms. Sproule:** — The comments.

**Ms. Lysyk:** — The comments?

**Ms. Sproule:** — Yes.

**Ms. Lysyk:** — Okay. Well I'll start with the recommendation. We're recommending that they receive and review reports on the results of bridge inspection maintenance activities. And what we heard today is that there are reports that are being presented and have been presented, I guess, at the last meeting. I guess we kind of look at no. 4 in relation to 1, 2, and 3 and say that the reports then still are dependent a bit on the completion of 1, 2, and 3.

**The Deputy Chair:** — Ms. Sproule.

**Ms. Sproule:** — I would then suggest that the committee concurs with this recommendation and note progress on it as well.

**Mr. Michelson:** — Mr. Chair, you know, from these comments I would say that the systems are in place. I think it's complied with. Is there a question of . . . reflecting back to 1, 2, 3?

**The Deputy Chair:** — Right. And I thought I had heard the deputy minister talk about he had reviewed past years and went through some of those processes. Maybe . . .

**Mr. Penny:** — I think I should just clarify. I think when I was making those comments, those were the maintenance reports. Because I think in the auditor's report on . . . which was the follow-up to the maintenance activities — not specifically to the bridges but to the maintenance activities, we've received the reports on our preservation activities on the highways. The bridge, the recommendation on no. 4 is just that we're working on the bridge management system.

We expect to receive and review the reports in the near future. They're preparing them and we've caught up to date with the bridge inspections. And we're entering them into the system, but we haven't actually reviewed the reports. But the processes are in place to, once the reports are there, to bring them forward similar to what we've received for the rest of the highway maintenance reporting activity to the senior executive.

**The Deputy Chair:** — I look to the committee for a motion.

**Mr. Michelson:** — I think that note progress then if they

haven't really received the . . . [inaudible] . . . reports yet.

**The Deputy Chair:** — Is it agreed?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — It is noted that with regards to recommendation no. 4 that this committee concurs with the recommendation and notes progress.

Thank you very much for showing up here this afternoon and for your concise information regarding the points. We appreciate it.

**Mr. Penny:** — Thank you very much. Thank you. Have a good afternoon and happy Thanksgiving.

**The Deputy Chair:** — We'll just have a quick couple of minute recess while we change officials. And I see we're ahead of schedule here a bit and see if we can . . . So we'll reconvene in four or five minutes.

[The committee recessed for a period of time.]

#### Saskatchewan Watershed Authority

**The Deputy Chair:** — I'd like to welcome everyone back to the Public Accounts meeting here today. We'll pick up with our agenda item with the Saskatchewan Watershed Authority, the year 2011 of the Provincial Auditor's report volume 2 and chapter 23. I would at this time turn it over to the officials from the Saskatchewan Watershed. If you could introduce yourselves prior to some comments from the Provincial Auditor's office.

**Mr. Dybvig:** — Good afternoon. I'm Wayne Dybvig, president of the Watershed Authority. And I have with me Bob Carles who's vice-president of corporate services.

**The Deputy Chair:** — Thank you. And at this time I would turn it over to the Provincial Auditor and her office for some comments on chapter 23 from our 2011 report volume 2.

**Ms. Lysyk:** — Thank you, Mr. Chair. With me for this chapter, I have Kelly Deis. Kelly is deputy provincial auditor who is responsible for the work in chapter 23. I would also like to take the opportunity to thank the CEO of the Watershed Authority for the co-operation extended to my office. Thank you very much. With that I'm going to pass this over, and Kelly will provide a summary of the chapter to you.

**Mr. Deis:** — In this chapter we reported the results of the financial audit of the authority for the year ended March 31st, 2011. On pages 443 and 444 we concluded that the authority had reliable financial statements. It complied with authorities and it had adequate rules and procedures to safeguard public resources except for the matters in the chapter.

On page 444 we have one new recommendation, that the authority approve information technology security policies and procedures to address change management, incident management, and segregation of information technology duties. During 2011-12 the authority addressed this recommendation.

In chapter 23 we note that there are 10 recommendations from 2005 and 2010 that your committee had previously agreed to and that are not yet fully implemented. The authority needs to implement and test a business continuity plan, and that's on page 445. The authority needs to put in place an adequate information technology service agreement with Saskatchewan Water Corporation, and that's on page 446. And we note that the authority in 2011-12 did do this.

The authority has six recommendations from 2010 to address Saskatchewan's water supply on page 447, and the authority has two recommendations from 2005 on dam safety that have been partially implemented. And that concludes our comments on the chapter.

**The Deputy Chair:** — Thank you. I would at this time turn it over to President Wayne Dybvig, if you had some comments surrounding the recommendation in the chapter.

**Mr. Dybvig:** — Okay. Thank you, Mr. Chairman. Good afternoon and just to say as opening comments that the Watershed Authority is a Treasury Board Crown corporation with our head office in Moose Jaw. We are the provincial water manager, and as such we own and operate 45 dams on behalf of the province. We allocate water to all users in the province and oversee the development of source water protection plans.

The past two years have been particularly challenging for us in 2010-2011 due to the extreme flooding that we incurred. I note the Provincial Auditor identified operating revenue of 75 million in 2011, and I wish to note that in fact this was due largely to an in-year provision of funds by the government to us to deal with the flooding in the amount of about \$75 spread over two years. So our budget looked quite different in those two years. Normally our operating revenue would be in the order of about \$33 million a year.

We have reviewed the 2011 report of the Provincial Auditor and note that the auditor's office believes that we have adequate rules and procedures to safeguard public resources and has noted three items. And as a new recommendation, it has been noted from page 444 that the authority needs to strengthen the design implementation of its information technology security policies. We note this as a new recommendation. And we accept the recommendation and we are currently assessing what needs to be done to improve on this.

One of our concerns is, though, that we do have a relatively small IT staff of about eight staff, and it'll be difficult for us to achieve some of these recommendations with this size of staff. To segregate functions with that few staff could be a challenge, however we are looking at ways that we could do this and whether or not we need to look at hiring additional staff.

I would note that we are continually improving the reliability and security of our infrastructure, and we had an external penetration test completed in May of this year to identify any potentially weak security areas. The provincial recent audit also noted that we have made significant progress in addressing matters related to our IT control. However we will continue to review these issues and see what improvements we can make.

It's also been noted that we have need for a business continuity

plan. This was identified in 2010. We acknowledge the importance of this and we have been working on improving this situation. In terms of initial steps, we've completed a risk and vulnerability assessment and it's been approved by our management committee. And we're now working on the priority items and this year are starting a business impact analysis.

We also note that in 2011 we established a full-time dedicated director of risk management who's providing us guidance on this matter in addition to other kinds of responsibilities.

The final item that was noted, was recommended, need for a service agreement with SaskWater, since we supply IT support to SaskWater. And this year we did sign an addendum agreement, actually in November of 2011, that reaffirmed the original agreement from 2003 and sets out the services that we will provide. And we would hope this would conclude our compliance on this matter.

With respect to the other items, with respect to water supply risk and to dam safety, we continue to work on those items. That concludes my remarks.

**The Deputy Chair:** — Well thank you. I would at this time, if there's any questions from the committee surrounding the recommendation that we have with this chapter? I would then move with, with regards to recommendation no. 1 which is the recommendation in this chapter, it is noted that there's an assessment under way. So potentially progress with that, but I would look to the committee for a move. Mr. Cox.

[13:45]

**Mr. Cox:** — I would like to move that with regard to recommendation no. 1, we concur with the Provincial Auditor's recommendation and note progress towards compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — With regards to recommendation no. 1, this committee concurs with the recommendation and notes progress towards compliance. Again I would like to thank the officials for coming here today to look at this auditor's report. I think right now our next agenda item is scheduled for 2 o'clock, so maybe we will reconvene at 2 o'clock with our next chapter. Thank you.

[The committee recessed for a period of time.]

[14:00]

## Environment

**The Deputy Chair:** — I'd like to welcome everyone back as we reconvene with our Public Accounts meeting here today. We will pick up where we left off with the — where's my schedule here? — the 2011 Provincial Auditor report volume 2, chapter no. 8, with Environment. So I would . . . Deputy Minister Quarshie, I would ask you to introduce yourself and your officials prior to some comments from the auditor's office.

**Ms. Quarshie:** — So, Mr. Chairman, I have a bit of a cold, so you have to forgive me. But good afternoon, Mr. Chairman. Today I have the following officials with me from the Ministry of Environment: Kevin Murphy, assistant deputy minister, resource management and compliance division; Lori Uhersky, assistant deputy minister, environmental support division; Bob Wynes, executive director, forest service; Wes Kotyk, executive director, industrial branch; Dr. Kevin McCullum, chief engineer, technical resource branch; Laurel Welsh, executive director, finance and administration; and Susan Loewen, director, financial management section. Thank you, Mr. Chair.

**The Deputy Chair:** — With that I would turn it over to the Provincial Auditor's office for some comments on this chapter.

**Ms. Lysyk:** — Thank you, Mr. Chair. I would like to thank again the deputy minister and her staff for the co-operation during the course of the audits that we conducted in her ministry. I also want to introduce . . . I have with me Ed Montgomery. Ed is the deputy provincial auditor responsible for the portfolio of Environment and Infrastructure. I also have Rosemary Volk who is the audit principal who was involved in the audits in the ministry, and then Kim Lowe who is our liaison with this committee.

In our 2011 report volume 2, chapter 8, we report the results of our audit of the Ministry of Environment and the agencies for which it was responsible for the year ended March 31, 2011. This chapter also contains the results of follow-up work on our three performance audits performed at the ministry. Chapter 8 of the 2011 report volume 2 is on pages 137 to 155. And Ed will provide a summary for you of this chapter.

**Mr. Montgomery:** — Thank you, Bonnie. We concluded that for the year ended March 31st, 2011, that the ministry and its agencies complied with legislative authorities governing their activities and that the financial statements of the ministry's funds and agencies were reliable.

In addition, except for the matters reported in this chapter, the ministry had adequate rules and procedures to safeguard public resources. We make one new recommendation regarding the ministry. On page 143, we recommend that the ministry modify its agreement with the Public Service Commission, clarifying responsibilities for key payroll activities. The ministry's agreement did not clearly assign responsibilities for key payroll activities. An inadequate agreement increases the risk that Environment will not receive the services it needs. The ministry has now implemented this recommendation.

On pages 141 to 145, we also report the status of five previous recommendations you made regarding the ministry. The ministry has now implemented our previous recommendation on page 142 to supervise its employees that prepare payments owing to terminated employees. However, the ministry needs to do more work to meet the remaining four recommendations on pages 141 to 145.

On pages 146 to 149, we report on a follow-up on a performance audit of the ministry's processes to regulate air emissions. In our 2004 report volume 1, chapter 10, we reported that the ministry did not have adequate processes to regulate air emissions, and our 2004 report contained seven

recommendations to improve the ministry's processes. In 2011 we carried out our third follow-up and found the ministry had implemented three of the 2004 recommendations and that more work was needed to meet the remaining four recommendations set out on pages 146 to 149.

On pages 150 to 152, we report on follow-up work on a 2008 performance audit on the ministry's processes to regulate contaminated sites. In our 2008 report volume 1, chapter 4, we concluded the ministry had adequate processes at August 31st, 2007 to regulate contaminated sites except it needed to implement processes for assessing, monitoring, tracking, and reporting the status of contaminated sites. We made four recommendations. In 2011 we completed our second follow-up and found the ministry needed to do more work to meet the four recommendations made in 2008.

On pages 152 to 155, we report on follow-up work on a 2009 performance audit on the ministry's processes to regulate reforestation of the provincial forest on Crown land. In 2009 we made seven recommendations. In 2011 we found that the ministry still had more work to do to meet six of the seven recommendations made in 2009. That concludes our comments for this chapter.

**The Deputy Chair:** — At this time I would ask Deputy Minister Quarshie for some comments around the new recommendation that we have in this chapter.

**Ms. Quarshie:** — Thank you, Mr. Chair. The Ministry of Environment welcomes the advice and values the work of the Provincial Auditor and her staff as a means of assisting the ministry in its efforts to continually improve our operations. The Ministry of Environment is committed to the principles of open, transparent, and accountable government. It is with these principles in mind that Environment continues to implement the results-based regulatory framework that supports environmental and resource management outcomes which in turn support the government's vision and goals.

The Provincial Auditor's 2011 report includes updates of previous audits within the Ministry of Environment in the areas of finance and administration, regulating air emissions, reforestation, and contaminated sites. In the report, the ministry had one new financial and administrative recommendation: to make an agreement with the Public Service Commission to clarify responsibilities for key payroll activities. The new agreement was signed by both the PSC [Public Service Commission] and the ministry on February 9th, 2012.

In the Provincial Auditor's 2011 report, the ministry had two of the outstanding financial and administrative recommendations removed that related to human resource planning and reconciliation of bank accounts. We are committed to fully addressing all other recommendations as soon as possible. With respect to the recommendation to establish processes to verify that operators paid correct fees to the relevant forest management fund or trust fund and to verify that the managers of these funds use the money collected for the purposes intended, the ministry has made good progress.

Forestry directive no. 55, forest management fund control framework, was created on April 1st, 2011, and establishes a

fee collection control and compliance monitoring process. It directs the inspection process to ensure the funds use the monies for the appropriate purposes. The ministry's internal audit program reviewed the compliance monitoring processes in February 2012 and noted that progress has been made.

With the Provincial Auditor's recommendation regarding amounts owing to terminated employees, the ministry's policies and processes for preparing payroll, including the amount owing to terminated employees, are adequate. However we note that the ministry needs to continue to remind supervisors to be diligent in informing the PSC of the termination of employees.

Regarding the Provincial Auditor's recommendation for adequate ITO service level agreement, the current agreement became effective July 18th, 2011, and addresses both disaster recovery and security management services to the full extent of ITO's current capabilities. This agreement is consistent with other agreements signed by other ministries.

Respecting the Provincial Auditor's recommendation on secure systems and data, the ministry will continue to work in concert with ITO and other ministries to ensure a consistent government-wide approach to this issue.

With regard to the Provincial Auditor's recommendation on business continuity plan, the ministry has addressed this recommendation. On May 16th, 2012, the ministry's executive committee approved the business continuity plan along with an implementation plan that details the steps that the ministry must take to successfully operationalize the plan. The Office of the Provincial Auditor was provided a copy of the approved plan on May 31st, 2012.

The ministry had two of the six air quality recommendations removed. The ministry has set sound and consistent terms and conditions for permits to regulate air emissions and has completed its human resource plan, including a plan for employee training to regulate air emissions. The ministry believes it has fully addressed the remaining four recommendations and anticipates removal of these recommendations in the Provincial Auditor's fall 2012 report.

The progress made includes development of air quality monitoring guidelines to help staffing clients understand air quality monitoring and reporting. These guidelines were released to the public in spring 2012. In addition, Saskatchewan air quality modelling guidelines for use by industry and consultants to model emissions was also developed. These were also released in 2012, spring. A 10-year monitoring report from 2000 to 2009 for Saskatchewan has been finalized and was released to the public in the summer of 2012.

With respect to the four recommendations for contaminated sites, the ministry has made progress and will continue to work to implement the action plan. The impacted sites, database under development will contain the capability for recording new discharges and incidents as they occur, and track individual impacted sites rankings in accordance with the national classification system for contaminated sites. The ministry believes it has fully addressed the recommendation for a communication plan for reporting on the status of contaminated sites. The communication strategy was approved in June 2012.

With respect to regulating reforestation recommendations, the ministry had seven recommendations, but had made progress in addressing those recommendations. On October 1st, 2011, the ministry implemented a web-enabled permitting system for forest product permits which allows for approvals and the setting of renewal conditions on annual operating plans. The ministry is currently involved in a review of forest management fees charged on all arrears of provincial forests on Crown lands in an attempt to ensure that the fees will cover reforestation costs. A communication strategy has also been developed and is in the approval process. The draft communication strategy envisions reforestation reporting to the public which would occur through the ministry's website and will be updated annually.

We thank you for allowing us to make these comments. We welcome any questions and comments you may have, Mr. Chair.

**The Deputy Chair:** — Thank you very much for your concise comments around the recommendations. Is there any questions from committee members? In light of any questions with regards to the current recommendation no. 1, I would look to the committee for a motion. Mr. Michelson.

**Mr. Michelson:** — Yes, thank you, Mr. Chair. I want to comment that it looks like there's a lot of work been done and I, you know, comment on that is very good. And with that I'd like to make a motion that we concur with the recommendation and note compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Let it be known that this committee, with regards to recommendation no. 1, concurs with the recommendation and notes compliance. I would like to thank the deputy minister and her officials for coming this afternoon and providing us with this information. Thank you.

We will take a few minutes to change officials and reconvene here at 2:15.

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

[The committee recessed for a period of time.]

#### Office of the Executive Council

**The Deputy Chair:** — We would like to welcome everyone back to our Public Accounts meeting and we will pick up with our agenda with the Office of the Executive Council with the report from 2010, the Provincial Auditor report volume 2, chapter 17. And I would ask the officials to introduce themselves just prior to . . . Welcome the officials, first of all, and then ask them to introduce themselves prior to the auditor's comments.

**Mr. Mantey:** — Thank you, Mr. Chair. Rick Mantey, I'm the cabinet secretary and the Clerk of the Executive Council. And with me to my right is Ms. Bonita Cairns, the executive director of corporate services for the Office of Executive Council.

**The Deputy Chair:** — Thank you. With that I would turn it over to the auditor's office for some comments on this chapter.

**Ms. Lysyk:** — Thank you, Mr. Chair. For this chapter I have Ed Montgomery, deputy provincial auditor, with me who is responsible for the chapter and we will be . . . just I will be walking through it very quickly.

There is only one recommendation in this chapter. I would like to thank the Executive Council and staff for assistance during the performance of our work in their entity.

In our 2010 report volume 2, chapter 17, we report the results of our audit of the Office of the Executive Council for the year ended March 31st, 2010. Chapter 17 of the 2010 report volume 2 is on pages 277 to 281. In this chapter we report one new recommendation arising from this audit. We concluded for the year ended March 31st, 2010 that the Office of the Executive Council complied with the legislative authorities governing its activities. In addition, except for the following matter, the Office of the Executive Council had adequate rules and procedures to safeguard public resources.

We found that, similar to other entities that we have spoken with today, that the Office of the Executive Council did not always follow its established processes for removing unneeded user access to its IT systems and data on a timely basis. Delays in removing unneeded access increases the risk of inappropriate access and unauthorized changes to the office's systems and data. Therefore on page 280, we recommend that the Office of the Executive Council follow its processes for removing unneeded user access to its information technology systems and data promptly. And this recommendation has been implemented and was implemented in 2011. And that concludes the comments on this chapter.

**The Deputy Chair:** — I would turn it over to the officials for reply.

**Mr. Mantey:** — Thank you, Mr. Chair. We are very pleased to be here today to appear before the committee and to answer your questions. We concur with the recommendation. We thank the Provincial Auditor and her staff for their work and I would turn over to Ms. Cairns who will outline the steps we took since the recommendation was advanced to Executive Council.

**Ms. Cairns:** — We have set up a system whereby the Information Technology Office is made aware of an employee's departure at the same time that our human resource personnel are aware of it, which is usually prior to the employee's end date now. To further mitigate the risk we also remind our branches of the importance of submitting service requests in a timely manner, and we do that now on an annual basis because there is staff turnover and so that all people are aware of the importance of that. We also review the stale account reports that we receive on a biweekly basis from the information technology office to ensure that the processes we have in place are working, which they are.

We believe that by taking these steps we have eliminated any future delays in the receipt and processing of service requests. And I'm happy to report that there have been no unauthorized accesses to our computer systems or data by former employees.

Thank you.

**The Deputy Chair:** — That's great. I would ask the committee if there are any questions. I would then ask the committee for a motion regarding this one recommendation from the auditor's office. Ms. Campeau.

**Ms. Campeau:** — Regarding the recommendation no. 1, I would like to recommend that we concur with the recommendation and note compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Agreed. Regarding recommendation no. 1 be that this committee has concurred with the recommendation and noted compliance.

Again I would like to thank the officials for attending here today, both from the auditor's office and from Executive Council. We'll take a few minutes to switch officials and we'll be off with Justice.

[The committee recessed for a period of time.]

[14:30]

### Justice and Attorney General

**The Deputy Chair:** — I'd like to welcome everyone back as we pick up our agenda with the Justice and Attorney General. We'll look at two reports. We'll first look at the report from the 2011 Provincial Auditor report, volume 1, chapter 8. I will look to the deputy minister to introduce himself and the officials in the room prior to some comments from the Provincial Auditor's office.

**Mr. Tegart:** — Well, Mr. Chair, my name's Gerald Tegart. I'm the deputy minister of Justice. If I may, I'll simply introduce my friends on my left and my right here, and then as other officials come to the table, we'll introduce them. So on my left I have Dave Wild who's Chair of the newly minted Financial and Consumer Affairs Authority, FCAA, formerly the Saskatchewan Financial Services Corporation. And on my right I have Dave Tulloch who's the executive director of our corporate services branch in the Ministry of Finance. And Mr. Wild's item is first on the agenda, so I'll just turn it over to him if that's all right with you.

**The Deputy Chair:** — Sure. And because I was remiss, I welcome you here today and thank you for coming. I will, prior to comments from yourself, I will turn it over to the Provincial Auditor's office to introduce her officials and have some comments on the chapter.

**Ms. Lysyk:** — Thank you, Mr. Chair. I am joined by Tara Clemett to my left — Tara is the audit principal responsible for the work in Justice — and Bashar Ahmad who is responsible for work in the Ministry of Health as well as the Health portfolio which includes Justice.

Before I start I do want to thank the deputy minister and his

staff for the co-operation during the course of the audits that we participate with this ministry in. Chapter 8 begins on page 91 of our 2011 volume 1 report. This chapter reports the results of our audit on the regulation of Saskatchewan credit unions and our follow-up on the progress of the superintendent of pensions in addressing our past recommendations around supervising pension plans.

Overall we concluded that the registrar of credit unions had appropriate processes to supervise the regulation of credit unions. We make one recommendation around clarifying roles. For our follow-up starting on page 100 we found that the superintendent of pension has now implemented all our past recommendations to better supervise pension plans. I will now turn it over to Tara Clemett who will discuss our audit of credit unions in further detail.

**Ms. Clemett:** — Thank you. At the time of our audit Saskatchewan had 61 credit unions providing financial and other services to over 270 communities. Locally elected boards manage credit unions. Like other financial institutions, credit unions are regulated by governments. The registrar who at the time of our audit was an individual was appointed under *The Credit Union Act* and was made responsible for supervising the regulation of credit unions in Saskatchewan.

We concluded that the registrar had appropriate processes to supervise the regulation of credit unions for the year ended December 31st, 2010. While the registrar was appropriately supervising the regulation of credit unions, there was a lack of formal clarity whether the registrar carries out responsibilities as an individual or as part of the Saskatchewan Financial Services Commission which is where the individual worked. Therefore we recommended the Ministry of Justice and Attorney General and the Saskatchewan Financial Services Commission formally assign roles and responsibilities to supervise regulation of credit unions. Lack of clear roles and responsibility increases the risks that the regulatory supervision may not be proper and timely. That concludes my comments.

**The Deputy Chair:** — Thank you very much. At this time I would turn it over to Deputy Minister Tegart for comments regarding the recommendation that's in this chapter.

**Mr. Tegart:** — And I will pass it off to Mr. Wild.

**Mr. Wild:** — Thank you, Mr. Chair. First we'd like to welcome the overall conclusion that the registrar of credit unions had effective supervision over the credit union system. That was an important conclusion for us, and we were pleased to see that result.

The one recommendation dealt with role clarity, and we're pleased to indicate our progress to address clarifying that role. And it's really a two-part response to the recommendation. Firstly within our organization — then the SFSC [Saskatchewan Financial Services Commission], now the FCAA — we have reassigned the responsibilities of the registrar of credit unions that used to be assigned to a person that did report to me and then to the commission. And this is where the role clarity was lacking.

The registrar of credit unions is a statutory position. It's a

position created by statute. It has independent authority to make decisions under that Act. And quite frankly it was a bit of an uncomfortable situation having an independent officer report up to me as the Chair of the commission and then to the commission itself. So what we've done is assign the duties of the registrar of credit unions to the Chair of the commission, myself. So now I am the registrar of credit unions in addition to being the Chair of the Financial and Consumer Affairs Authority of Saskatchewan. That allows me to exercise my authority if necessary. It also allows me to delegate down through the deputy registrar structure that's allowed in the Act to our staff who can undertake the day-to-day responsibilities of being the regulator of credit unions. So that's part A, clarification within our organization.

But to complete the picture, we have other partners in this regulatory scheme. Most particularly the Credit Union Deposit Guarantee Corporation is empowered by *The Credit Union Act* to be the primary regulator of the credit union system. So they run the deposit guarantee system which protects depositors within the credit union system. And coming out of that responsibility, they're asked to supervise the credit unions in a very micro way. So they're the ones that initiate the standards of sound business practices that set out the capital requirements of credit unions, that set out the business practices of credit unions. They're the ones that have auditors that go out into the credit unions and do the on-site audits of credit unions.

Our role with respect to the Credit Union Deposit Guarantee Corporation is one of oversight, so we see their work. We judge their work, and we can direct their work. So our involvement is not so much in dealing with particular credit union matters but dealing more with CUDGC who is dealing with particular credit union matters. That's a well-established process. It's supported by the legislative process. We took the auditor's point about clarity of roles out into that relationship with CUDGC as well. So we've been working with the Credit Union Deposit Guarantee Corporation to clarify our roles — what it is they do, what it is we do — and how do we assure ourselves it's an efficient system. There's no gaps and there's no overlaps. We're not both doing the same thing.

SaskCentral also plays a role within the regulation of the credit union system in the fact that they manage the statutory liquidity for the credit union system. So they're a third partner that has come to the table with us and the Credit Union Deposit Guarantee Corporation, and we're well along the process of developing a memorandum of understanding which sets out our roles, a revised memorandum of understanding that sets out our roles and sets out the reporting relationships and will be a much sharper guide to who does what in the regulation of credit union systems.

So we took the auditor's recommendation to us and widened it out from our role to everyone's role within the credit union system. Those are my remarks. I'd be pleased to answer any questions.

**The Deputy Chair:** — Thank you very much. We appreciate those remarks. I would open the floor up now to any questions from the committee members ... [inaudible] ... Mr. Michelson.



**Mr. Michelson:** — Just a comment. It sounds like it's well-defined now from what it was. Why wasn't that done before? It seems like the simple thing to do now that you see it, but maybe it's just a matter of having it pointed out.

**Mr. Wild:** — Yes, I don't want to . . . I wouldn't want to represent that there was nothing there and now we have something there. It was more that there was something there, and it was working. I just don't think we had it documented to the degree that we should have had.

And there certainly, you know, the environment had changed over time so that what was a valid activity 10 years ago perhaps no longer needed to be done. So it was very good to refresh ourselves anyway, and it's probably something we'll be doing on an ongoing basis anyway. Let's just get together with our partners and make sure that nothing's changed in the environment such that we need to change our roles and responsibilities. So it was a useful exercise from that perspective as well.

But we did have a, as the auditor concluded, we did have a very well-functioning regulatory regime over credit unions. There was no issues about them not being appropriately regulated.

**Mr. Michelson:** — No, it sounds like it's well-defined right now. Mr. Chair, I'd like to move that we concur with the recommendation and note compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Be known with regards to recommendation no. 1 that this committee concurs with the recommendation and notes compliance. Thank you very much.

We will move on to the next agenda item which is from again from the 2011 auditor's report volume 2, chapter 17, and I will turn this over to the auditor and her office, the Provincial Auditor and her office for some introductory comments on this chapter.

**Ms. Lysyk:** — Thank you, Mr. Chair. Chapter 17 begins on page 349 of our 2011 report volume 2 and includes the results of our integrated audits of the Ministry of Justice and Attorney General and its agencies. The chapter also includes the follow-up work done at the Saskatchewan Legal Aid Commission on its IT security processes.

For the year ended March 31st, 2011, all the financial statements for its agencies were reliable and the ministry complied with legislative authorities governing its activities. In addition the ministry had adequate rules and procedures to safeguard public resources, except for preparing and approving bank reconciliations timely and improving its IT processes and business continuity plan. The chapter identifies one new recommendation relating to the need to prepare and approve bank reconciliations in a timely manner. Timely preparation and approval of bank reconciliations help detect any errors or misuse of public money quickly.

The Legal Aid Commission IT follow-up on page 355 found

that two out of the three outstanding recommendations have been implemented. The only outstanding recommendation required the Legal Aid Commission to test its disaster recovery plan. We note that for the year ended March 31st, 2012, adequate disaster recovery testing did take place, and this recommendation has also been met. We consider it implemented. And that concludes the comments on this chapter.

**The Deputy Chair:** — Thank you very much. I would now turn it over to Deputy Minister Tegart for a reply to this chapter.

**Mr. Tegart:** — Thank you. So there are four recommendations related to the ministry itself in the chapter. Only one of them is new, and I'll begin with that one, and then I'll perhaps seek some direction from the Chair as to whether or not you want me to address the others in my remarks or to wait for questions on those.

**The Deputy Chair:** — Just speak to the new one.

**Mr. Tegart:** — So the new recommendation relates to timely completion of bank reconciliations as the auditor has noted. This is partially completed as was noted as well. The current process is extremely labour-intensive given the present legacy computer system and the high volume of transactions processed each month. In February of 2010 the ministry established a financial analyst position within the branch of our corporate services to strengthen financial oversight, including the completion of bank reconciliations. Bank reconciliations are now current.

The ministry's in the process of completing a new computer system for maintenance enforcement, and this new system, in addition to assisting with collection and providing customer service, will streamline the reconciliation process significantly. And the timeline for implementation of that new computer system is January of 2013.

As an added measure to ensure ongoing compliance, the ministry's corporate services branch will be obtaining annual sign-offs from branches to provide assurance that they are in compliance with financial administration manual requirements related to the receipt, deposit, and control of money. Those are my remarks on that recommendation.

[14:45]

**The Deputy Chair:** — Good. At this time I'd look to any committee members for any questions. With no questions, I would look to committee members for a motion regarding recommendation 1 from the Provincial Auditor's office. Mr. Michelson.

**Mr. Michelson:** — Thank you, Mr. Deputy Chair. I will make the motion that we concur with the recommendation and note progress.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — So with regards to recommendation no. 1, this committee concurs with the recommendation and notes

progress. Thank you very much to the officials from Justice for showing up here this afternoon. We appreciate your concise information and time.

**Mr. Tegart:** — Thank you.

**The Deputy Chair:** — We will reconvene here I guess at 3 o'clock with our next agenda item.

[The committee recessed for a period of time.]

### Municipal Affairs

**The Deputy Chair:** — I'd like to welcome everyone back to our Public Accounts meeting today. We'd like to welcome the officials that are here with us today from Municipal Affairs. We will look at both chapters here. We have from the 2011 Provincial Auditor's report volume 1, chapter 9 and from the 2012 Provincial Auditor's report volume 1, chapter 11, and we'll look at them both together.

And with that I would turn it over to the deputy minister to introduce himself and his officials prior to some comments from the auditor's office.

**Mr. Hilton:** — Thank you, Mr. Chair. My name is Al Hilton. I'm the deputy minister of Government Relations and the deputy minister of First Nations, Métis, and Northern Affairs. With me to my left is Keith Comstock, assistant deputy minister in Government Relations; to my right is Wanda Lamberti, executive director of corporate services; and immediately behind me to my left is Janie Markewich who is the director of financial services in our financial services branch.

**The Deputy Chair:** — Thank you. With that I would turn it over to the Provincial Auditor's office for some comments on these two chapters.

**Ms. Lysyk:** — Thank you, Mr. Chair. I am accompanied for this chapter by Judy Ferguson, assistant provincial auditor, and by Jason Shaw who is an audit principal in our office, both of which worked on the audit of the northern municipal trust account. I'd also like to take the opportunity to thank the deputy minister and his team for the co-operation extended to our office during the audits of the municipal trust.

We are presenting two chapters from two different reports: chapter 9 from our 2011 volume 1 report and chapter 11 from our 2012 report volume 1. These chapters cover audits, again, of the municipal trust account which is administered by the Ministry of Municipal Affairs. These chapters include two new recommendations for the committee's consideration. I will ask Judy Ferguson to provide an overview of the chapters for the committee.

**Ms. Ferguson:** — Thank you, Bonnie. Good afternoon, Chair, members and officials. I'm going to start with the 2011 report, chapter 9. So this chapter reports the results of the annual audit of northern municipal trust account for the year ended December 31st, 2010. It includes one new recommendation. We found that the staff of the trust account did not prepare quarterly financial reports or the mid-year performance report as required by its established policies. And so we recommend that northern

municipal trust account follow its established procedures to prepare accurate and timely financial and performance reports.

[15:00]

Now I'm going to move on to the next report, which is the 2010 report volume 1, chapter 11. So this one actually reports on the results of our annual audit for the following year, December 31st, 2011. It contains one new recommendation and an update on the recommendation I just referred to. Okay, on page 108 we noted that staff did not always follow established procedures to prepare and approve timely bank reconciliations. And we recommend that the ministry follow its established procedures to prepare regular and accurate bank reconciliations for the northern municipal trust account.

With respect to the recommendation I just referred to in the 2010 report, we found that in our 2011 audit while the management had improved its quarterly reporting in 2011, the reports themselves were not quite complete. They did not include significant grant expenses and payables, and as such our recommendation continues.

And that concludes our overview.

**The Deputy Chair:** — At this time I would turn it over to the deputy minister for comments with regards to these two chapters and these two recommendations.

**Mr. Hilton:** — Thank you, Mr. Chair. I'm aware of time so I'll be very brief. I could go through a number of actions that the ministry has taken with respect to both recommendations, but I'll summarize it simply by saying that I have been briefed on where we're at this year in 2012 and have been told by my officials that the issues identified in both of the recommendations have been addressed in the first two quarters of 2012. And our challenge will be to sustain the progress so that hopefully when the Provincial Auditor visits us in 2013, she will find that the issues that she's identified have been fully addressed.

**The Deputy Chair:** — Thank you for those comments, and I would ask if there's any questions of committee members at this time. Ms. Sproule.

**Ms. Sproule:** — Just a quick question, Mr. Vice-Chair. Just wondering if you can give us some information as to how this happened in the first place and how you're addressing it.

**Mr. Hilton:** — With respect to the recommendation in the 2011 report, a financial and policy analyst was hired, acting as a liaison between the northern municipal trust account and central management services. And we have provided a lot of support and assistance to the staff in the North in completing quarterly reports. A lean event was held on quarterly and year-end financial reports. Many process improvements have taken place. And some of the challenges we have in the North are largely related to HR [human resources] and vacancies and staff retention and attraction, and we've addressed those issues.

Financial statement templates were created to streamline the process of developing reports. We've had regular meetings and conference calls between staff in the North and our central

services staff in Wanda's shop. Quarterly planning meetings are now held to make sure that we're doing business the way we need to. Consultants have been hired to assist the folks in the North. We've developed new templates to make the system easier for people in the North. So there's been a whole, I could go on and on and on, there's been a whole stream of things that we've done.

That's with respect to the 2011 report. With respect to the 2012, with the support from a consultant hired this year, bank reconciliations have been prepared accurately and in a timely manner, as I said earlier, for both the first and second quarter of 2012. Journal entry templates are being developed. Procedures are being simplified so that the risk of error is being reduced. So I think I can say — and Wanda can correct me if I run the risk of misleading the committee — I think it's safe to say that we've done a lot of work. The first two quarters of this year are looking very promising, and our challenge as a ministry will be in sustaining that effort and making sure that we can ensure that that continues throughout the remainder of the fiscal year.

**The Deputy Chair:** — Ms. Sproule.

**Ms. Sproule:** — Just one more technical question. Just if you could clarify for me, the people that work in the northern municipal trust account, they would be government employees?

**Mr. Hilton:** — That's correct. Yes.

**Ms. Sproule:** — Thank you. That's it.

**The Deputy Chair:** — Any other questions? Just with regards to the two, it looks like there has been implementation on both, on both recommendations, so I think we can lump them together. And again the sustainability of the implementation will be monitored with follow-up, follow-ups by the Provincial Auditor's office. So I would look to the committee for a motion for both recommendations. Mr. Michelson.

**Mr. Michelson:** — Yes, Mr. Chair. I will make the motion that we concur with the recommendations and note compliance.

**The Deputy Chair:** — Does the committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Agreed. Be it noted that this committee, with regards to recommendation no. 1 with chapter 9 and recommendation no. 1 with chapter 11, that the committee concurs with the recommendation and notes compliance. Thank you very much to the officials for coming here today, and we will reconvene at 3:30.

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

[The committee recessed for a period of time.]

### Energy and Resources

**The Deputy Chair:** — Hello, everyone. We'd like to welcome you back to our Public Accounts meeting here this afternoon. We will pick up with our agenda. The last item on the agenda is with Energy and Resources and the chapter's from the 2011

Provincial Auditor report volume 2, chapter 6. I would like to welcome our officials here today from Energy and Resources and I'd ask that you introduce yourselves prior to the Provincial Auditor's comments on this chapter.

**Mr. Campbell:** — I'm Kent Campbell, deputy minister of the Ministry of the Economy.

**Ms. MacDougall:** — And Twyla MacDougall, acting ADM [assistant deputy minister] of revenue and corporate services, Ministry of Economy.

**The Deputy Chair:** — Thank you very much for coming here this afternoon. I will now turn it over to the Provincial Auditor and her office for some comments on this chapter.

**Ms. Lysyk:** — Thank you, Mr. Chair. For this chapter, I have with me Ed Montgomery, deputy provincial auditor, and Victor Schwab, audit principal who was involved in this particular audit. I would like to thank the deputy minister and his staff for their co-operation during the work on this file.

In our 2011 report volume 2, chapter 6, we reported the results of our audit of the ministry for the year ended March 31st, 2011. This chapter also contains the results of our audit on the ministry's project management processes to develop and implement its process renewal and infrastructure management enhancements or PRIME project. Large projects involving process change, complex transactions, information technology, and external stakeholders are inherently risky. Strong project management controls reduce these risks and help to ensure projects are on time, on budget, and meet users' needs.

Chapter 6 of the 2011 report volume 2 is on pages 115 to 130. Ed will now walk you through the recommendations in this chapter.

**Mr. Montgomery:** — Thank you, Bonnie. In this chapter we report one new recommendation arising from the ministry audit and three new recommendations arising from our performance audit.

We concluded for the year ended March 31st, 2011 that the ministry complied with legislative authorities governing its activities, and the financial statements of its funds were reliable. In addition, except for the following matter, the ministry had adequate rules and procedures to safeguard public resources.

We found that the ministry did not follow its established procedures for ensuring that only authorized staff had access to its computer systems and data. Therefore on page 119, we recommend the ministry follow its established procedures for removing user access to its computer systems and data.

In the remainder of the chapter, we report the results of our audit of the ministry's project management processes for its PRIME project. This system will track oil and gas information, report oil and gas production and disposition, and bill oil and gas royalties and taxes. We concluded that for the six-month period ended September 30th, 2011 that the ministry had adequate project management processes for its PRIME project except for three areas.

On page 125 we recommend that the ministry document its plans for measuring and reporting on the expected benefits of its new oil and gas system. The ministry did not have a documented plan for measuring and reporting on the expected benefits of its project. Without a documented plan, benefits may not be realized, system processes may not be implemented as designed, and systems processes may not be optimized.

On page 127 we recommended that the ministry include its project status reports to senior management, include in its project status reports to senior management the actual development and maintenance costs incurred to date compared to the project's percentage of completion. Without this information, it's difficult to assess the status of the project and ask timely questions on whether the project will be completed on time, on budget, and will meet the needs of users.

On page 128 we recommend that the ministry prepare an analysis on the merits of conducting an independent risk assessment on the PRIME project. Best practice and risk management for high-risk projects is a timely, independent risk assessment. An independent risk assessment will provide a fresh perspective on the project's risks and their impact on the success of the project. That concludes our comments on this chapter.

**The Deputy Chair:** — Thank you very much. With that I will turn it over to the deputy minister for comments in relation to the four recommendations, the new recommendations that are in this chapter.

**Mr. Campbell:** — Thank you. So starting with the first recommendation in terms of following established procedures for removing user access, this by and large is related to when an employee term ends or moves to a new position say in a different ministry, that their user account was still available after that date of termination. So the policies we had in place were adequate. It just appears as though there was not, those weren't taken off right the day of termination or when the person moved to another position.

So the policy was there. It just apparently wasn't followed in every instance on that specific day. There may have been a couple of days of lag which would of course have a business risk in that that person could then potentially access the system. So we've just ensured that we're giving the ITO notice as soon as we know when somebody's going to be leaving so they have adequate time to plan for that, and making sure we're doing follow-ups that that is indeed taken off on the person's last day.

Twyla, do you have anything to add to that?

**Ms. MacDougall:** — I guess the other piece that I would add is on the person's last separation day, we do take back all their access cards so they are limited in access to their computers but certainly it's . . .

**Mr. Campbell:** — Yes. That's related to the user account on the government system as opposed to the actual equipment and cards and keys specifically.

Then turning to the items on PRIME, there was three recommendations there. I'd just like to say that overall I'm very

pleased with the results coming out of the audit. I think it's, you know, it's a very, very large project, a very complex project, very important project to the province of Saskatchewan, and I think by and large the findings are quite positive and that we have very strong project management procedures in place. The senior management is actively engaged. We have a project management office. We have a project charter. All that is in place and I think that's reflected in the report.

In terms of the three particular recommendations, the first one in regard to measuring and reporting on expected benefits, we have been doing a lot of work in this area in a number of ways. The primary one is to incorporate some of the measures to this in our performance plan, ministry plan. We want that to be the primary document that our folks and external stakeholders look to in measuring our performance. And because the oil and gas system is such a big part of that, we're going to incorporate as much as we can into that. And then we also are working towards a balanced scorecard for the project in particular. So that's the approach on that one.

In terms of the status reports to senior management on actual development and maintenance costs to date as a percentage of completion, that was something that the project office had, but it was not reported to the executive sponsors at their regular meeting. So the executive sponsors are three ADMs in the ministry who chair that process. They meet a couple of times a month?

**Ms. MacDougall:** — Yes.

**Mr. Campbell:** — And I periodically join those as well, although I'm not formally an executive sponsor on the project. So we've made sure that that group gets that full reporting now as well, whereas before it would've been the project management office working with the assistant deputy minister in charge.

And then the final recommendation, in terms of an independent assessment of risks on the project, we have done a bit of a paper on that. We're going to be considering it on the executive management team in terms of a recommendation. So we're not exactly sure which approach we're going to take on that one yet, but we'll be making a decision on that one very shortly.

One of the things that we are considering there is we are doing a lot of work, of course, with the province of Alberta because they use the same basic registry system as their platform. So there's always the consideration of doing something jointly there as well, but of course a lot of the functionality we're building now is Saskatchewan specific. So the executive sponsors will be assessing that very shortly.

**The Deputy Chair:** — Thank you for that, and thank you for addressing those concisely. Is there any questions from members? Ms. Sproule.

**Ms. Sproule:** — Thank you. Thank you, Vice-Chair. I'm just interested in the balanced scorecard in terms of your plans to measure and report on the expected benefits. Is that something that's in place now? I'm not quite clear. And if so, could you table it with the committee, or is that something that's still being developed?

**Mr. Campbell:** — It's still being developed. And we spent a lot of time last year at the Ministry of Energy and Resources coming up with what we think is a really solid ministry plan, and then the balanced scorecard was to flow from that. So we're now revising that ministry plan, of course, because we're now a much larger organization, being the Ministry of the Economy. But ultimately that will be — it is not complete, but — it will be a subset of that. But you will start to see measures in our ministry plan that reflect the PRIME project and the oil and gas, the performance of the oil and gas systems more generally.

**The Deputy Chair:** — I think that scorecard would be evident in any follow-up audits that are done after that . . . [inaudible] . . . Would you comment on that, Ms. Lysyk.

**Ms. Lysyk:** — Yes, we'd be like part of the follow-up on that recommendation because the comment was responding to the recommendation, and we will follow up on that.

**The Deputy Chair:** — No other questions, I would look to the committee for . . . Mr. Tochor.

**Mr. Tochor:** — Thanks, Vice-Chair. I'd like to make the motion for recommendations 1, 2, and 3 that we concur with the recommendation and note compliance.

**The Deputy Chair:** — Seems to be some agreement on 1 and 3. Would you like to amend that?

**Mr. Tochor:** — Thanks, Vice-Chair. Amend the motion to read just 1 and 3.

**The Deputy Chair:** — The committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Be known that this committee, with regards to recommendations 1 and 3, concurs with the recommendation and notes compliance. So we have now 2 and . . . sorry, 3 and 4. No, 2 and 4. Mr. Cox.

**Mr. Cox:** — With regards to recommendations 2 and 4, I make a motion that we concur with the recommendation and note progress towards compliance.

**The Deputy Chair:** — The committee agree?

**Some Hon. Members:** — Agreed.

**The Deputy Chair:** — Let it be known with regards to recommendations 2 and 4 that this committee concurs with the recommendations and notes progress towards compliance.

I'd like to thank the officials for coming here this afternoon and sharing their information in a concise manner. I'd also like to thank the officials from the Legislative Assembly building here and the Provincial Auditor and her staff that have been here throughout the day. As well as I'd like to thank Cathy, Herb, Jenn, Warren, Corey, and Trent earlier today, for their attendance and interest here today. I would look for a motion for adjournment. Mr. Michelson.

**Mr. Michelson:** — I will so move that we adjourn.

**The Deputy Chair:** — This meeting is adjourned.

[The committee adjourned at 15:45.]