



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Ms. Danielle Chartier, Chair
Saskatoon Riversdale

Mr. Larry Doke, Deputy Chair
Cut Knife-Turtleford

Mr. Glen Hart
Last Mountain-Touchwood

Mr. Russ Marchuk
Regina Douglas Park

Mr. Warren Michelson
Moose Jaw North

Mr. Rob Norris
Saskatoon Greystone

Mr. Randy Weekes
Biggar

Mr. Trent Wotherspoon
Regina Rosemont

[The committee met at 10:00.]

The Chair: — Good morning, everyone. Welcome to Public Accounts. I'd like to start by introducing our members here today. I'm Danielle Chartier. I'm the Chair. We've got Mr. Marchuk, Mr. Hart, Mr. Michelson, Mr. Weekes, Mr. Norris, and Mr. Doke, as well as Mr. Wotherspoon.

We do have a few housekeeping items before we get on with the business of the day so if the ministry officials will forgive us for a few minutes here. The committee has received a letter of resignation from the Deputy Chair, Mr. Paul Merriman, on May 21st, 2015, effective that date. So we are going to table that letter as PAC 48/27, Standing Committee on Public Accounts letter of resignation from Deputy Chair Paul Merriman, effective May 21st, 2015, dated May 21st, 2015.

The Standing Committee on House Services met on May 28th and appointed a new member to the Public Accounts Committee. Russ Marchuk is replacing Mr. Merriman. As there is a vacancy in the Deputy Chair position, we need to elect a new Deputy Chair.

So I just want to remind members of the process here this morning. I will first ask for nominations. Once there are no further nominations, I will then ask a member to move a motion to have a committee member preside as Deputy Chair. Are there any nominations? Mr. Norris.

Mr. Norris: — Thank you very much, Madam Chair. I'd like to nominate the MLA [Member of the Legislative Assembly] for Cut Knife-Turtleford, Mr. Larry Doke, to serve as the Deputy Chair of this Standing Committee on Public Accounts.

The Chair: — Mr. Norris has nominated Mr. Doke as Deputy Chair of the committee of Public Accounts. Are there any further nominations? Mr. Norris has moved, has nominated Mr. Doke to the position of Deputy Chair. Are there any further nominations?

Mr. Michelson: — I'll move that nominations cease.

The Chair: — Okay. It has been moved by Mr. Michelson that nominations cease. Okay, so this is the first time for me here with a new Deputy Chair. It has been moved by Mr. Norris that Mr. Doke be elected to preside as Deputy Chair of the Standing Committee on Public Accounts. All in favour of the motion?

Some Hon. Members: — Agreed.

The Chair: — That motion is carried.

A Member: — Mr. Doke voted against it.

The Chair: — Oh, everyone's a little punchy here this morning. I'd like to advise the committee that pursuant to rule 142(2) that the 2015 *Report of the Provincial Auditor* volume 1 was deemed referred to the committee on June 3rd, 2015, and copies have been distributed to members.

There's an addition to our meeting agenda today. Chapter 1 of the 2015 report volume 1 will be added under the Finance,

municipal employees' pension plan chapter. It is a follow-up to chapter 1 of the 2014 report volume 1. There are no new recommendations in the latest chapter. Is the committee in agreement about adding this chapter? Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Carried. I'd like to introduce our officials from the Provincial Comptroller's office here today. We've got Terry Paton, the Provincial Comptroller; and Chris Bayda, executive director of the financial management branch. It's very good to have you here. I'd like to introduce our Provincial Auditor, Judy Ferguson, and she will introduce her officials who are with her today.

The first order of business I would like to introduce . . . We have Dale McFee, the deputy minister here today from — I should make sure — the deputy minister of Corrections and Policing. You'll have an opportunity here in a moment to introduce your officials. But our first item of business, I will ask the Provincial Auditor to make her presentation on the chapters being discussed, and then we'll hand it off to the ministry and all the officials here. Thank you.

Justice — Corrections and Policing

Ms. Ferguson: — Thank you, Madam Chair, members, and officials. Before I do that, I'm just going to take a moment to introduce my colleagues. Beside me I've got Mr. Kelly Deis. Kelly's a deputy that's responsible for the portfolio, the Justice portfolio in the office. And behind him is Ms. Kim Lowe; Kim is our office liaison with this committee here.

This morning we're actually presenting six chapters related to the Ministry of Justice. What we're planning to do is follow the order in which they're presented on the agenda, and what we will do is we'll pause after each chapter, allowing for the committee's consideration. There's only one chapter on the agenda that includes new recommendations for the committee's consideration, and that is the very first one, chapter 27 of our 2012 report volume 2. And that chapter reports the results of our audit, the ministry's controls to maintain the integrity of offender data.

So just one other item. I'd like to just again pause and thank the deputy minister and his staff for the co-operation that we received in the course of the work that's before this committee here. So without further adieu, I'm going to turn it over to Mr. Deis to present the first part.

Mr. Deis: — Thank you, Ms. Ferguson. Chapter 27 of our 2012 report volume 2 starts on page 195, reports results of our audits of controls to maintain the integrity of offender data in the corrections management information system, referred to as CMIS. CMIS tracks offenders in provincial correctional facilities and within the community, for example, those subject to conditional sentences, probation, or bail. CMIS tracks offender location, sentence lengths, incidents, risk or needs assessments for offenders and special programs. Information in this system helps to ensure the safety of the offenders and the law enforcement officers charged with their care, as well as offenders who are let out of prison at the correct time.

We concluded that for the period January 1st, 2012 to August 31st, 2012, the Ministry of Justice did not have effective controls to maintain the integrity of offender data in the corrections management information system. We made six recommendations.

In our first recommendation, on page 200, we recommend the ministry use an approved risk-based plan for auditing offender files and corrections management information system data.

In our sixth recommendation, on page 202, we recommend that the Ministry of Justice provide senior management with routine reports that completely describe the risk of incorrect offender release dates, how the risk is managed, and all inappropriate offender releases. We made these recommendations because, while since 2008 the ministry used a sentence management team to audit the accuracy of expected release dates, the extent of these audits varied from year to year. We found the ministry had not developed a plan that specified which correctional facilities to audit for what time frame, and for which offenders. Without a risk-based plan, and providing senior management with a report on the results of the plan, there's a risk that the ministry does not identify and correct all errors for the year, that is, for offenders with release dates falling between audit dates. Also a risk-based plan will help ensure the ministry focuses its audit efforts on the areas of highest risk.

In our second recommendation, on page 200, we recommend that the ministry implement processes to require verification of the corrections management information system data entry. We made this recommendation because the ministry did not review or check the accuracy of changes staff made to CMIS data such as changing release dates or warrants. Without this, there's a risk of inappropriate or incorrect information being added or changed in the system.

In our third recommendation, on page 200, we recommend that the ministry ensure all required confidentiality agreements for the corrections management information system users are completed and signed. We found that not all staff had confidentiality agreements signed and filed in their personnel files. Not having written agreements with staff to keep access to offender data confidential increases the risk that staff may inappropriately use and access confidential offender data.

In our fourth recommendation, on page 201, we recommend that the ministry follow its policy to ensure that unneeded corrections management information system user access is removed on a timely basis. Our testing found that for 6 out of 12 staff no longer employed by the ministry or on leave, the ministry did not remove their CMIS access on a timely basis. Some users had access to the system for five months after they had left the ministry. By not following its policy for removing access, the ministry increases the risk that unauthorized persons could gain access to the system and obtain confidential information or inappropriately modify the systems or data.

In our fifth recommendation, on page 201, we recommend that the ministry determine and monitor encryption, patching, and logging requirements for the corrections management information system based on a threat and risk assessment. CMIS contains sensitive and confidential information. CMIS is located in the data centre managed by the Ministry of Central

Services. Data from CMIS is also stored on ministry laptops.

We made this recommendation because of the following: we found the ministry was not aware that Central Services was not always installing patches to keep the CMIS system and data secure. The ministry had not done a threat and risk assessment of the data protection over at CMIS. Also, the ministry did not encrypt or require Central Services to encrypt network traffic or CMIS data. Lack of encryption and assessment of the sufficiency of data protection controls increases the risk that someone could gain unauthorized access to offender data.

Our office plans to report on the status of the implementation in our next report to the Assembly, which is in our 2015 report volume 2. That concludes our overview of this chapter.

The Chair: — Thank you, Mr. Deis. Just a quick note here, instead of having you go over every single chapter right now, maybe we'll go a chapter at a time. I know the auditor's office has just presented one chapter. I think, because there are many different topics that we're talking about, I think that that might be the best way to handle that. So I will pass that off to you, Mr. McFee, for your comments and to introduce your officials, and to talk about what you've done with chapter 27 and the recommendations.

Mr. McFee: — All right, thank you, Madam Chair. Certainly it's a pleasure to be here today. And before I introduce our folks, I want to thank Ms. Ferguson and her team at the Provincial Auditor for the great work that they do. We appreciate the positive working relationship that we have enjoyed with the auditor's office, and certainly something that we welcome these reports to serve as a helpful guide to identify areas for improvement.

The officials accompanying me here today are Dennis Cooley, the associate deputy minister at custody, supervision and rehabilitation services; Rick Davis, director, operational support; Jason Broda, deputy director, operational support; Dale Larsen, assistant deputy minister, policing and community safety services; Drew Wilby, executive director, corporate affairs; Heather Sriver, executive director, custody services; Monica Field, executive director, strategic systems and innovation; Ron Anderson, assistant deputy minister at community safety outcomes and supports; Brian Rector, executive director, research and evidence-based excellence; Raequel Giles, continuous improvement in executive operations; Dave Tulloch, executive director, corporate services; and Kim Leibel, director, audit services. And I thank my staff for the great work they do as well.

I'll go into these as you've mentioned, Madam Chair, and I'll try to go through them one at a time as we work. So I'll focus on statement two, comments on 2012 volume 2, chapter 27, control over information and release dates.

As you know, for a few years now, the Ministry of Justice has been in the process to develop and modernize the information system known as CJIMS [criminal justice information management system] that combines four critical applications for court services. We are happy to tell you that at June 1st the corrections management information system, which was formally known as CMIS, has now been replaced by CJIMS,

which is the criminal justice information management system. CMIS will be available until the end of the fiscal year, but in read-only mode.

As noted in the chapter, each of the six recommendations is applicable to the new CJIMS. So in my comments, I will be brief, speak to you of what the ministry has done in response to each of these recommendations in both systems, and I'll provide a brief update of the status, key actions taken and planned by the ministry and, where applicable, an expected timeline for implementation.

Recommendation 1, found on page 200 of chapter 27 of the 2012 volume 2 report, related to not using an approved risk-based plan for auditing offender files and system data. The issue is that the scope of the sentence management team's audits varied year to year and is not tied to risk, which may result in not identifying and correcting errors made. The ministry considers recommendations implemented both for CMIS and CJIMS. Training in risk management tools were provided to the sentence management team. The team maintains a risk register which guides audit activity and interventions aimed at highest risk areas. An annual risk-based plan is approved by senior management, which outlines planned audit locations, involvements, and time frames.

Recommendation 2, found on page 200 of chapter 27 of the 2012 volume 2 report, relates to implementing processes to require verification of data entry. The issue is that data entry by staff, as well as changes made by the sentence management team, showed no evidence of consistent review. Without this, potential errors and release dates may go unidentified. The ministry considers the recommendation implemented for both CMIS and CJIMS. The ministry has established policies and processes in which a supervisor has to review data related to the court order entry and sentence calculations. The sentence management team has implemented processes where data corrections were verified by team members or ministry employees required system support. This sentence management team has developed a risk-based audit plan for court order entry and sentence calculations. The team records all files reviewed, tracks issues identified, and corrections made to data.

[10:15]

Recommendation 3, found on page 200 on chapter 27 of the 2012 volume 2 report, relates to having confidentiality agreements signed by staff who have access to the system data. The issue is that though criminal record checks and oaths were appropriately completed, signed confidentiality agreements were not present in all personnel files. The ministry considers the recommendation implemented in CJIMS and partially implemented in CMIS. The ministry developed a divisional directive, CMIS authorize use and access in 2012. All existing system users were to complete the agreement in October 2014. This policy was updated to include CJIMS. New system users' accounts are created upon submission of a signed user agreement for both CJIMS and CMIS.

Recommendation 4, found on page 201 of chapter 27 of the 2012 volume 2 report, relates to removing unneeded user access to CMIS on a timely basis. The issue is if an employee's access is not removed once they've left the ministry, this increases the

risk that an unauthorized person could gain system access and obtain confidential information or inappropriately modify systems or data. The ministry considers the recommendation implemented for both CMIS and CJIMS. The ministry collaborated with Central Services to align the deactivation of CMIS and CJIMS user accounts with the GOS ITO [Government of Saskatchewan information technology office] process at both the active directory level as well as the database level. This includes those accounts of employees who no longer require access, who are no longer employed with the ministry, or who are on leave. Monitoring this responsibility is included in the directive of CMIS, CJIMS authorized use and access as recently stated.

Recommendation 5, found on page 201 of chapter 27 of the 2012 volume 2 report, relates to establishing encryption, patching, and logging requirements for the CMIS server and database which are hosted by ITO, based on a threat and risk assessment. Four issues were identified. The ministry does not have a process to ensure that encryption, patching, and logging requirements are being effectively performed by ITO and therefore has no assurance that offender data is appropriately secured; (2) patches were not being installed, which plays an important role in fixing security vulnerabilities; (3) the ministry does not encrypt CMIS network traffic or CMIS data stored on laptops and servers. Therefore should the laptop be lost or stolen, confidential data could fall in the wrong hands.

(4) The ministry has not performed a threat and risk assessment of CMIS to ensure that the data protection controls are adequate and implemented. Further, the ministry has not had an ITO perform any vulnerability assessments for CMIS.

The ministry considers the recommendation not implemented for CMIS and partially implemented for CJIMS. CMIS has replaced prior to the ministry addressed in the recommendations pertaining to the database.

Let me focus on CJIMS: (1) specified laptops for those for work in the field assigned to specific employees or contractors and those permitted to be used outside the ministry offices now require full disk encryption; (2) data travelling between the workstation and CJIMS application, as well between the application server and the database, is encrypted; (3) it is secured based on infrastructure security as well as two-factor authentication, 2FA; (4) hardware is upgraded, and software is maintained and patched on a regular basis; (5) the system tracks when and who updates each record as well as when a record is viewed; (6) access authorization controls have been put in place; (7) a third party threat and risk assessment was performed for CJIMS, release one, and no high-risk issues were identified. All medium-level issues resolved via patches, port changes, and server changes.

Another vulnerability assessment will be performed in conjunction with release three. Timeline for implementation — ongoing until CJIMS's fully implemented in 2016-17.

Recommendation 6, found on page 202, chapter 27 of the 2012 volume 2 report, relates to the sentence management team providing timely recurring reports derived from a risk-based plan for auditing offender files and CMIS data.

As noted in recommendation 1, the issue is, not utilizing a risk-based audit plan may result in unidentified errors from being reported to senior management including inappropriate offender releases. Incorporating a risk-based plan would clearly define the risk and related incorrect offender release dates and how they are being managed.

Ministry considers the recommendation implemented for both CMIS and CJIMS. It is important to note since the creation of the sentence management team in 2008, the number of calculation errors as well as their magnitude has decreased. Training in risk management tools were provided to the sentence management team. A risk register and risk-based audit plan have been developed along with the risk mitigation strategies and will be updated on an annual basis.

The team will continue to prepare an annual report for senior officials and will include: (1) identification of risk impacting offender release dates; (2) effectiveness of risk mitigation strategies; (3) summary of audit findings, recommendations, and corrective actions taken.

A release error review committee was established in January 2015, meets monthly, and consists of staff from Corrections, court services, and Policing. Lessons learned from error occurrences are shared with key partners in the justice system to prevent similar future incidents. Release date error occurrences are immediately reported to senior officials who determine if there is a concern about public safety. Further, a thorough review is completed on each occurrence to prevent future incidents.

In closing, overall the ministry feels very confident in the actions taken in response to the auditor's findings. It has been a long journey in a modernization of our databases, but we are confident that the new system will provide much better information to its users in various program areas. Further, this is consistent with the ministry's priority of continuous improvement and its risk management processes.

That concludes my initial remarks on this chapter before us today, and I'd certainly be happy to address any questions that the committee might have on this chapter

The Chair: — Thank you, Mr. McFee. I'd like to open up the floor for questions, but just to any ministry officials who might respond — other than you, Mr. McFee — if you could just say your name for your first time at the mike. So, any questions? Mr. Wotherspoon.

Mr. Wotherspoon: — Well first, just thanks so much to the deputy minister that's here today and the officials that have joined us. Thank you for your work as well on these recommendations and all your other work as well. Actually what's noted is that there's significant progress, significant actions taken to ensure implementation of these recommendations and showing that important working relationship, and I'm thankful for that.

Relating to officials as well, I do appreciate the official with the Regina Pats lanyard right there in a big way, particularly when you have this deputy minister at the table who I believe has maybe an affinity for the Prince Albert Raiders. I'd sort of

forgotten they had a hockey team up there, but it's great to have that lanyard right there.

I also want to say that the status update that we're utilizing is really a useful tool, from my perspective. The information that you've supplied to it is direct, concise, and allows us to be very effective then in just looking at where there might be gaps. So as such, I'll try to be, you know, concise in responding to where there's some questions outstanding.

As it relates to recommendation no. 3, around confidentiality agreements for corrections management information system users are completed and signed to ensure that that's required, it says that it's implemented for the CJIMS system and partially for the CMIS system. I guess my question would be, what barriers are in place to ensuring full implementation for CMIS, and what actions are occurring and on what sort of timeline to ensure implementation?

Mr. Broda — Thank you. My name is Jason Broda with Corrections. In terms of what barriers were in place for the signed user agreements for CMIS system, I should note that the CMIS user agreement policy came into effect in March 2012. The audit was conducted shortly thereafter, and there was a bit of delay in terms of having all employees in the ministry sign the CMIS user agreement form.

The sentence management team and operational support unit have been tracking all active users in CMIS in terms of whether a form has been signed and received. I believe we're at at least 97 per cent compliance with the signed user agreements for CMIS. The tracking involved with ensuring compliance with the forms is a bit complicated in terms of where the forms are located on the personnel files and where the tracking occurs, which is centrally. So efforts have continued since 2012 to ensure compliance with the CMIS user agreement forms.

In 2014 the CJIMS policy came into effect, which I believe will greatly enhance full compliance with the signing of the agreement forms. Prior to issuing a person a CJIMS account, a user agreement has to be signed and submitted to support to create the account. So I believe we should be in full compliance with the CJIMS user account forms.

Mr. Wotherspoon: — Okay and so then it would be . . . Right now it's stated that there's implementation for the CJIMS system, partial for CMIS. You're suggesting that there's a high level of compliance in place right now as it relates to the CMIS system. Am I hearing you correctly that you're expecting that in, is it a period of the coming weeks or months that you'll be in full compliance and that that will be implemented as well for CMIS?

Mr. Broda — That's correct. Our tracking system of user accounts in CMIS shows a very few accounts remaining where verification of a form is signed. We will continue on following up on those cases. CMIS will be decommissioned in the spring of 2016 as well.

Mr. Wotherspoon: — Thank you for that information. Moving along to recommendation no. 5, it was noted the partial implementation around the Ministry of Justice determining and monitoring encryption patching and logging requirements for

the corrections management information system, based on a threat and risk assessment.

I appreciated the rather detailed response and the actions that are occurring on this front. I respect that there's going to be . . . implementation is in sight into, I guess, the year ahead for CJIMS. Now it states that it hasn't been implemented for CMIS. Could you explain to us what barriers exist or why that hasn't occurred, and if and when what actions will occur to ensure compliance and implementation?

Mr. McFee: — Mr. Wotherspoon, the point here is obviously we're continuing to monitor CMIS, but at the end of the day it's on its way out. So what we need to do is protect, you know, the integrity until we get it out. CJIMS is much more modern, has a lot of this stuff built in, and what we want to do is make sure there's no mistakes right now in CMIS through some regular checks. But the reality is it's going to be decommissioned within . . .

Ms. Field: — Monica Field, executive director of strategic systems and innovation. CJIMS will replace CMIS entirely once release 3 happens where the court systems links to Corrections. So we're making every step we can to avoid the risk and not increase costs in doing this. So that's why it's not . . . It's partially implemented for that.

Mr. Wotherspoon: — No, thanks for that and thanks for the clarification there as well. It seems to make sense. From the auditor's perspective is that understood and, I mean, that seems to be a . . .

Ms. Ferguson: — As Mr. Deis noted, we'll be doing our follow-up in the fall here and reporting on this, but really from a cost-benefit perspective we understand focusing on the new system makes sense. You know, our understanding is that the old system is a read-only system. And so I think that's important, you know, to keep in mind that and that they maintain it as a read-only system in the intervening period.

Mr. Wotherspoon: — Thank you very much. And then I think that would take me to recommendation 6, but I suspect the same reason for the difference between implementation and partial implementation would be, that would be the rationale there I suspect, recognizing the decommissioning of CMIS and the rationalization of resources to make sure you're focusing on the system that will be moving forward.

So again I just want to say thank you for the work, the updates. Certainly the continued progress in actions that are committed to are important. And as well I want to say thank you for the concise presentation to this table and as well the status update. It allows us to, I think, be more focused in our work at this table. So thank you.

The Chair: — Are there any further questions? I have one for the auditor. Just to clarify then for recommendations 3, 5 and 6, with the issues around CMIS and CJIMS, I just want to confirm your perspective that you would consider those implemented?

Ms. Ferguson: — I'll do a caveat in that we haven't done our formal follow-up, but based on the information provided, we understand the focus to be on CJIMS. And us as an office are

comfortable with that focus being on the system that will be in effect.

So in saying that, you know, 3, 5, and 6, I think from this committee's perspective to view it as implemented at this point in time, based on information provided, is fine. Well, sorry, 6 is partial for CJIMS.

[10:30]

A Member: — No. 5 is partial.

Ms. Ferguson: — Oh, 5. Thank you very much. So 3 and 6 as implemented and 5 for partial because it relates to CJIMS.

The Chair: — Okay. Thank you for that. Are there any further questions? No. Seeing none, what is the wish of the committee with respect to the 2012 Provincial Auditor report volume 2, recommendation no. 1? Mr. Doke?

Mr. Doke: — Madam Chair, we can group these together. Is that . . .

The Chair: — We can, yes.

Mr. Doke: — Okay. So we would concur with recommendations and note compliance on recommendations 1, 2, 4, and 6.

The Chair: — Thank you, Mr. Doke. Mr. Doke has moved that for the 2012 Provincial Auditor report volume no. 2, that the committee concur with the recommendations and note compliance on recommendations 1, 2, 4, and 6. Is there any further discussion? No. Seeing none, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Mr. Doke: — Madam Chair, also we would concur with the recommendations and note progress towards compliance on recommendations 3 and 5.

The Chair: — Thank you, Mr. Doke. Mr. Doke has moved that for the 2012 Provincial Auditor report volume 2, chapter 27, that this committee concur with the recommendations and note progress to compliance for recommendations 3 and 5. Is there any further discussion? Seeing none, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you for that. Moving on to the next chapter, actually I think we'll handle two chapters together here because one is a follow-up, but that would be the 2012 report volume 2, chapter 52 and the 2014 report volume 2, chapter 50. And I will pass that off to Mr. Deis again.

Mr. Deis: — Thank you. Chapter 52 of our 2012 report volume 2 starts on page 375 and chapter 50 of our 2014 report volume 2 starts on page 385. And we report the results of our follow-ups of five recommendations made in our 2009 audit of Justice's processes to monitor provincial policing services delivered by the RCMP [Royal Canadian Mounted Police]. Your committee

considered and agreed with those recommendations in 2010.

As reported in our chapter 52 of the 2012 report volume 2, by October 2012 the ministry had implemented four of those five recommendations. With respect to the one remaining partially implemented recommendation, on page 386 in our 2014 report volume 2, we recommended that the ministry verify the costs charged by the RCMP for provincial policing are accurate.

The ministry pays the RCMP over \$170 million annually for policing under a 20-year agreement. While the ministry had taken various steps to better monitor the costs charged by the RCMP, at September 2014 it needed additional information in some areas to enable it to verify all costs charged. Without knowing if policing service costs charged by the RCMP are accurate, the ministry risks overpaying for the services it delivers. And that concludes our overview.

The Chair: — Thank you, Mr. Deis. Mr. McFee, do you have some remarks on those two chapters?

Mr. McFee: — Yes. Thanks, Madam Chair. Statement three, I'll comment on 2012 volume 2, chapter 52 and 2014 volume 2, chapter 50, monitoring provincial police services delivered by the RCMP. After the original audit was conducted in 2009, five recommendations were made. By the conclusion of the first follow-up audit in 2012, four of the five recommendations had been implemented.

My comments will address the lone outstanding recommendation, that being recommendation 4, found on page 386 of chapter 50 of the 2014 report volume 2, relates to verifying that costs charged by the RCMP for provincial policing are accurate. The issue is that the ministry risks overpaying for the services it receives. I'd like to point out that while we believe we really have a number of critical pieces in place to allow us to verify the costs charged by the RCMP are accurate, we acknowledge additional information is needed in some areas.

Things have been done to address the recommendations, and therefore consider it partially implemented, of which include in July 2014 we hired a former senior RCMP officer to help address issues that arise related to the current policing agreement. We created a program contract position to act as a liaison with the RCMP to gather financial information necessary to understand the costs charged for the services provided. We now have regular attendance at the RCMP executive committee meetings. The ministry plans to continue to pursue independent reviews on priority cost items. We expect to have all the necessary accountability mechanisms in place, to allow us to verify whether the RCMP costs are accurate, by the end of fiscal 2015-16.

To expand a bit further, although monthly and year-end reports are provided to the ministry by the RCMP, there are no detailed explanations included in any of the material variances between budgeted and actual expenses between current and prior period expenses, which is a matter that the ministry intends to resolve.

In closing, conclude my initial remarks on these chapters, and at this time I'd be more than happy to address any questions. We feel we have made significant strides here, and more work to

come and to be completed by '15-16.

The Chair: — Thank you, Mr. McFee. I'd like to open up the floor for questions. Mr. Wotherspoon.

Mr. Wotherspoon: — Well thanks again for the actions on these and the implementation of the vast majority of them, and a commitment to implementation of the outstanding recommendation within the fiscal year and laying out some of those measures for which will take us to full implementation. If you could just expand a bit on what those independent reviews look like or what that process looks like.

Mr. Larsen: — Good morning, Madam Chair. Dale Larsen, ADM [assistant deputy minister], policing and community safety services. The directed reviews are much in line with, actually in accordance with the PPSA [provincial police service agreement]. And on a national basis, the province and territories representatives meet face to face twice a year and throughout the year with different conference calls. So those directed reviews are related to items that usually impact budgets for each province and territory across the nation that have contract agreements with the RCMP. And there's a cost-share agreement in relation to how those directed reviews are financed and budgeted throughout the provinces.

An example would be a severance discussion that we're currently having with Public Safety Canada and going through the details of what the provinces and territories are actually going to be required to pay in accordance with the PPSA.

Mr. Wotherspoon: — Well thank you. We'll certainly track the progress on this front and appreciate the efforts. We'll see it through to implementation and certainly would like to thank as well the RCMP for the service that they provide as well to Saskatchewan people and Canadians. It satisfies my questions at this time.

The Chair: — Mr. Hart.

Mr. Hart: — Thank you, Madam Chair. The province has a contract, and I understand it's a 20-year contract, with the RCMP to provide policing in those jurisdictions where there isn't other services like, say, the Regina police service here in the city of Regina. I represent a rural constituency that I would guess would be totally policed by the RCMP, and occasionally I do get some complaints about the RCMP and the way they have acted and so on, most recently this past winter where, I think in most people's opinions, they acted inappropriately. So what is the process for members such as myself?

I know we do pass these concerns on to the ministry and so on. I'd just like some explanation as to the relationship. You know, I mean this is a commercial contract, I guess to define it. And so in those situations where citizens come to our offices and speak to us and feel that they haven't been treated fairly or that, in this particular case that took place this past winter where there was excessive force in the inspection of a property, where the whole thing was a total misunderstanding, could have been cleared up by a simple telephone call or a visit to the property owner and that sort of thing. You know, when these concerns — and I did bring it forward — when these concerns are raised, by whether it's members or members of the public, what is your role and

how do you handle that?

I'd like to get a better understanding of the relationship between your ministry which represents the province and the RCMP. If you could just kind of explain, you know, in those kind of cases what type of actions are taken, what authorities you have. You know, I mean I certainly realize that we can't be meddling in policing services but, you know, the RCMP have . . . They're not perfect, as no one is, but they have made some, in my estimation at least and a number of other people, some errors in judgment. So if you could just kind of talk about that whole issue.

Mr. Larsen: — Sure. In answer to that question, Mr. Hart, I think the incident that you reference I actually dealt with personally. In relation to conduct issues that RCMP may have portrayed to a citizen, they're encouraged to either contact our office directly. We'll put them in touch with the proper complaints oversight body, whether it's a provincial or national level. And we get updates on those quite regularly — once every two months I believe it is in relation to where those internal investigations — if it's a conduct issue. If it's a policy issue in relation to what "F" Division is currently doing in the province, those usually are dealt with by the commanding officer.

So I would just encourage that communication to come directly to us. If they're having difficulty on the RCMP side in finding out where to voice that complaint, we'll direct them in the proper manner.

Mr. McFee: — I would just add to that, a couple of former police chiefs here, you know. don't take it for granted that they know what happened. So it's important that those calls, whether if they're from citizens in your community, are actually being forwarded so it can be addressed. So there is a mechanism, as the ADM Larsen has spoken to you here how they deal with that, and it is something that we track very closely to make sure there's some accountability and some answers to it as well.

Mr. Hart: — Okay but just going further then. As I said earlier, that for all intents and purposes we have a commercial contract or a business arrangement with the RCMP. So what, as part of that contract, if the RCMP fell short in some areas or acted inappropriately in, you know, in some incidents and so on as part of that contract?

And as part of the province's ability to have the RCMP address that, I mean what kind of power, I guess, or for lack of a better term . . . What's in the contract that we as a province have with the RCMP that could, you know, if a concern is raised and action is not forthcoming or considered inappropriate action, do you as a ministry have anything that you can do to talk to the RCMP or actually force them to address some of these issues? What is the relationship? I guess that's what I'm trying to get to.

Mr. Larsen: — Specific to the PPSA, there would be nothing in there that would relate to the conduct of an RCMP officer and thereby the dissatisfaction that the contract partner would have in relation to putting some pressure or something on that. However, the RCMP Act and the public complaints legislation — the federal legislation that deals with those types of issues —

is sufficient in that we're confident that the proper feedback would come back. And if we're not, we're in a position, whether it's provincial with our commanding officer or on a national basis with the deputy commissioner or the commissioner of the RCMP, that we would take it up that level if needed.

The level of oversight that they provide in relation to investigating a complaint about the conduct of an RCMP member is fairly in depth. And again, we're satisfied at this time with what we've seen so far. However, you know, there's always situations where the person that was subject to the issue, whether it's a use of force or something to that effect, there's often different opinions.

[10:45]

Mr. Hart: — So what I'm hearing is that it's done in-house within the RCMP. They deal with issues that are raised, and we don't have any provincial body that provides some oversight in some of these cases.

Mr. Larsen: — The provincial oversight in relation to that federal type of investigation would be the, you know, conversation feedback that we would have with either the commanding officer of "F" Division or, like I said, a deputy commissioner or commissioner.

When we look at provincial oversight in relation to a provincial, municipal police agency — Regina, Moose Jaw, Saskatoon, Prince Albert, those types of things — that we have specific legislation in our police Act that deals with conduct issues for police officers that work in either of those agencies. So it's a little more defined in that regard. However, our police Act also encompasses an investigation oversight section that if an RCMP detachment had a death in custody or a person that was injured during an arrest, we have mechanisms in our police Act that require an independent observer be appointed to look at the investigation that's being conducted.

Mr. Hart: — Just for the record, I mean, I feel that the RCMP are providing a great service and they have done so for a long time. However, you know, recent history will show that there has been some breakdowns on behalf of some individuals within the force and, you know, to the detriment of those, the vast majority of members who are out there doing a great job on a daily basis. And I know a number of them, have in fact related to one or two members who do provide good service and work hard on behalf of the people of the province and the citizens of Canada.

But you know, I also on the other flip side, I have had more than one occasion where people, where constituents and other people have raised issues where, I think, at the end of the day it was found that there was a breakdown in the method of operation and conduct and so on. And I just needed to more fully understand our contractual relationship and our oversight as a province with the force. And so I thank you for the information that you've presented here today.

The Chair: — Thank you, Mr. Hart. Are there any further questions on these two chapters? Seeing none, because there are no new recommendations on either of these chapters, we don't

have to go through each recommendation. But I'm wondering if it's the committee's will to conclude consideration on the 2012 Provincial Auditor report volume 2, chapter 52, and the 2014 Provincial Auditor report volume 2, chapter 50, if I could have a motion in that regard. Mr. Doke.

Mr. Doke: — So moved.

The Chair: — Mr. Doke has moved that this committee conclude consideration for the 2012 Provincial Auditor report volume 2, chapter 52, and the 2014 Provincial Auditor report volume 2, chapter 50. Any further questions? Seeing none, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. All right, moving on to the 2013 Provincial Auditor report volume 1, chapter 18. I will pass it off to the Provincial Auditor's office again.

Ms. Ferguson: — Thank you, Madam Chair, members, and officials. This is more of an informational chapter of a matter that we'd like to draw to the attention of the committee. In this chapter, you'll note that it draws to your attention that our office was denied access to information necessary to do an audit of the ministry's processes to rehabilitate young offenders. As the committee knows, our office treats denial or lack of facilitation of access seriously.

We had selected this audit because Saskatchewan has had the highest youth crime rate in Canada for the last two decades. In 2014 Saskatchewan also had the highest provincial youth crime rate severity index and the second-highest youth violent crime severity index. We also recognize the importance of the ministry's work to help prevent crime . . . from repeating criminal activities and continuing into an adult life of crime.

This audit was actually designed to follow up two previous audits we'd done in the area of rehabilitation: one in the area of adult offenders in provincial correctional institutions, and the second one in adult offenders in the community. The audit was to include the review of the information supporting the ministry's rehabilitation processes, some of which we recognized would have been found in young offender case management files.

We were aware that at the time of planning this audit that the federal law was very explicit and is very explicit regarding who can access young offenders' files. We noted that two options existed to provide us access to this information, the first being an order in council issued by the province that lists individuals and organizations who can have access, and we noted that the ministry periodically updates this listing and obtains a new order in council. The second route was an order by a youth court that would require us to incur legal costs to obtain.

Our office pursued the first option. The ministry offered to include us, our office, in the listing that was provided, the updated listing; however, while others were given access in this listing, our office was not. Our office decided not to pursue the youth court order in that it would result in us incurring legal costs and incurring public money. Without that access, our office determined that we were unable to carry out this audit. So

that concludes our presentation on this matter.

The Chair: — Thank you, Ms. Ferguson. Mr. McFee.

Mr. McFee: — Yes thanks, Madam Chair. Certainly in relation to Public Accounts Committee appearance, the rehabilitation of young offenders 2013, volume 1, chapter 18, I'd offer the following. Certainly the ministry's responsibility when it comes to an order in council or other cabinet item is to make a recommendation to cabinet. In this instance, the ministry did make that recommendation and cabinet was not comfortable with this recommendation. Cabinet was more comfortable with having the Provincial Auditor seek an order from a youth court to gain access to the young offender information. And certainly the ministry respects that decision of cabinet, and we also consider the matter closed unless there's further action required.

The Chair: — Thank you, Mr. McFee. I'd like to open up the floor for questions. Mr. Wotherspoon.

Mr. Wotherspoon: — Well I think it's fair to say that most people reviewing this, and certainly the official opposition, would have great concern with this lack of access. I'm cognizant that I'm chatting with the deputy minister of the ministry here today and officials for which weren't part of, as it's been related here today, weren't part of denying that access. So I think what was related here today, if I heard correctly, was that the minister, probably thus then the ministry, supported allowing that access and that it was cabinet that chose not to allow that access. So I'm not going to go at great length or challenge to the officials that are before us here today.

But to the Premier of the province and to the ministers of this province: this is a major problem. And to deny access to the Provincial Auditor on a matter like this where we look at the severity of the issues, the consequences at place, the dollars at play, this is a really terrible precedent of a lack of accountability, a lack of transparency, and should be a big concern to the people of the province.

So recognizing that it would seem that the ministry itself was advocates to allow the access here, I'm not going to, you know, have a prolonged debate with those officials here. But I think that in a democracy like ours, recognizing the role of the Provincial Auditor and the importance of oversight and scrutiny, recognizing the high standards that the Act has in place as to how information be dealt with by the Provincial Auditor's office around privacy, I think it's absolutely unacceptable that the Premier of this province would shut down access to scrutiny over such important programs and such big spending. It's critical that those dollars are being spent in an appropriate fashion. For which he's trying to hide, I have no idea. And I think it's critical that when we have our auditor engage, it's there of course to make sure that systems are in place to make sure that dollars aren't being wasted or misappropriated.

It's pretty critical to have our auditor engaged in \$52 million worth of spending, and it's also critical that we have systems and processes that are delivering best value for money, systems that are performing up to the standard for which we're stating. These are all roles that the Provincial Auditor enters into, so I find it absolutely unacceptable, a dangerous precedent for the

Premier of this province to deny access of the Provincial Auditor appointed independently in this province to provide that oversight.

The Chair: — Thank you, Mr. Wotherspoon. Mr. McFee.

Mr. Wilby: — Drew Wilby, executive director of corporate affairs of the ministry. I think what's important here — and thank you for your comments, Mr. Wotherspoon; I appreciate those — is that access, you know, our understanding is access wasn't denied. A recommendation was taken to cabinet by the ministry, as is the job of the ministry, and cabinet was more comfortable with the auditor's office seeking a court order. So the access could still be there if the auditor's office chose to go that route.

Obviously when it comes to young offender files, there is some significant sensitivity around that. Only one other jurisdiction that we're aware of in Canada has gone the order in council route, and that was Ontario, with some significant qualifications put on that order in council.

So again, you know, we take the direction of cabinet appropriately. The ministry put forward a recommendation, and cabinet just wasn't comfortable with that. So there is still the opportunity to gain access to those files through a court order if the auditor's office chose to do so.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — So my question is then, I mean there was an opportunity for cabinet to act with the recommendation of the minister and ministry to grant that access. They chose not to, and they chose to throw this alternative course, one that I think consumes time, resources, and money in the process, public resources. My question to the auditor's office would be, you've evaluated that route and have chosen not to go that route. Could you describe some of the consideration and some of the problems with that being the suggested route?

Ms. Ferguson: — It was exactly that we decided that, you know, like to expend staff time and external legal fees, you know . . . And we actually did not go to our lawyer to ask how much they would cost, but we just decided that to expend legal fees and office time on this was not a good use of public resources in terms of that.

You know, it could have taken just a . . . The government could have facilitated the access through an order in council, which wouldn't have cost additional time because it was accompanying an order in council that was going to cabinet at the same point in time, so it wasn't additional work for the ministry to seek that permission. To do a court order would be additional time and out-of-pocket costs, so it was a call in terms of use of public resources.

Mr. Wotherspoon: — So there's big bucks being spent in this file. There's lots of really important lives at stake. The outcomes of these programs are critically important to the individuals involved, but also the community at large. And I find it highly disappointing that the Premier would deny access as recommended by the minister and ministry and would suggest a route, a cumbersome route that wastes time, wastes

public money, as opposed to being open, being transparent, and allowing a focus that could improve service and improve care and programs, or at least provide some verification and validation of the direction that's being . . . the processes that are in place and the direction being taken. So I find it absolutely unacceptable and a backwards step that fails to meet a standard of accountability and transparency that everyone in this province should hold the Premier to.

The Chair: — Are there any further questions on this particular chapter? I'm wondering if there's any will . . . Obviously there's no recommendation here, but we do have latitude as a committee to pursue other courses. We could recommend that . . . We could pass a motion recommending that cabinet rethink their decision. Is there any will to go in that direction? Mr. Hart.

Mr. Hart: — Thank you, Madam Chair. I'd like Mr. Wilby to . . . I think I heard him say that there's only one province, Ontario, that provides limited access, and all other jurisdictions within Canada, all other provinces don't allow their auditors to access these files. Did I hear that? Was that what . . . Could you just clarify that for me please?

Mr. Wilby: — Definitely. Thanks for the question, Mr. Hart. Yes, our understanding is in 2006 a similar audit was performed in Ontario where the Auditor General obtained an order in council to access youth files for the purpose of conducting the audit. But specifically there, the order in council contained several limitations such as denying access to medical, psychological, and psychiatric reports on youths resulting from court-ordered assessments. So the only other jurisdiction that we're familiar with that's gone down this road, and again it was fairly contained in terms of what access they did have, what information they were able to look at.

[11:00]

Mr. Hart: — And perhaps a question to the auditor then. Have other auditors in other provinces asked to audit, do a similar audit and have been denied? Are you aware of any instances in other provinces?

Ms. Ferguson: — At this point in time actually, I think the only other province that has done work in this area is Ontario. Even the whole area of work on offenders, and even adult offenders I think, has been quite limited across Canada, you know. So it's not that it's just youth offenders that's been limited; it's the whole stream of work. There hasn't been as much as perhaps need to be.

Mr. Hart: — So to the best of your knowledge, auditors in British Columbia and Alberta and Manitoba, they haven't asked to do an audit or have they been denied if asked?

Ms. Ferguson: — Our understanding is that they have not yet been asked. This is an area that we know, from our activities on the legislative audit community, it's an area that other provinces are looking at doing audit work in. You know, as you can appreciate, we kind of work in cycles and some other jurisdictions perhaps haven't gotten to this area as yet.

Mr. Hart: — Thank you.

The Chair: — Mr. Doke.

Mr. Doke: — Madam Chair, I think, at this point in time, I think that I would move that we just receive the report at this time.

The Chair: — Mr. Doke has moved that this committee receive the report. Is there any further discussion? Mr. Wotherspoon.

Mr. Wotherspoon: — No, I'd say that's the wrong way to go. This is from 2013. This is 2015. The dollars keep flowing. The lives are still at risk and involved in these programs. These programs are important, and I think we should be urging the Government of Saskatchewan to certainly review their decision, work to ensure access of the Provincial Auditor to the files required, and certainly would urge the involvement of the Privacy Commissioner to make sure that the integrity of the process is appropriate.

But I think it's wrong for us to simply deny access, allow government, allow the Premier and the cabinet, when recommended by minister and Ministry of Corrections and Justice to allow this access, to allow cabinet to override that and prevent appropriate review, accountability, and oversight that should be had by the Provincial Auditor.

The Chair: — Thank you, Mr. Wotherspoon. Just a clarification with Mr. Doke's last motion. He had moved, he concluded, or . . . [inaudible interjection] . . . You received, you had said, received the report which we have in front of us. Is there . . .

Mr. Doke: — Adjourn consideration on this report.

The Chair: — You'd like to move that we adjourn consideration.

Mr. Doke: — On the report.

The Chair: — Okay. Mr. Doke has moved that we adjourn consideration at this moment on this report. Is there any further discussion? Mr. Wotherspoon.

Mr. Wotherspoon: — As I say, I think that's not the appropriate course. There's been a recommendation by the minister of this ministry that's been related to us and ministry officials to ensure access. That's been denied by Premier and cabinet. We have an individual role as private members, as members of the Public Accounts Committee, to provide a role that ensures accountability and oversight to the people of Saskatchewan.

Any answer that's been provided certainly hasn't satisfied my concerns of why we would allow the Premier to deny access to the spending in these programs, and so I would suggest we certainly don't adjourn at the moment. What I think we should be doing is having a motion go forward that calls on the government to the effect of reviewing that decision, to work with the auditor to ensure access, and certainly working directly with the Privacy Commissioner while doing so.

The Chair: — Thank you, Mr. Wotherspoon. We have a motion before us to adjourn consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you for that discussion. So I should just clarify for the record, this committee has adjourned consideration on chapter 27 from the 2013 report of the Provincial Auditor's report volume 1.

Moving on to the next item on the agenda, we have the 2013 Provincial Auditor's report volume 1, chapter 27. I will pass that off to Ms. Ferguson or Mr. Deis for his comments.

Mr. Deis: — Thank you. Chapter 27 of our 2013 report volume 1 starts at page 297. It reports the results of our follow-up of the recommendations made in our 2010 audit about the ministry's processes to manage provincial adult correctional centres' labour costs related to absenteeism.

Your committee considered and agreed with those recommendations in 2011. By December 2012, the ministry had made excellent progress. It had implemented six of the eight recommendations we made.

With respect to the two remaining partially implemented recommendations on pages 299 and 300, the ministry advises that it was negotiating letters of understanding with the unions in order to appropriately manage and pay corrections workers who trade shifts. Our office plans to report on the status of these recommendations in our next report to the Assembly, our 2015 report volume 2. That concludes our overview.

The Chair: — Thank you, Mr. Deis. Just a quick . . . Mr. McFee, I'll just get to you in one moment. I just have to make a correction that I made in that last motion. This committee had, Mr. Doke had moved that we adjourn consideration on chapter 18 from the 2013 report of the Provincial Auditor's report volume 1, chapter 18, and that was agreed and carried. So I had misspoken, and I believe I had said chapter 27. So just a correction of the record there — chapter 18. So moving on now, Mr. McFee, to chapter 27 and your comments.

Mr. McFee: — Madam Chair, I'll focus my comments, statement five comments on 2013 volume 1, chapter 27, absenteeism, first follow-up audit. As the Provincial Auditor noted in the report, the ministry has done significant work to improve absenteeism, resulting in reduced overtime costs and average sick days. This chapter reports that six of the eight outstanding recommendations have been implemented. We believe we have now implemented the remaining two recommendations, therefore my comments will address the key actions that we have taken on those.

Recommendation 3, found on page 299 of chapter 27 of the 2013 report volume 1, related to the monitoring of work schedules to minimize labour costs. The issue is due to the complexity of the payroll structure — example: shift trades, lack of management approval — excessive overtime costs have resulted. The ministry considers the recommendation implemented. Regina Provincial Correctional Centre uses Kronos shift scheduling software. This software helps to identify the root cause of overtime and allows management to adjust scheduling practices within the parameters of the collective bargaining agreement and letters of understanding to minimize overtime.

An analysis of the shift scheduling software and its effectiveness at the Regina Provincial Correctional Centre occurred March 2014. A determination of whether to implement the software provincially will be completed in fall of 2015. A scheduling improvement project is under way, and reviews of scheduling practices and operational options in the facilities is planned for the near future. An ongoing review is planned on a scheduled basis.

An agreement has been reached between the Saskatchewan Government and General Employees' Union, SGEU, and the Public Service Commission, PSC, to amend hours-of-work letters of understanding at the adult correctional centres. As a result of the agreement, five newly negotiated letters of understanding have replaced the 40 letters of understanding previously in use. This has resulted in all correctional facilities following the same letters of understanding and payroll rules, replaced old shift trade agreements with employer-controlled policy, limited shift exchanges to a maximum of three per pay period, and allowed shift exchanges only through ministry policy which requires management approval of any trade dates.

Recommendation four, found on page 300 of chapter 27 of the 2013 report volume 1, related to paying correctional workers incorrectly. The Auditor reported a few issues. At one correctional centre, management approval was not required for shift trades as per the letter of understanding. This resulted in incorrect timecard reporting by employees and therefore incorrect timecard approval by the supervisor. Without management approval of shift trades, this creates a safety issue. The use of shift trades may impact earned benefits such as employees' pension and workers' compensation. The ministry considers the recommendation implemented. Employees are required to sign their time cards, and supervisors check the timecards against the facility's deployment sheets.

As previously mentioned, an agreement has been reached between the Saskatchewan Government and General Employees Union, SGEU, and the Public Service Commission, PSC, to amend hours-of-work letters of understanding governing adult correctional centres, which will address the pay issues related to shift trades, and also they were recorded on an employee's time sheet. As a result of the agreement, employees who participate in a shift trade will be paid for the actual shift work and record it on their time card.

The ministry continues to work towards reducing overtime costs and sick time usage, and the ministry feels very confident in the actions taken in response to the Auditor's findings. That concludes my initial response, and certainly be willing to take any questions. Thank you.

The Chair: — Thank you, Mr. McFee. I'd like to open up the floor for questions. Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you for stating the actions that have been taken on these important recommendations that were outstanding. It's fair to say that all have now been implemented by the actions taken by your ministry. Is that correct? Thanks for your work on that front.

The Chair: — No further questions? Seeing none, as there are no new recommendations, these are all outstanding, this

committee can conclude consideration on this particular chapter. Mr. Doke.

Mr. Doke: — So moved.

The Chair: — Mr. Doke has moved that for the 2013 Provincial Auditor report volume 1, chapter 27 that this committee conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you. Moving on to the 2014 Provincial Auditor report volume 2, chapter 13. And again I will pass if off to Mr. Deis.

Mr. Deis: — Chapter 13 of our 2014 report volume 2 starts on page 87 and reports the results of our annual audit of the Ministry of Justice. That's the integrated audit, and that's for the year ended March 31st, 2014. In this chapter we raised one concern previously discussed with your committee. As noted on page 89, we found that the standard reports the ministry received from the Ministry of Central Services did not contain sufficient information to enable Justice to assess the effectiveness of Central Services' IT [information technology] security controls or assess the potential impact to the Justice systems and database in the case of a disaster.

Also we continued to find that the ministry did not promptly remove IT access to individuals that it no longer employed. As a result, we continue to recommend that the ministry adequately monitor the security of its IT systems and data.

The chapter also reports that by March of 2014, the ministry had a complete and implemented business continuity plan and properly approved its employee timecards.

That concludes our presentation.

The Chair: — Thank you, Mr. Deis. Mr. McFee.

Mr. McFee: — Madam Chair, I'll focus on statement six, comments on 2014 volume 2, chapter 13 and the annual ministry audit 2014. In the interest of time, my comments will focus on the recommendation that remained outstanding as outlined in the 2014 report. However I would be happy to answer any questions that committee members may have on the two recommendations the Provincial Auditor considers to be now implemented.

Recommendation 1, found on page 89 of chapter 13 of the 2014 report volume 2, related to monitoring the security of the ministry's information technology systems and data. The issue is, "Without sufficient information, [provided from the information technology division] the Ministry cannot know if ITD is addressing its security needs and whether ITD is keeping its computer systems and data secure." Further, the auditor found that we did not promptly remove our access to our computer systems from individuals who are no longer in our employment.

The ministry considers the recommendation partially implemented. With regards to monitoring our systems and data, the ministry continues to refine and communicate our security

reporting needs to the ITD [information technology division] to achieve full compliance. The ministry receives an annual security report from ITD's information security branch. This report can be used to better understand what Central Services does to protect and secure systems and information within GOS. The report provides an overview of four major security areas: network security, data centre security, GOS user security, and ministry-specific risk.

With regards to prompt removal of user access to our systems from individuals no longer in the ministry's employment, the ministry has implemented and automated a process to provide notification of an employee's departure to key areas within the ministry to facilitate timely removal of access.

To address the potential impact to the ministry's systems and data in case of disaster, the minister, together with ISM [Information Systems Management Corporation] and ITD, developed a disaster recovery plan for the criminal justice integrity management system, known as CJIMS, in February 2015. The information to continue to monitor the security of system and data is continuously being assessed, and new reports are being incorporated as they become available. In addition, all major projects have a detailed security and privacy impact assessment completed. Recommendations are addressed and developed along with technical development.

Over the long term, the ministry plans to incrementally address the need for a disaster recovery plan for all of its systems, using a risk-based approach. In addition, any new initiative will . . . [inaudible] . . . disaster recovery plan as a deliverable within the project. That concludes my initial remarks, and certainly would be happy to answer questions on this chapter.

[11:15]

The Chair: — Thank you, Mr. McFee. I'd like to open up the floor for questions. Mr. Wotherspoon.

Mr. Wotherspoon: — Well thanks for the work once again on these recommendations. There's the one that's partially implemented and there's not a clear timeline towards implementation here. I think some of the complexity of that has maybe been related to us here today by the deputy minister.

Maybe I wouldn't mind just hearing from the auditor, who will be of course doing the follow-up on this front and working back and forth with your ministry, as to I guess the ongoing work on recommendation no. 1 that hasn't yet been, you know, I guess hasn't been implemented. Do you see measures in place that are moving us towards implementation in a timely way or do you see, do you feel that there's more that can be done at this point in time?

Ms. Ferguson: — The point in time that we did the audit here last year, you know, as indicated by the deputy minister, there was two areas of concern with the prompt removal of user access. You know, what we're seeing, the actions taken by the deputy are common to other ministries, the route that they're taking there, and I think that should assist in terms of reducing the number of user accesses that aren't removed promptly.

I think the key thing will be to make sure that people deal with

the information that they're receiving from the automated reports, you know, promptly in that regard, so they'll have better information to do what they need to do, so it'll be making sure that the ministries maintain the importance of the focus on that area.

The other area in terms of the disaster recovery plan, again you'll see that is a bit of a common theme that we're raising at a number of organizations. You know, what we're hoping is that they focus on their critical systems here. The one system that they referred to, CJIMS, obviously is a critical system.

We are aware that the ministry has other systems in place too so, you know, we're encouraged by that. For us, the whole aspect — and we'll talk to it, I think, on the next agenda item — but the whole aspect of maintaining security and user access for ministries as a whole, as an office we continue to have concerns and will be continuing to focus on this area.

Mr. Wotherspoon: — Well thank you for that answer. Thank you for your focus, and thank you for the focus of the ministry as well. And we'll track this with interest.

And I think for the public that's watching this, you know, sometimes we'll be, you know, noting compliance or implementation as a committee. And I think it's important for the public to know that the statements of the ministry and the actions taken then, that there is a process that follows up through the auditor directly with the ministry that does confirm back to the public any discrepancies on those fronts. I just think it's an important measure of accountability that we have built into our system of follow-up. So I have no further questions on this chapter.

The Chair: — Thank you, Mr. Wotherspoon.

Are there any further questions? Seeing none, for this particular chapter there are no new recommendations so this committee can conclude considerations. May I have a motion?

Mr. Doke: — So moved.

The Chair: — Mr. Doke has moved that for the 2014 Provincial Auditor's report volume 2, chapter 13 that this concludes consideration. Further questions? Mr. Wotherspoon.

Mr. Wotherspoon: — Sure. So of course the major focus of our committee is that of the work of the auditor and that's been such here today. But of course our purview is to also go a little broader into the public accounts where and when it's deemed important. I would just appreciate, if you're able to, to provide an update as to the amount of money that was spent and some of the timeline around that spending to renovate Dale's House in Regina. And so I guess what was spent, on what, and when?

Mr. McFee: — In regards to Dale's House, there was no money spent by this ministry in relation to Dale's House. There would have been some minor maintenance, some money spent out of Central Services, but I'd ask you to direct that question to them at just how much that was.

Mr. Wotherspoon: — I think we're going to be seeing them soon here this morning, so thank you for the referral.

The Chair: — Thank you, Mr. Wotherspoon. There is a motion on the floor. Mr. Doke has moved that we conclude consideration on the 2014 Provincial Auditor report volume 2, chapter 13. Any further questions? Seeing none, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. So thank you to . . . Oh, Mr. Hart.

Mr. Hart: — Madam Chair, if I could, I would just like to clarify the questions that I asked earlier about the incident with a constituent and RCMP actions and so on. I would just like for the record to state that the matter was raised with appropriate ministries and the situation was resolved in a satisfactory manner, and I'd like to thank those officials that worked on that issue because there was some very good work that was done by the officials. So I didn't want to leave any misunderstandings that I was criticizing anybody. I was really trying to get a better understanding of our contractual relationship between the province and the RCMP. So I just wanted to clarify that. Thank you.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — And I want to make it clear I was clearly criticizing the Premier and the cabinet.

And outside of that, I just want to say to our deputy minister and the officials that are here today, thank you for your time here today. Thank you for your work on these recommendations, and thank you for your work day in and day out throughout Saskatchewan.

The Chair: — Mr. McFee.

Mr. McFee: — Yes, thank you. And again I just want to reiterate the thanks to Ms. Ferguson and her office for the fine work they do, and certainly for you folks for helping walk us through this process. So, much appreciated.

The Chair: — And I just want to say, as the committee Chair, thank you so much for your diligent work on the status updates. I know that's a relatively new addition or process with this committee, but I think it works very well, and I think we all really appreciate understanding outstanding and new recommendations. It's very helpful, and I think it focuses your work and our work. So thank you for that.

We'll take a quick five-minute recess while we change officials.

[The committee recessed for a period of time.]

The Chair: — Welcome back to Public Accounts, everyone. Right now we're going to be dealing with Provincial Auditor's reports pertaining to the Ministry of Central Services. Welcome to the officials here today. We have Richard Murray, the acting deputy minister, who I will have him introduce his officials here today in a moment.

But I will pass it off to the Provincial Auditor to introduce the officials on these chapters and make any opening comments.

[11:30]

Central Services

Ms. Ferguson: — Thank you very much, Madam Chair, Deputy Chair, members, and officials. With me this morning here is Ms. Volk. Ms. Volk is leading the work in the area of Central Services. Beside her is Mr. Victor Schwab; again he's worked on a number of the chapters that are before you. And beside me is Mr. Mark Anderson. Mark led the work on the use of consultants and also worked on the data centre audit here.

So before we launch into presenting the chapters, we're going to present each of them individually, pausing after each to allow for the committee's comments and considerations. Only chapter 30, which is the second one on the agenda, includes new recommendations. The other two includes recommendations that the committee has previously looked at and considered.

Before we launch into introducing the first chapter here, I'd like to just take a moment and thank the acting deputy minister and your staff for the co-operation that we received during the course of the work that's before the committee here this morning.

So moving right into chapter 3, which is in our 2014 report volume 2, that chapter reports the results of our annual integrated audit of the ministry. And we note on page 31 of that chapter, for the year ended March 31st, 2014, the ministry continued not to remove user access promptly. That's an item that we just discussed earlier for the Ministry of Justice, so it's quite common within a number of the ministries.

For the Ministry of Central Services, one-half of the individuals we tested did not have network access removed promptly, and just over 40 per cent of the individuals we tested did not have their MIDAS [multi-informational database application system] access removed promptly. We noted that in some cases access was not removed until 60 to 65 days after the individual's last day of employment. Not removing access promptly increases the risk of inappropriate access to the ministry's systems and data.

The chapter also notes areas of improvement from the prior year, and there's two particular areas. One is better IT security monitoring, and the preparation of accurate and complete year-end financial reports.

And finally as noted on page 32, in an effort really to streamline the recommendations that our office makes and to avoid duplication, what we've done is we've assessed one recommendation as being irrelevant and that we pick it up in another chapter. So we've just deemed that one irrelevant for the purposes of this particular audit.

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

The Chair: — Thank you, Ms. Ferguson. Mr. Murray, if you'd like to make your opening comments and discuss chapter 3, that would be great.

Mr. Murray: — Thank you, Madam Chair. Pleased to be here today to discuss the Ministry of Central Services operations and our work to integrate the recommendations of the Provincial

Auditor.

First before I proceed with my opening remarks, I'd like to introduce my staff. To my left is Greg Lusk, executive director of commercial services. To my right is Crystal Zorn, director of IT security. And behind me, I'll leave the committee to figure out which one is which, Bonnie Schmidt, acting CIO [chief information officer] on the information technology division; and Troy Smith, executive director of financial services.

Services offered by our ministry include property management, construction projects, mail and record services, transportation services, procurement, IT service delivery, and other functions. Today we've been asked to appear before the committee on three chapters related to varying business functions within the ministry. I believe we've made good progress on carrying out the integrated audit recommendations, i.e. 2014 volume 2, chapter 3. We also recognize that the auditor has made five new recommendations to do with processes to use consultants. That's in the 2014 report volume 2.

Government has been investing in technology and improving access to information for the public, and consultants are used by the ministry to help address demands on that front. The ministry has . . . The number of consultants varies from year to year and can be directly attributed to major modernization projects. Going back 10 years to the time of government IT consolidation, we had 100 IT consultants in place at that time, and then the numbers rise and fall over the past 10 years since that time, really based on the number of projects under way and the skills required to meet the technical needs of those projects.

As of March 31st, 2015 we're down about 25 per cent on the number of consultants from last year, from 79 to 58 consultants. Last year though, we had a very number of specific skill sets in short supply for a number of projects. These projects include the Linkin project undertaken by Social Services, which replaced an outdated system with an automated system that greatly improves that ministry's ability to track children in care. They also include the criminal justice information system or CJIMS, which consolidates four applications into one and creates a single repository of information on individuals in the justice system.

I was watching the proceedings from the previous hour out in the hallway on my portable device, and I note that, you know, it was discussed quite at some great length in the last hour. The PRIME [process renewal and infrastructure management enhancement] system and the integrated resource information system project, or IRIS, are both replacing systems that are 30 years old. They're helping the oil and gas industry complete a variety of tasks, from things like applying for licenses to submitting drilling and completion information. Projects like these help the province deliver the quality of service that our citizens expect, like keeping children in care safe and monitored, tracking offenders in the justice system, and helping support the oil and gas industry in the province.

I also want to take a minute to talk about the data centre security audit that was just released about two weeks ago as part of the 2015 report volume 1. The auditor has made some recommendations on our processes and policies, and again we're very committed to undertaking the work necessary to

meet those recommendations and address those recommendations. We believe the recommendations will help us strengthen the administrative processes of our security programs, but we don't believe there is a significant risk to government's data as a result of the gaps identified.

Our IT data centre provider is a subsidiary of a worldwide leader in the IT industry, IBM [International Business Machines Corporation]. They operate in 170 countries around the world, operate 19 data centres here in Canada, and in fact the Government of Canada last year selected IBM through a competitive process to provide and manage enterprise data centre space as part of their data centre consolidation initiative.

So I think it's important to understand the level of expertise and professional IT knowledge, particularly in the area of data security, the organization and its subsidiaries have available to protect our Government of Saskatchewan data. And the fact that they've been selected to be entrusted with an even larger piece of public sector data at the federal level speaks about their reputation in this regard.

The IT data security proficiency of that provider, combined with the fact that we have not had a security breach since IT consolidation began back in 2005, speaks to the high standards and the layers of security that we have in place to protect our data. And I think this is important when you consider the volume of traffic that we're dealing with. In the hour that we're going to be sitting around this table, there will be 10,000-plus attempts to crack our network. There will be, 200 of those will be very active virus attack attempts that will be filtered out through our various layers of security. This goes on 24 hours a day every day.

Can a breach happen to us? Absolutely the possibility does exist; no organization in the world is 100 per cent protected. And so it would be thoughtless to say it could never happen, but I'm very comfortable that we have the security processes, protocols, expertise, and resources in place, and we should feel confident in those measures.

I'd like to finish up my opening remarks with the message that while we have been working toward enhancing our ministry's services, we recognize that there are always areas for improvement, and we strive to fulfill those promptly and efficiently. We take the recommendations of the Provincial Auditor and her staff very seriously. We've worked hard to make progress in the areas outlined by the auditor, and we will continue to do so until all of these recommendations are implemented.

I thank you all for your time today, and we're pleased to answer any questions. I am prepared to speak to the individual recommendations chapter by chapter or to address general questions at the discretion of the Chair and the committee.

The Chair: — Thank you, Mr. Murray. I think we will focus on one chapter at a time here. So if I could open up the floor to questions for the 2014 report volume 2, chapter 3. Any questions? Mr. Wotherspoon.

Mr. Wotherspoon: — So if we're just focusing on chapter 3, thanks for the work on this front and the attention to the

important recommendations that are brought forward. I also appreciate the information that's contained in the status update. It allows us to be able to focus our attention.

As it relates to the outstanding recommendation that's been partially implemented, I know there's been some layout of some of the actions that have been taken to date and what will continue to occur until there's compliance. It says that the processes will be ongoing for the next year. Do you have a timeline towards implementation for that recommendation?

Mr. Murray: — Personally I believe that we would like to fully implement this by the end of this fiscal year. So we continue to promote the use of the employee checklist that the PSC has provided for employee termination, separations, and retirements. I acknowledge it can be difficult. Oftentimes removals or terminations are subject to extreme discretion and privacy and so sometimes, you know, folks just don't get the information in in time for us to meet the 24-hour turnaround.

We have, however, enhanced communications effort. I have sent reminders from myself to all managers reminding them again and again to remove user access in a timely manner. We also now have our internal audit group completing monthly audits of our own processes, and they provide that information to our executive team to follow up with individual managers who may need additional coaching in order to see compliance here.

Mr. Wotherspoon: — Thanks for that information.

The Chair: — Are there any further questions on this particular chapter, chapter 3? Mr. Michelson.

Mr. Michelson: — May I ask, can you define additional coaching? I find this recommendation is something that comes up time after time, and it's just a little bit disturbing that we can't get a hold of this and make sure that this access is . . . these actions are done in a timely manner.

Mr. Murray: — I would characterize additional coaching as, hey, please come on in; we need to talk about the employee terminations and timely follow-ups. And we've done that on a number of occasions. I think we have made great progress, and I really do think we'll close the loop on this one just with good management practices.

Mr. Michelson: — Thank you. This is something that's serious, and thanks for taking the action.

Mr. Murray: — Agreed. Absolutely agreed.

The Chair: — Thank you, Mr. Murray. Any further questions? Seeing none, this is a chapter with no new recommendation, so this committee can conclude considerations. Can I have a motion? Mr. Doke has moved that for the 2014 Provincial Auditor report volume 2, chapter 3, that this committee conclude considerations. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Moving on to the 2014 Provincial Auditor report volume 2, chapter 30. I'll pass it off to . . .

Ms. Ferguson: — I'm just going to, I'm going to pass it off to Mr. Anderson. Yes.

The Chair: — Mark. Oh. Okay.

Mr. Anderson: — Thank you, Ms. Ferguson. In chapter 30 of our 2014 report volume 2, page 163, we report the results of our audit of Central Services' processes to use consultants for the 16-month period ending May 31st, 2014. We did this audit because Central Services relies on consultants to carry out many of its responsibilities, and its spending on consultants increased 168 per cent for the last six years to about \$22 million. We also recognized that Central Services provided centralized support services to other government ministries and agencies. We concluded that Central Services' processes for the use of consultants were not effective. Our chapter contains five recommendations for the committee's consideration. I will describe why we made each recommendation.

In our first recommendation, on page 166, we recommend that Central Services establish a policy that guides when to use an employee as opposed to hiring a consultant. We found Central Services did not provide staff with guidance to help them determine when it is appropriate to use a consultant as opposed to using staff. For example, such guidance could include requiring the analysis of the cost benefit of each arrangement over the term of the service. Without such guidance, there is a risk that Central Services could establish a consulting relationship that is not necessary or appropriate in the circumstances or might spend more on consultants than it would acquiring similar skills through hiring and training of employees.

In our second recommendation, on page 168, we recommend that Central Services identify and document, prior to beginning the process of engaging a consultant, the reasons why a consultant is required. For over 70 per cent of the contracts we tested, we found Central Services did not consistently document why a consultant was preferred over using in-house resources. While staff expressed reasons for using consultants, it was unclear whether staff assessed why they selected a consultant over using an in-house resource. Not assessing the need for the use of a consultant and documenting this assessment increases the risk of hiring a consultant when not necessary or when it is not the most cost-effective approach.

Our third recommendation, on page 169, is that Central Services improve its agreements with consultants to include the following: the services to be provided, in sufficient detail to permit evaluation of consultant performance; provisions for monitoring and evaluation; and dispute resolution provisions.

[11:45]

For 17 per cent of the agreements with consultants we tested, the agreements did not have an appropriate amount of detail about the services to be provided. We also found that agreements did not specify to whom the consultant was to report, how the consultant would be monitored and evaluated, or set out the process to resolve a dispute. The absence of these provisions increases the risk that Central Services will not receive appropriate or adequate services. It also increases the risk that Central Services will not be able to effectively monitor

and evaluate consultants or resolve disputes.

In our fourth recommendation, also on page 169, we recommend that Central Services, prior to extending an agreement with a consultant, document the reasons for the need to extend the agreement. In almost one-half of the cases where agreements with consultants were extended, we found that Central Services did not document its reasons for extending the term of the agreements. This increases the risk that Central Services will decide to contract for unneeded services or extend agreements with consultants who are not performing at expected levels.

In our fifth recommendation, on page 170, we recommend that Central Services establish a policy that guides when and how to conduct the final evaluation of a consultant's performance. We found Central Services only informally evaluated the performance of consultants. It did not require final written evaluations of its consultants. Over 90 per cent of the agreements we examined did not provide for the monitoring or evaluation of the consultant.

Not setting out requirements on when and how to complete a final evaluation increases the risk that Central Services staff may not carry out effective evaluations. It also increases the risk that the ministry may engage consultants with past performance problems, which may in turn impact the quality and cost of the services provided. That concludes my presentation on this chapter.

The Chair: — Thank you, Mr. Anderson. Mr. Murray, I know you've made some opening comments; I don't know if you have a few more or any other remarks on this particular chapter before we proceed to questions.

Mr. Murray: — I can speak to the recommendations one by one if that's suitable.

The Chair: — Sure. Yes, that would be great.

Mr. Murray: — All right. Section 4.1 in chapter 30 of the first of the recommendations "... that the Ministry of Central Services establish a policy that guides when to use an employee as opposed to hiring a consultant," the ministry has taken this seriously. And we've already developed a policy to guide this decision, but before I talk about the new policy, I'd like to share that prior to the development of this policy, we did indeed have processes to determine if we had in-house expertise before going to market.

Our applications area of our ministry, which is the area most reliant on consultants, has a skills registry in place. That registry outlines the technical skills and competencies that each employee has and the technologies that they are trained in. Through that process, the ministry quickly and easily identifies when they require a consultant versus using an existing employee's skills.

As an example, SharePoint is a hot skill in the marketplace, in great demand, hard to find. We go to our skills registry. We identify that we do not in fact have appropriate SharePoint expertise within the ministry among staff, or that that individual is heavily engaged in a number of projects, and so our manager

makes a decision to proceed to hiring a consultant.

We do however take the advice of the auditor, that the auditor felt that those processes may not be formal or rigid enough, and so we prepared a consulting services procurement policy. That new policy came into effect on June the 1st, 2015 ministry-wide.

Those guidelines were developed to strengthen our management of consultants, improve agreements, and provide feedback on consultant performance, as well as ensure employees are following a consistent format for the use and management of consultants. Staff training sessions on the new policy are under way. It's been communicated widely to everyone involved in hiring consultants and will continue this month.

The Chair: — You know what? You can walk through each of the recommendations and we'll, I think, have sort of a broad set of questions.

Mr. Murray: — Okay, 4.2: "... Ministry of Central Services identify and document, prior to beginning the process of engaging a consultant, the reasons why a consultant is required." And this sounds similar to our response to recommendation 4.1, but I do again want to mention that we do have a skills registry in place in the application area. That's our most highly technical branch. This ensures we better understand the expertise we retain and what skills we have to go to market for.

I'll also note that the IT side of our business is not a huge shop. We've got less than 200 employees. Managers and directors in those areas know their staff very well and understand the skills and capacities that their employees have.

I will again mention that our new consulting services procurement policy requires that staff document the business case and the reasons, so we are formalizing the processes that have been used in the past for making use of an external resource rather than for making use of an internal resource, prior to undertaking any process to contract a consultant. And the policy also identifies the procurement processes to be followed, preparation of consulting contracts, the need to document any decision to extend contracts, and guides when and how to conduct evaluation of a consultant's performance.

4.4: "... Ministry of Central Services improve its agreements with consultants to include: services to be provided, in sufficient detail to permit evaluation of consultant performance; provisions for monitoring and evaluation; dispute resolution." Again we have always had steps to manage our consultant contracts. Through the competitive process, consultant proposals are evaluated, and the most qualified consultant at the best price is selected and retained. Our monitoring and evaluation of consultants continues to take place. All consultants have a direct manager who oversees the quality of their work and their output.

Now the auditor had recommended a more formalized process, and we have developed and implemented a more formalized process. The ministry's new policy identifies that the ministry should use standard consulting contracts that include details of the specific work to be done, roles and responsibilities of both

parties, standards of conduct expected, terms of the agreement, and monitoring and performance evaluation of consultants. We have consultants who do not perform up to snuff — just the same as, you know, perhaps employees — and those are dealt with by the individual acting manager on each of the projects.

Section 4.4: “. . . Ministry of Central Services document, prior to extending an agreement with a consultant, the reasons for the need to extend the agreement.” Again, a new policy I’ll describe in a moment should meet this recommendation. However I’ll note that my current practice since I’ve been in the chair for the last year — and I believe this audit was conducted for the period ending May 2014 — is that I don’t sign extensions without seeing an explanation or reason why the extension is taking place. This is submitted by an executive member to my office, and I sign off before any consultant is hired or extended. If I don’t see that explanation, I kick it back to the exec team member, back to the branch for a better explanation if we’re not satisfied with the proper justification noted.

The new policy will also assist in making expectations clear. It will have ministry staff provide more detail and documentation to address the auditor’s recommendations prior to extending the agreement with a consultant. And the policy identifies that when a contract amendment or extension is required, that the ministry documents the number of items as appropriate.

Required documented items now include: project or program area contracting the service; the changes being considered including services, schedules, and deliverables as well as the reason for the change; the change to roles and responsibilities of each party, including reporting relationships if any changes to those are required under the extension; the changes to the underlying business need or outcome required; the extension amendment or scope change proposed; the reason, value, length of extension, and outcomes and deliverables expected; the procurement method originally used to contract the consultant and any previously approved scope changes, extensions, or sole service contracts, etc.; the value of the current contract and all related contract extensions and scope changes, including expenses; and performance and specific results achieved by the consultant to date, along with rationale and cost-benefit analysis for continuing with the consultant’s services; and, perhaps most importantly, the alternatives to proceeding, or clearly identify the implications of not proceeding. These are things that perhaps were done informally in the past, and so our new procurement of consultant guideline document will formalize those processes and indeed has formalized many of those processes.

Section 4.5: “. . . that the Ministry of Central Services establish a policy that guides when and how to conduct a final evaluation of a consultant’s performance.” Again, we do currently have processes and criteria in place to monitor performance of our consultants. We have consultants that we will hire on a new basis for a new project because we are comfortable with their skills. They know how to deliver. We have consultants that we do not hire back because we are not satisfied that they were adequate performers.

And so in the past, the competitive process identifies the criteria they must meet. Each consultant, as I say, reports to a manager within the ministry. That manager provides direction, monitors

their performance, approves their time worked. The consultant is further monitored as every consultant is required to use something called time track. Time track is a time tracking system which chronicles their activities throughout the project. Time is tracked on a 15-minute basis.

Now the auditor outlined a gap in terms of the ministry having a formal evaluation of the consultant’s performance at the end of a project, more formal perhaps than in the past where it is decided by a manager we’re not going to reuse that consultant in the future. And that’s good; we think our new consulting policy will help the ministry address those concerns. The new policy identifies that the ministry will formally assess consultant performance and the service results delivered. The objective is to provide consistent and constructive feedback to improve future performance. The consultant’s performance assessment will be based on the complexity and scope of each of the assignments. The ministry will identify its performance expectations up front in the contract document and, as part of the project start-up activities, consultant and ministry will establish the frequency of those evaluations.

Previous performance of consultants on recent contracts will be considered in the selection process of future competitions. And in the case of a significant disagreement regarding the specifics of a performance evaluation, which will happen from time to time, the consultant may choose to formally follow up with senior management within the ministry.

And so that sums up the areas of our business that the Provincial Auditor has made recommendations for improvement on. We are very pleased with the work that’s been done by our procurement division on the development of the new procurement guidelines for consultants. As I note, it has been communicated widely throughout the ministry; training is continuing for anyone involved in acquiring consultants. But I just wanted to make the note that some . . . it’s not that we have not done any of these in the past, it’s that perhaps we have not done them to the level of formality that the auditor would like to see. And that’s great; we acknowledge the need for these recommendations and we’re committed to the fulfillment of them.

The Chair: — Thank you, Mr. Murray. I’d like to open up the floor for questions. Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks for the information. It seems to me that maybe the ministry might be suggesting that somehow systems were more adequate than they were. Anyways in the assessment of the auditor, there’s pretty big gaps here and pretty serious issues that have been identified. And certainly there’s big dollars of the public, of taxpayers, that are involved in these contracts, so it’s critically important that we have, you know, systems and safeguards, and to ensure that the public is getting best value for their dollar and that a proper accounting is in place.

I do appreciate seeing some of the measures that have been brought forward, and certainly we’ll be tracking that with — you know, the progress — with the auditor. But I do have a few questions, of course. What the auditor has found is that there was inadequate clarity in what was intended to be achieved, a lack of ability to ensure that what was entered into to be

achieved was actually being delivered on, a potential risk of having . . . engaging contractors that weren't required — in essence, waste of taxpayers' money. These are certainly weak and risky measures or policies in place that allowed this to happen. So certainly improvement is critically important.

Of course it's important to fix those systems and those policies to move forward, and I'm thankful for everyone, yourself as deputy minister and for all the officials, that are doing the work on a day-to-day basis and carrying out these improvements as well. But I was, I'm interested in making sure of course we get it right on a go-forward, but there was a lot of contracts that were entered into over the course of the number of years, some of which I suspect are multi-year, some of which will impact budgets moving forward.

So I guess my question would be, have you done a full review — certainly if not for all of government, certainly for Central Services contracts that have been entered into — to go back and apply the lens that the auditor has placed on this, and to I guess seek to see that value is being provided and that dollars aren't being wasted?

[12:00]

Mr. Murray: — I'll note that no, it is not our intent to do a full review. We do many hundreds of contracts every year. I'm satisfied that there has not been waste. Our AMS [application management services] division has delivered on many hundreds of IT projects. They are experts in the area of application development. I'm very comfortable that they are doing a great job there, have done a great job there, and continue to do a great job there.

I am comfortable that we have had processes, perhaps informal, that guide on final performance reviews, on the delivery of services, of when to use a consultant and when not. Oftentimes these are just based on resource shortages in the sector or resource shortages in the city or skill set shortages within the ministry. I'm actually fairly, I'm very confident that we have delivered IT projects to the good of government to help address the need for citizen services. And so no, we have not gone back and done, conducted a full review, but we have implemented our new consulting services procurement process and policy in order to address and formalize processes from the past.

Mr. Wotherspoon: — Okay, I won't take direct criticism to a senior official conducting the work of government. I appreciate your work. But I would be critical of a minister and a cabinet for not taking an interest in a scathing report like this, identifying big gaps and hundreds of millions of dollars that are being expended, to not go back and have a fulsome review at least on a risk-based, in a risk-based way to ensure value for the public. So I'm disappointed that that hasn't become a priority of cabinet and the Premier in light of this, in light of this report.

You did mention, I believe, in your comments that sometimes vendors or those that you're contracting with, that their work, I believe the quote was, may not be up to snuff. Could you provide some examples, some of those examples of the type of work and the scope of a contract and the value of those contracts for which you've identified where the contractor's work wasn't up to snuff?

Mr. Murray: — No, I don't have specific details, nor do I think it would be fair to the companies represented. But I can assure you that we're all humans. We have top performers. We have perhaps skill sets that don't necessarily meet the needs of the project. And so on an ongoing basis . . . I think the point I was trying to make is that there was perhaps an implication that we don't monitor performance of our contractors, that they just continue to operate regardless. That is not true. We monitor the performance of our contractors. If they are not performing adequately, they are no longer working on the individual contract or in that area. That's an ongoing exercise, and we continue to do that.

Mr. Wotherspoon: — Okay. So I think that some of the processes that the auditor's laying out here about very clear specifics around what's intended to be achieved and evaluation of what a specific contractor's bringing to the table should be able to assess on the front end whether or not skill sets are appropriate, as opposed to where dollars have flowed.

And when I speak to the examples that you might cite, to where you shared that contractor's work may have not been up to snuff, I don't need specific names of companies, but it's interesting I think and valuable to the public to know how much of the budget are we talking here. What value of contracts are we looking at that weren't performed adequately? And I guess as well, what mechanisms does the government have to recover dollars from contractors who, as was stated, may not have skill sets that are appropriate for them to be engaging in that contract?

So I guess just, you know, I certainly see that comments like this really do lend itself to the importance of strengthening process. But could you speak specifically to where you're looking at potential poor performance or not adequate delivery of outcomes from your perspective or, as you said, where performance wasn't up to snuff? What sort of value of contracts are we talking about?

Mr. Murray: — I'll give you an example. We've got a number of contractors involved in project management work. We do assessments on our projects, project by project. Is it on time? Is it on budget? Early on in the process, we see that a particular project manager maybe is having difficulties with seeing the project through to get it on time or on budget. Those shortcomings are identified early. We will shift projects away from that particular consultant and to some of our higher performers. This is not impacting large dollar volumes. They get identified early and often, I'm going to suggest.

Mr. Wotherspoon: — So there hasn't been, in light of the scathing report — and no criticism of yourself, you're delivering government based on what cabinet is directing you to do, but a criticism of cabinet — there's been no review, at least on a risk-based approach, to contracts that have been entered into, dollars that are flowing, many of which will be multi-year. You have identified that there's problems with some contractors not having the skill sets that are required, even though they are in receipt of dollars and a contract, and then you talk about some of the processes that you deal with to transfer responsibility.

My question would be how many . . . have there been dollars

recovered by government through these processes where a contractor hasn't performed, where a contractor engaged in a contract for which their skill sets weren't appropriate?

Mr. Murray: — I think I gave small examples, and I think they're being converted into large examples here. So this is management of individual consultants on a day-to-day basis by our management team. I think there was an implication that we don't do that. Of course we do. We manage those contractors just as we manage our staff. And so the difference, I'm not going to say the difference, the key point is that if contractors are not performing adequately, they are quickly removed from the system and no longer part of that project.

I am very proud of the work that my AMS team does. We deliver projects. We strive to deliver projects on time and on budget and to the good of the people of the province, and I'm very proud of our record in that regard. To go back through many, many hundreds of contracts, back to 2005 when we first consolidated IT, I'm not sure what the merit in that would be.

We've addressed . . . we've heard the auditor's recommendations that the auditor would like to see more formal processes around this. We have agreed in some cases that those formal processes are a great idea. We have developed our consulting services procurement policy in response to those comments and recommendations. We have communicated widely throughout the ministry, so we have changed some of our processes in order to address those concerns. But I do not have any concerns regarding a failure to deliver projects, a failure to deliver projects on time, or a failure to deliver projects that meet the needs of the citizens of the province.

Mr. Wotherspoon: — Okay. Well getting critiqued plays to, you know, to cabinet, those directing the activities and setting a mandate. I think that the report of the auditor has some pretty big gaps with a whole bunch of spending that's in place. And certainly it would be not necessarily in the public's interest to go back and analyze every contract, but it certainly would be in the public's interest to have an understanding of going in in a risk-based way where big contracts exist, where dollars continue to flow because I think the reality is there's probably examples of contracts that were entered into with weaker, inadequate provisions that the auditor has identified where dollars continue to flow to vendors or contractors today.

And you know, at the very least it would seem to me to be important for those multi-year commitments to be reviewed in light of the auditor. And they may hold up to scrutiny, but I'm disappointed by cabinet that they wouldn't see it in the public's interest to have, after has been identified pretty big gaps in procurement that place the public dollars potentially at risk, that there wouldn't be a review of those multi-year agreements. So I'll leave that for the record, and I'll leave that for cabinet.

The comment around any costs that were recovered, I believe there weren't any costs recovered. You didn't identify any costs that were recovered.

Mr. Murray: — I will note that, as part of our contracts, we will withhold payment if services are not delivered appropriately. So it's not a matter of retrieving dollars back from contractors. It's a matter of withholding payments because

of the lack of satisfaction with the services delivered.

Mr. Wotherspoon: — Okay. And the risk, of course, identified by the auditor is that you may have contractors engaged for which there's not defined clarity as to why they're there or what they're intended to achieve, and the potential then is that you have somebody engaged that isn't required. So again just pressing to the importance of that matter.

When it comes to contracting, we see the increase in government at large, but in Central Services itself, just over a course of a couple of years, '11-12 to '13-14, sort of 100 per cent increase in excess of that from, you know, 9.6 million to \$21.6 million. What's driving that? Is that one big contract? Is it many things? Is it a certain project? If you can give us some clarity on that spending.

Mr. Murray: — It's many contracts. As I've noted before, our consultant and contract numbers on the IT side vary from year to year and have done so. We rely on consultants to deliver our services and we always have. That's just part of the nature of running an IT operation.

Unfortunately there aren't enough employees on earth to be able to have all of the many skill sets necessary in a very, very complex and technical world where we've got things like Oracle financials and Oracle HR [human resources] and SharePoint, and never mind the older technologies that we support that go back 10 or 15 or 20 years. And so we use consultants today. We always have. As I say, our number as of March 31st was down from 79 to 58. That's just a reflection of the workload that's under way. The numbers over the last 10 years vary. They go up, they go down, depending on the workload. So yes, last year we had a large number of consultants because there was a large amount of work under way.

The work, you know, I can go into some of those, but we are working hard to modernize some of our largest systems in government. There's the Linkin project undertaken by Social Services that replaces their greatly outdated system with an automated system that greatly improves the ministry's ability to track children in care, a very important initiative.

You heard about the CJIMS, criminal justice information management system, last hour. That's a joint effort between Justice and Central Services, and again that takes a number of older systems — the young offenders system, the adult corrections system, the court management system, the fine payment system — and combines them all into one modern system, again a system using newer technologies. And so we've relied on consultants to be able to deliver on that project. Consultants and others were accountable. The project was monitored and managed so much so that that project has had extremely positive third party health checks, and they're continuing on pace to be delivered six months early. Very proud of that achievement.

The process renewal and infrastructure management enhancement system, or PRIME, modernizes the Ministry of Economy's oil and gas business. It's replacing some systems that are 30 or 30-plus years old. That system will support the oil and gas businesses processes. And so with PRIME and IRIS,

the industry will be able to apply for licences online, submit drilling and completion information, attach reports and other information to a well, view and track well and facility infrastructure information, submit spill data online. You know, while oil prices are down right now, commodity market volatility is to be expected over time, so when it does . . . PRIME and IRIS will help enable Saskatchewan and its oil and gas industry to be ready for continued growth, activity, and investment.

So that's a pretty, pretty significant workload of significant and large projects. Those projects have required the use of consultants, and so last year the number of consultants perhaps was up. This year we're looking to be down somewhat based on the workload required. So we, you know, will acquire and use consultants as needed.

Mr. Wotherspoon: — Thanks for the information. Of course we can break out some of the numbers that are in the public accounts for the certain pieces. Thanks for talking about some of the specific projects that are driving some of the costs that are some of the focus.

I have a question. Are you gathering in your information what portion or proportion of contracts are related to expenses around accommodation and meals and per diems, all the travel side of a contract with a provider?

[12:15]

Mr. Murray: — We track pretty significant information through our time track system. Just one second, just to get some clarification on this point.

Mr. Smith: — Troy Smith, executive director, financial services with Central Services. So specifically related to accommodation and travel-related expenses for consultants, those charges are built into the numbers that you see in the report here, and the contracts will state that those accommodation and travel charges are paid at government rates.

Mr. Wotherspoon: — Okay. So then do you have some tracking, some understanding of . . . like a fairly clear general cost of what proportion of a certain contract would be, or maybe even quite specifically what proportion of a given contract would be for sort of travel . . . to accommodation, meal, otherwise?

Mr. Smith: — So contracts typically will state a maximum amount of travel, if that's required. However the rates will vary, you know, significantly depending on where they're travelling from and those sorts of things.

Mr. Wotherspoon: — No, fair enough. But do you have some sense of clarity just as far as what, on a given contract, what the costs are related in those areas, either a specific amount or by way of a proportion to an amount? And of course it's going to vary, contract to contract, based on the nature of the contract, the project that they're engaged in.

Mr. Murray: — I'll speak to this if I may. On any given contract, we have a requirement that time track details have to be entered, as I said, on a 15-minute increment. I believe meals

and travel are included through the time track process. So on any individual contract, yes, we could absolutely have that sense. On many contracts it would require a significant amount of digging to go through the time track system and pull those out on a contract-by-contract basis.

Mr. Wotherspoon: — Okay. So you have the information and it's maybe part of the important information in assessing, you know, sort of the value for money and how you're managing a specific contract and what costs are incurred. I was disappointed recently to have a request for information come with a bill for \$12,000 to drill down on some of this information. And I don't think . . . That obviously didn't come directly from your office, but I do appreciate that that information is being collected, and I'm sure in part it's something you're evaluating within your contracts.

Mr. Murray: — Yes, absolutely evaluated, monitored, and tracked. I will note though that sometimes these freedom of information requests can require . . . I don't think there's an appreciation that to go back to 2007 or 2010 or something and track through many hundreds of contracts would require our staff to go contract by contract and then reference it back to our time tracking system which contains, as you could imagine, 15-minute increments of time and travel and expenses. And so that might be many spreadsheets worth of information on a project that might take a year or six months, and so the level of effort required can be significant.

We're always happy to oblige on a freedom of information request but, in all honesty, on a request that would require us to go back for many years really does, you know, require a significant or Herculean amount of effort at times.

Mr. Wotherspoon: — Well, systems that are going to ensure this information that's already been collected is being managed in a way that's readily accessible is of course important in itself. But I'll leave that point for now. Anyways, this is an important chapter. There are significant gaps identified by the auditor. Certainly I would want to leave you as an official and your other officials and those that work in the ministry, my thanks for the work that you do. But it's critically important that we have as robust of policies as possible to of course manage contracts and ensure best value for taxpayers.

And you know I think that there's a . . . I would aim not to enter into sort of the policy field debate that could also occur around these matters that appropriately can fit into some of the other committees. This, being the Public Accounts, is about process. It's about the Auditor's report. It's about systems and controls. But I think there is an important discussion to be had with government proper, if you will, and the cabinet and the Premier about, you know, going well beyond Central Services and some of the unique work that you do here. But when we look across government, this penchant for contracting and outsourcing and privatizing, and doing so with some pretty weak controls in place.

But what I do want to say to you is thank you for your attention to these recommendations. And to your officials, thank you for your daily work within the ministry on behalf of Saskatchewan people.

The Chair: — Thank you. Are there further questions? I actually just have a couple. You had talked about some of the difficulty where you don't have in-house expertise, and you talked about SharePoint. How difficult is it to manage a contract when you don't have some of that in-house expertise? Can you give us a picture of what that looks like?

Mr. Murray: — Not difficult at all. If I think I'm understanding your question, our AMS team have experience managing both staff and contractors in a wide variety of technologies. So those managers needn't have expertise in SharePoint in order to understand how to manage those who have expertise in SharePoint. So they measure their deliverables in terms of millions of lines of code per month, or in terms of meeting the, you know, specific timelines that are laid out as part of the project charter up front. And so I would suggest no, not a challenge.

The Chair: — Okay, thank you for that. Just a second question here around percentage. There's lots of talk about IT. I'm just wondering about the general mix. I know it changes year to year when different projects come up, but heard lots of talk about IT. Can you give us a picture of what some of the other kind of work a consultant, consultants would be doing?

Mr. Murray: — Project management, again on the IT side, would be very common. We do have project management on the construction side of the business, so we also do construction, construction and building maintenance on our portfolio of 750-plus buildings. That would be the bulk of the contracted resources.

The Chair: — Okay, thank you for that. Any further questions on this particular chapter? Seeing none, let's move through the recommendations. What are the wishes of the committee for the 2013 Provincial Auditor report volume 1, chapter 27 and the recommendations?

A Member: — Chapter 30.

The Chair: — Sorry, sorry. I'm back in Justice . . . [inaudible interjection] . . . Yes I do. Sorry about that. The 2014 Provincial Auditor report volume 2, chapter 30. I think I'm feeling a little faint from hunger here. What is the will of the committee with respect to these? Mr. Doke.

Mr. Doke: — Thank you, Madam Chair. On recommendations 1, 2, 3, 4, 5, we would concur with the recommendation and note compliance.

The Chair: — Mr. Doke has moved that for the 2014 Provincial Auditor report volume 2, chapter 30, recommendations 1 through 5, that this committee concur with the recommendations and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. All right, moving on to the 2015 Provincial Auditor report volume 1, chapter 5. Ms. Ferguson.

Ms. Ferguson: — I'm just going to turn it over to Mr. Anderson to present this chapter.

Mr. Anderson: — Thank you, Ms. Ferguson. Chapter 5 of our 2015 report volume 1 contains the results of our audit of Central Services processes to secure the data centre used to house information technology — that is, IT — applications and data of ministries and 10 government agencies. This includes applications and data that are essential to provide government services such as ministry, financial, and payroll systems, and systems to support Social Services, Education, Corrections, and other government programs and services.

Since 2010 Central Services has hired a third party service provider to operate the data centre at a cost of about \$30 million per year. While it has hired this third party service provider, Central Services remains responsible for keeping the data centre secure. By secure, we mean showing management commitment to security, protecting applications and data from unauthorized access, having adequate backup and disaster recovery plans in place, and making sure change management processes and operational processes exist and are followed.

The chapter notes some areas of improvement. We found Central Services updated its IT risk management policy that requires the identification and oversight of risks. We also found that it more actively monitors its data centre service provider.

The chapter also identifies five areas of concern with Central Services processes to secure the data centre. First, as noted on page 40, we found that Central Services continued to allow insecure methods for accessing systems and data. We found it permits certain accounts to use weak passwords and passwords that never expire. It permits users to access the network using older remote access methods. Also it gives certain users the right to change settings on computers and install programs without seeking additional authorization. This increases the risk of viruses and malware.

Not addressing these issues increases the risk of hackers gaining access to the network and client data. As a result, we continue to recommend that Central Services adequately restrict access to systems and data.

Second, as noted on page 41, we found Central Services did not know the level of sensitivity of data stored for each client in the data centre; for example, whether it contained personal information or confidential data, or track what particular information was on each server within the data centre. We noted that by December 2014, it started to collect this information. Without this information, it does not know if it has configured each of these servers appropriately.

Also we found just over 5 per cent of the nearly 1,000 servers it manages were not properly configured and about 36 per cent of them used unsupported operation systems. This increases the risk of someone hacking into a server. We found two-thirds of the servers we tested were not updated to address known vulnerabilities. Furthermore, network equipment like firewalls at the data centre, used to protect the centre from hackers, were not properly configured to restrict access. Not properly configuring servers and network equipment or keeping them up to date increases the risk of a security breach. As a result, we continue to recommend that Central Services adequately configure and update its server and network equipment to protect them from security threats.

Third, as noted on page 42, we found that Central Services still did not have a complete and tested disaster recovery plan for the data centre. We first raised this concern eight and a half years ago. Central Services' current agreement with its data centre service provider requires only that the service provider provide best-efforts recovery services in the event of a disaster. Also we note that a few ministries — for example, Social Services, the Ministry of the Economy — have signed separate disaster recovery agreement with service providers.

Not having a complete, tested disaster recovery plan increases the risk that critical systems and data will not be available when needed. Also, having multiple agreements may not result in an effective, efficient approach to disaster recovery. As a result, we continue to recommend that Central Services have a disaster recovery plan for the data centre and client systems.

Fourth, as noted on page 43, we found Central Services did not provide ministries and agencies it serves with sufficient reports on IT security. Each ministry and agency is responsible for its own IT systems and data. They need good information from Central Services to understand whether Central Services is effectively securing their systems and data, to know what security issues exist, and how these issues could impact their systems and data. Not providing such reports means that ministries and agencies are not appropriately informed to make decisions about the security of their IT systems and data. As a result, we continue to recommend that Central Services provide relevant and timely security reports to its clients.

[12:30]

The fifth and final area of concern, as noted on page 44, is we found that the ministry had not finalized or implemented IT security policies in a number of key areas such as physical security, access control, and incident management. Our office first raised this concern six and a half years ago. Not providing such policies increases the risk of inconsistent and inappropriate security practices across clients, increasing the risk that security will be breached. As a result, we continue to recommend that Central Services establish information technology security policies for its clients.

Overall, securing IT systems and data is important. At this time the government faces a continued risk that ministry systems and data will not be available to provide services, and ministry systems and related data may be inappropriately modified or accessed. That concludes my presentation.

The Chair: — Thank you, Mr. Anderson. Mr. Murray, would you like to make some remarks about the recommendations?

Mr. Murray: — Yes, thank you. I'll go through them again one by one. So to address the seven recommendations, first off 5.1, that the ITD "... follow its established processes to identify and manage risks related to the data centre," we are pleased that the auditor now finds this recommendation to be implemented. In order to meet the recommendation, a risk officer was assigned and updates were made to our risk registry, and we have updated our risk management policies and governance processes. We began carrying out quarterly reviews, so the risk registers with our executive committee, in January 2015. And we're pleased that this work meets with the

auditor's requirements and that this recommendation is considered to be implemented.

5.2, that the ITD "... monitor whether its service provider meets its security requirements," the ministry and its service provider have implemented audits and reports for firewall patching and patching of other security equipment. Our service provider supplies us with an annual compliance audit of all the data centre's security policies and specifications related to Central Services. The service provider commissions an independent third party audit of its facilities each year. That report is provided to Central Services, and we in turn provide it to our ministry clients. And furthermore, the service provider is now carrying out new compliance audits as new technology platforms are implemented. And we are pleased to note that this recommendation is now considered to be implemented as well.

5.3, that the ITD "... adequately restrict access to systems and data." And so in order to meet this recommendation, we need to work with our client ministries to share information so that they understand and can make decisions about the level of user access. And so to educate and inform our clients, we now provide three reports to ministries to ensure that they're aware of access and password issues and to make certain users only have the access that they require.

The first of these is a stale account report that identifies accounts that have not been used for at least 30 days. We provide that every two weeks to all ministries. That gives a ministry an opportunity to look and say, "Gee, Jim doesn't work here anymore" or "Jim is away on indefinite leave." So they're always aware of accounts that haven't been accessed.

Second is a password report identifying users who have passwords that do not expire. This is something that we greatly discourage, and I'll talk a little bit more about that in a bit. That is sent out monthly.

And the third and final report is a folder permission report, and that identifies who has access to which folders within the network drives. That's sent out quarterly.

The auditor noted there are technical accounts that do not have expiring passwords. These accounts are technical accounts. They're actually used by services so they are not used by government users or client ministries. They are accounts that are used by services internally. Our new standards require that these passwords are more complex. They place increased restrictions on log-ons and include additional oversight by our information security branch.

The auditor noted that certain users in the past were given local admin rights to the computers that they used. This has been a long ongoing problem in government. In many cases users had local admin rights to access applications in order to carry out their work. However I'm proud to note that we very recently carried out ... We've upgraded 13,000 machines in government to Windows 7. One of the primary drivers behind that upgrade to Windows 7 was that we would have better security control at the desktop level than we used to have under Windows XP. That rollout is virtually complete, and I'm happy to note that almost 90 per cent of the local administrative access across government was eliminated. In addition, any individual

with local admin access now requires a complete documentation. They have to fill out a form justifying why they require it. They have to have it signed by a senior official within their ministry, and they have to accept and acknowledge the risk associated with it. And so we think that's a great improvement there.

Within our own ministry, changes to internal processes to ensure access is restricted. We reduced the number of stale accounts by 70 per cent, and we have completely eliminated all non-expiring passwords within our own ministry.

The auditor also noted that older remote access methods were allowed by ITD, so there was a risk that employees could access the network from locations other than their office. Since that recommendation was made, we have retired one legacy remote system — gone, no longer in use — and we are retiring other methods this fiscal year. And going forward, our standard remote access technology used by government is secure and modern.

Shall I press on?

The Chair: — Certainly, yes.

Mr. Murray: — Thank you. Section 5.4, that the ITD "... adequately configure and update its server and network equipment to protect them from server threats." And Central Services and our data centre service provider reviewed the patch management process so patches will come out periodically — this is a critical security patch; it's an optional security patch — and then we have many hundreds of servers that those patches need to be installed on. The results of our review were added to the agreements that we use to govern our security in the data centre. We carried out a formal review of the network security agreement and revised the technical specifications.

I had an interesting chat the other day though that some of the machines that require patches and have not been patched are machines running older technologies, perhaps obscure applications that are only used by a very small number of people. But it's important to note that that unpatched machine is sitting underneath many layers of security, so there are firewalls. So in order to violate the integrity of that machine or those few machines — and there are very few of them, and we are working hard to eliminate them — one would have to break through multiple layers of security to get to that level. And you know, I'm not going to say that's impossible, but it makes it very difficult. And so we conducted a review of firewall rules, firewall policies, and firewall change management processes in '13-14. I think, good progress made there.

Section 5.5, that we have a disaster recovery plan in place. As the auditor noted, we do have signed service agreements with all of our clients, and these agreements include a section related to applications and each ministry's requirements regarding disaster recovery. Disaster recovery plans are a joint effort by the IT division and the ministries who need to identify their specific business and application needs in the event of a disaster. We have worked with different ministries to ensure that our critical business applications are supported in case of a disaster.

So for example, MarkView and MIDAS, primary financial systems used by the Ministry of Finance and across government; the social work information network, otherwise known as SWIN; Linkin, the JD Edwards application for management of social housing; the PRIME and IRIS oil and gas mainframe systems, we've taken special measures.

All Government of Saskatchewan data is backed up with our Government of Saskatchewan data centre and copied to tape. The tapes are catalogued, moved to a secure off-site storage facility on a regular basis to ensure safety in the event of a disaster. That process is tested regularly.

We are however exploring options such as a secondary data centre to provide critical IT services, for example mail and network access in the event of a disaster. We understand the need to enhance our disaster recovery plans. We do improve them iteratively every year and will work with our clients to enhance agreements regarding disaster recovery needs and reporting, and hope to meet the auditor's recommendation.

This is a tough one. There are many hundreds of applications, in fact perhaps many thousands of applications, so it will take time to see that one through.

Section 5.6, ITD "... provide relevant and timely security reports to its clients." This is partially implemented. I believe it is now implemented and we look forward to a future audit in that regard.

We provide 19 reports related to security to clients, including those related to user-level security and access controls. These are new. We have developed those annual IT security reports this year. Our first batch of reports was issued to each of the ministries in April of this year. And I want to thank my staff for their attention to those reports, really did a bang-up job on them. We believe that this recommendation is implemented now, and we look forward to confirming this with the auditor in 2015-16.

Section 5.7, ITD "... establish information technology security policies for its clients." The status is partially implemented. Again we believe that this will be fully implemented this summer. So we have drafted a set of revised security policies and standards. These policies are based on common practices of other jurisdictions in Canada and on the practices of the industry. We will finalize those policies shortly, this month. And once they've been approved, they will be posted on the government's intranet site for our clients' use.

We have worked with the Public Service Commission and Ministry of Justice to modernize and simplify our employee security policies, and this includes the government's IT acceptable use policy.

We are working to expand our security training and awareness program, and we believe this recommendation will be implemented, as I say, this summer. And again we look forward to the auditor's comments on it on our next audit.

The Chair: — Thank you for your time, Mr. Murray. Let's open up the floor for questions. Any questions? Mr. Wotherspoon.

Mr. Wotherspoon: — Well I appreciate the attention to these matters and significant recommendations put forward by the auditor, significant actions that I see by government, timelines that are becoming closer towards implementation. And certainly that's important. I'm certainly not a technical expert on, you know, the privacy of, or the security of an IT system. I'm a bit of a tech Luddite in general; I struggle with Twitter and my BlackBerry at times. But I do recognize the importance of security on these fronts.

And I think, you know, in many ways we are given a small reminder here today with the federal cyberattack that we see here today that's taken down government websites and impacted significant operations, as I understand here today. I guess my question would be, are there impacts to Saskatchewan as a result of the cyberattack here today that's impacted the federal government?

Ms. Zorn: — Good afternoon, my name is Crystal Zorn. I'm the director of IT security. We are keeping close track of the situation with the federal government, and at this time there have been no impacts to the Government of Saskatchewan.

Mr. Wotherspoon: — Is there a communication from the federal government back to the province of Saskatchewan? I don't know how the systems might interface or where risks might be present.

Ms. Zorn: — So we work very closely with Public Safety Canada, and Public Safety Canada has an entire subdivision devoted to cybersecurity. And there's a cybersecurity incident response centre that each jurisdiction across Canada works iteratively and interactively with.

Mr. Wotherspoon: — Well we'll track the, you know, this piece hopefully where we're secure and protected. Maybe there'll be something to learn as well, as to how this breach or this attack occurred that might allow Saskatchewan to be further protected.

I'd be interested in hearing if there's been breaches to our system over the past number of years. Have there been breaches to that system or access to information that shouldn't have occurred, beyond some of the, you know, what might be . . . Well maybe I'll leave it to you to be specific about what type of breaches would then have occurred.

Ms. Zorn: — Well every year there's multiple attempts to access the Government of Saskatchewan network. To date we have not had a security incident that's resulted in a loss of data or a compromise to Government of Saskatchewan data.

Mr. Wotherspoon: — And the attempts that you're recognizing — and good work in doing so and protecting the data — are you able to speak to what you're identifying as the sources of those breaches? Are these individual citizens? Are they interests of a different country? Are they commercial interests?

Ms. Zorn: — The bulk of incidents actually come from the Internet and are not targeted towards the Government of Saskatchewan. So at this time we're not seeing specific commercial or nation-based attempts on the Government of

Saskatchewan.

[12:45]

Mr. Wotherspoon: — So you haven't . . . Thank you for that information. So there hasn't been anything identified that could have been a commercial interest or a very, a specific breach by an individual or organization or a nation?

Ms. Zorn: — To date, that is correct. We have not had any indications of that; however, constant diligence is required.

Mr. Wotherspoon: — Sure. No, I appreciate the work on this front. Just recognizing the data that's collected, it's actually broad when you think about it. Of course it's down to, you know, my own personal health record to, you know, interests around that relate to sovereignty and our resources, and interests that could undermine very important industries here in Saskatchewan. And certainly there are potential actors or players out there that might have an interest in some of that information, just undermining, whether it's the private, personal information or whether it's the sensitive, private, commercial information relating to resources or environment. This is important, important protection that you're providing, so thanks for your attention to it.

The Chair: — Are there any further questions on this particular chapter? Seeing none, as this 2015 Provincial Auditor report volume 1, chapter 5 has no new recommendations, this committee can conclude consideration on this chapter. Mr. Doke.

Mr. Doke: — So moved, Madam Chair.

The Chair: — Mr. Doke has moved that for the 2015 Provincial Auditor report volume 1, chapter 5, that this committee conclude considerations. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. So thank you so much to the officials: Mr. Murray from Central Services, for your time and your information that's always very helpful, and again for your thorough attention to the status update. It's very helpful for our committee in forming our questions and understanding where you're at. So thank you so much. Would you like to make some closing comments?

Mr. Murray: — I'd like to thank the committee for their time today. I'd also like to thank my staff for their attention to these recommendations and for their continued good, good work in addressing these recommendations and in meeting the requirements of Provincial Auditor. The Provincial Auditor helps us all do a good job better. So thank you.

The Chair: — Thank you for that. This committee stands recessed until 1:15.

[The committee recessed from 12:47 until 13:18.]

The Chair: — Hello everyone. Welcome back to Public Accounts. I look forward to an afternoon of talking to Finance and the Environment today. But before we get started, Chris

Bayda with the Provincial Comptroller's office has an introduction he'd like to make. Chris.

Mr. Bayda: — Thank you very much, Madam Chair. Yes, with me today I have Justin Moen. Justin is a financial manager with the cost recovery unit in the provincial disaster assistance program, so he's with the Ministry of Government Relations. He joins me here today as part of the government's corporate mentorship program, so we are mentor and mentee. And yes, he's here to observe the proceedings of your committee this afternoon.

The Chair: — Thank you, Mr. Bayda. Welcome, Justin, to Public Accounts, and welcome today to the deputy minister of Finance or the Economy . . . Pardon me, Clare Isman, Finance. That's tomorrow; Economy's tomorrow. Welcome.

We will start with the 2014 Provincial Auditor report volume 2, chapter 9. I will pass it off to our Provincial Auditor, Ms. Ferguson, to make a few remarks and then, Ms. Isman, you can make your remarks and introduce any officials you need to. Thanks. We'll pass it off to Judy.

Finance

Ms. Ferguson: — Thank you very much, Madam Chair, Deputy Chair, and members, officials. With me this afternoon I've got Ms. Carolyn O'Quinn, and Carolyn's responsible for the Finance portfolio. Behind her is Ms. Kim Lowe who is the liaison with our committee.

This afternoon we're going to present the chapters in the order that they're presented on the agenda. There is two chapters that are related to each other, and it's the 2012 report volume 2, chapter 30 and the 2014 report volume 2, chapter 42. They both relate to internal audit in ministries, so we'll present those two chapters together. Other than that, we'll follow the agenda, the ordering of the agenda, and we'll be pausing after each presentation for the committee's consideration.

So without further ado, I want to just take a moment and thank the deputy minister and her officials for the excellent co-operation we received in the course of the suite of work that's before the committee this afternoon. We greatly appreciate the level of the co-operation. And to just do a quick plug in terms of last week, we signed off on the summary financial statements as auditors. For us it's a big hurdle, and again it takes the efforts, coordination, and co-operation of the ministry to meet that hurdle. So we really appreciate that.

I'm going to start on chapter 9, which is in our 2014 report volume 1, and that contains the results of our annual integrated audits of the ministry and six agencies with the March 31st, 2014 year-end. The chapter highlights five concerns related to the ministry that was previously discussed with this committee. So in saying that, there's no new recommendations for the committee to consider.

The five areas are, as noted on page 64, the ministry needs a better process to estimate and record a resource surcharge revenue, to estimate and record the resource surcharge revenue earned during each quarter. In 2013-14 the resource surcharge revenue — a tongue twister — was approximately \$437

million. We noted that the ministry expects to complete the development of its revised reporting model for certain sectors within 2014-15. So you know, good progress during the year.

So as noted on page 65, the ministry needs to require the Ministry of Central Services to complete disaster recovery testing on the Ministry of Finance's critical systems annually and resolve any issues identified from that testing. Various IT systems critical to Finance's operations are located in the Ministry of Central Services data centre. This includes the ministry's debt and investment systems. Finance was aware that Central Services could not give it assurances that Central Services could recover Finance's key systems in a timely manner. By March of 2014, the ministry had not yet determined how it was going to respond to these risks.

As noted on page 65, the ministry needs to ensure staff consistently follow established procedures to remove unneeded user access to IT systems and data promptly. While its systems improved, problems continue, in that our testing identified nine instances where user access was not removed promptly. One was not removed until almost 10 months after the last date of employment. Not removing user access promptly increases the risk of inappropriate user access.

As noted on page 66, that Finance needs to publicly report on the performance of its investment in sinking funds. At March 2014, the government had \$1.73 billion in investments of sinking funds with annual earnings of 63.9 million. These investments are set aside to repay the government's debt. By March 2014, public information on the performance of sinking funds was limited to that included in the summary financial statements. We found that it didn't include an analysis of actual returns to performance. That's one example of further information.

So as noted on page 67, the ministry needs to complete its documentation of key treasury management procedures. The ministry was making progress in this area and expected to complete this work in 2014-15. The chapter also notes a number of areas where they've implemented recommendations, for example, related to corporate income tax and receipt of better information to enable monitoring of services provided by the Ministry of Central Services.

So that concludes our presentation in this area.

The Chair: — Thank you, Ms. Ferguson. Ms. Isman, would you like to make some comments?

Ms. Isman: — Thank you very much, Madam Chair. First of all, I'd like to introduce some of the officials that are with me today. I think everyone here knows, to my right, Terry Paton, the Provincial Comptroller, who is actually here in a different capacity than he normally sits over there. So I thank Terry for being here. On my left is Karen Allen who is the assistant deputy minister of our corporate services area. Behind me I have a number of officials. So on my far right is Denise Macza who is the associate deputy minister of treasury board branch and treasury and debt management. On the far left is Brent Hebert who is the assistant deputy minister of our revenue division; and with us as well, next to Brent, is Ann Mackrill, our executive director of pension programs with the Public

Employees Benefit Agency. And as well behind me is Joanne Brockman, the executive director of economic and fiscal policy.

So in terms of opening comments, I don't have many, other than to thank the Provincial Auditor and the officials of the office for all their help and support as we go through these. I think we are a team who very much appreciates the work and the role of the Provincial Auditor. Obviously many of us come from the same technical background and understand the importance of the role as well as our ability to take the recommendations brought forward by the auditor's office to implement where practical, which is in the best interests of government as well as the people of the province. So it plays a very critical role and, I think, gives us very sound and good advice. We very much appreciate it.

With regard to this specific chapter, I think there are a number of things potentially. I appreciate the note with regard to a number of the things that we actually have implemented and have moved to. Some things that are still outstanding. So for example with regard to the resource surcharge revenue, appreciating the comment, I think we have come a long way with regard to the models and the use of the model that we're using.

One of the key things, it seems to me here, is that any model that's going to help with forecasting is about trying to ensure better projectability with regard to what that forecast might look like. What we want to ensure is whatever model we choose actually does help that, and so the testing phase, from our perspective, becomes critically important to make sure that it's not just a model for a model's sake but one that actually adds value to the process. So I think we've made good progress, and now working with the Ministry of the Economy and some of the modelling that we do I think we are actually, as I say, making progress and will look forward to reporting on that in terms of the outcomes of the further reviews at a further date.

With regard to IT and some of the IT systems, in the key areas of risk that we have in the ministry with regard to some of our major systems, which clearly would be the financial system and our revenue system, those are one of the areas where we clearly do do a lot of testing with regard to risk and the security of the systems. In some of the things that are still outstanding, we continue to work with the ITD at Central Services in terms of our ability to do those kinds of backups and to make sure that we have the kind of supports and adequacy in those areas. And we will continue to have those conversations.

With regard to removing the unneeded users of access, that's an area where I actually think that we have very sufficient processes in place in the ministry. We've set up the standards and the processes. We communicate to our managers to advise them of the importance. We've established checklists to make sure that they're following them. There will certainly be exceptions to those where, for whatever reason, someone . . . human error has occurred. So I think the one thing that we constantly double-check is to make sure that if someone does make an error, that they make an error once and they don't make it again, and we learn from our mistakes.

But generally speaking, I would say that the number of errors really are not overly significant and certainly not all, as I say,

by accident maybe is the best way to do it. So we feel that we have the right systems and processes in place there and would suggest that that one has actually been implemented.

I think maybe those are sort of the key ones that I might speak to, and then happy to answer any questions.

The Chair: — Thank you, Ms. Isman. I'd like to open up the floor for questions. Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you so much to the deputy minister, Provincial Comptroller, all the officials that are here today, for your attention here to the committee but also your work throughout the year on behalf of Saskatchewan people.

[13:30]

And certainly I have to say I really do appreciate the detailed reports as well on these status updates that I think really allow us as a committee to have a pretty good view of the actions that have been taken and where implementation has occurred, and certainly as it relates to the recommendations of the auditor on so many fronts.

There's been significant actions taken and implementation is the case in most circumstances. And you've described well that, as it relates to the resource surcharge model, you want to make sure that you don't just have a model in place, but you have a model that's going to work best for Finance and for the public.

So maybe just a question on that. When you're testing it, and of course you need some experience with the model to test it, do you have any thoughts as to when you may have made a decision around the best model to utilize moving forward?

Ms. Isman: — Thank you very much, Madam Chair. So I just wanted to confirm in terms of the timing, I think we did note that certainly with regard to the potash-uranium side, that one is probably . . . has progressed farther in terms of the model and the information and the data. So I think from an official's perspective, we think within the next fiscal year we should be able to make progress on that one.

The oil and gas one is significantly more complicated. That one might take a number of years where we've actually got a sufficient amount of data that we can test back against the forecast versus the actuals and how the model is actually working because of the number of variables. So we expect that actually probably will take a number of fiscal years to actually solidify.

Mr. Wotherspoon: — Okay. Well thanks for the work and thanks for the answers. Just as it relates to the security of the information related to, I guess, IT security, are you aware of any specific attempts to breach that information that have been attempts, or has there been any successful breaches of that information?

Ms. Isman: — No, we aren't aware of any.

Mr. Wotherspoon: — Okay. Thank you very much.

The Chair: — Are there any further questions on this chapter?

Seeing none, as this is a chapter that had outstanding recommendations and no new recommendations, this committee can conclude consideration. What is the will of the committee on the 2014 Provincial Auditor report volume 2, chapter 9? Mr. Doke.

Mr. Doke: — Madam Chair, I move we conclude consideration.

The Chair: — Mr. Doke has moved that for the 2014 Provincial Auditor report volume 2, chapter 9 that this committee conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you for that. Moving on to the 2014 report volume 2, chapter 47, Ms. Ferguson.

Ms. Ferguson: — Thank you, Madam Chair, Deputy Chair, members, and officials. The chapter's very brief. My presentation's equally brief. Chapter 47 of our 2014 report volume 2 reports on the results of our follow-up of a 2011 recommendation relating to the ministry and treasury board agencies' annual reports. We're pleased to report that by July of 2014, the ministry had implemented our recommendation to encourage agencies to disclose performance targets in their annual reports. Our office views performance targets and performance measures as important to make sure that the government is actually measuring its performance and communicating the results of that to the public. So we're very pleased in the progress in this area. That concludes my presentation.

The Chair: — Thank you, Ms. Ferguson. Ms. Isman.

Ms. Isman: — I have nothing further to add, Madam Chair.

The Chair: — Are there any questions on this particular chapter? Seeing none, as that is a chapter that had only outstanding recommendations, this committee can conclude consideration. Could I have a motion? Mr. Doke.

Mr. Doke: — So moved.

The Chair: — Mr. Doke has moved that for the 2014 Provincial Auditor report volume 2, chapter 47, that this committee conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Moving on to the next two chapters I think we'll handle together as one's a follow-up. So chapter 30 from the 2012 volume 2 report and the 2014 volume 2, chapter 46, I'll pass this off to Ms. Ferguson now.

Ms. Ferguson: — And I'm going to pass it off to Ms. O'Quinn. This group does contain new recommendations for the committee's consideration though.

Ms. O'Quinn: — Thank you. Internal audit is an important component of sound governance for public sector organizations, as it provides an objective source of independent advice. We noted in 2012 that there were approximately 30 internal audit

positions in six ministries at an estimated cost of 2 million. In 2014, there were 28 positions in eight ministries.

Chapter 30 of our 2012 report volume 2 contains the results of our look at whether internal audit within ministries followed best practices as established by the Institute of Internal Auditors. While we observed examples of best practices, we found opportunities for coordination and synergy between ministries. We made seven recommendations to strengthen internal audit in ministries. We then reassessed the status of these recommendations in 2014.

So on page 231 of our 2012 report volume 2, we recommended that the Ministry of Finance evaluate various organizational models for internal audit. We made this recommendation because in 2012 the structure of ministry internal audit functions operated at between levels 1 to 2 out of a five-level scale based on the Institute of Internal Auditors' capability model. This suggested that moving towards more uniform practices and oversight may increase the effectiveness of the ministries' internal audit.

On page 232 we recommended that the Ministry of Finance implement a standard internal audit charter that aligns with the Institute of Internal Auditors' standards. We made this recommendation because the internal audit charters that we saw were not consistently prepared, approved, or aligned with the standards. We were pleased to note that by June of 2014 Finance had implemented this recommendation.

On page 234 we recommended that the Ministry of Finance work with ministries to implement appropriate internal audit reporting structures to support effective internal audit. We found that one-half of ministries with internal audit functions did not have a lead internal auditor, which is commonly referred to as a chief audit executive, or it was unclear who was fulfilling this role. For one-half of ministries, the internal audit function did not report to a level within the ministry to ensure that it can function with sufficient authority and that it is not subject, it is not vulnerable to management influence. In four ministries, no one or no one body evaluated the results of the internal audit function.

On page 234 we recommended that the Ministry of Finance work with ministries to ensure that internal auditors have appropriate competencies. We made this recommendation because the job descriptions and classifications that we saw were not consistent across the six ministries.

Our fifth and sixth recommendations both relate to the area of risk-based planning. On page 235 we recommended that the Ministry of Finance and ministries collaborate on methodology and tools to support risk-based internal audit planning. On page 236 we recommended that the Ministry of Finance work with ministries to develop those risk-based internal audit plans.

Risk assessments are critical to internal audit planning. Risk-based internal audit plans help to ensure that the audit efforts focus on the areas of highest risk. We found that the six ministries did not use consistent risk management methodology and the work done did not necessarily focus on risk areas. Also there was limited evidence of coordination between the various ministries, increasing the risk of duplication of audit efforts and

of not identifying opportunities to achieve synergy.

In our last recommendation, on page 236, we recommended that the Ministry of Finance implement effective quality assurance programs for internal audit. Best practices for internal audit functions is to have a quality assurance and improvement program that covers all aspects of internal audit activity and to obtain an external quality assessment once every five years.

We found that none of the ministry internal audit functions sought formal feedback from those audited, for example through the use of surveys. For some, audit work was not supervised or reviewed, and formal assessment of compliance with internal audit standards was infrequent.

As noted in chapter 46 of our 2014 report volume 1, while some work had started, by June of 2014 six recommendations were not fully implemented. Key activities that had been undertaken beginning in September 2013 were that a best practices group of ministry internal audit leaders, including the Ministry of Finance, began meeting quarterly to collaborate on topics such as internal audit competencies and risk-based planning.

Also by June of 2014, Finance had started to evaluate organization models for internal audit. Finance did note that it expects to use the results of this evaluation as the basis for future work in internal audit in the ministries. That concludes my overview.

The Chair: — Thank you, Ms. O’Quinn. Ms. Isman.

Ms. Isman: — Thank you very much, Madam Chair. So maybe I’ll just start with regard to an overall comment with regard to internal audit. And I certainly would be supportive of the Provincial Auditor’s view of the importance, from a best practice perspective, of internal audit within an organization. It is different than external audit but, as we all know, we do rely on the external audit provisions and the reviews as well in terms of mitigating risk and certainly from a public reporting perspective.

With regard to the specific recommendations, there are a couple of things that we have made progress on. Maybe first and foremost is the internal audit guidelines that we established and put into the financial administrative manual which was then distributed to those ministries that are currently using. So it provides a good set of guidelines, I think, and an initial first step.

I’ll speak to the rest of the recommendations collectively as it relates to the project that we have under way with regard to doing it. The reason that we’re taking a project view of all of the recommendations is that I think, first and foremost, when thinking about implementing something like internal audit across an organization, one of the first things you have to determine is what are the needs of the organization as a whole and what would you do to then support those needs to make sure that the investment you’re making in internal audit is actually providing value at the back end for the use of taxpayers’ money. So the project is really framed on, first of all, what’s our need because best practice is that, it’s best practice, but it isn’t always identified right to a specific organization. You have to do that work independently yourself.

Upon the determination of the what, then I think it’s really the how. And in terms of the how, I think that’s where we would look at the evaluation of all of the models that exist in terms of implementing internal audit and which ones will work best to meet the needs in terms of the what.

And then thirdly is to implement whatever those recommendations are, upon taking forward an approach and recommending it to government. And in doing that, I think one of the critical things of a central agency like the Ministry of Finance is to respect and understand the needs of all of the ministries in terms of what their needs are so that as a central agency we aren’t being directive in terms of how we should approach internal audit, but once again be responsive to the collective needs of the whole group.

So that’s the approach we’re taking in terms of the project. We have established a best practices group that we’ve identified in our report back to you, and that really stems from the latter point that I made. It’s really understanding what’s going on in all of the ministries, bringing together some of the people that are working on the front lines and with a level of expertise in terms of the needs of the ministry. We’re gathering that. We’ve done an initial review of the evaluation of the models which has now been presented to me, and I’m currently looking through those and then determining the next steps in terms of how this project will proceed.

So I think we are making progress. We are certainly committed to finishing up the review and continuing to work with the Provincial Auditor as we move forward in terms of ultimately its implementation across the system.

The Chair: — Thank you, Ms. Isman. I’d like to open up the floor for questions. Mr. Wotherspoon.

[13:45]

Mr. Wotherspoon: — I appreciate the report and the focus by the auditor, and certainly the attention and responses of the deputy minister here today and the project that’s been taken on. So I think there’s . . . Basically the project that you’ve embarked on and that you’re seeing through, you’re suggesting that the timeline for completion is likely sort of within this year’s fiscal year towards the end, March 31st. Or are you rather confident that the project is proceeding in a way that will allow implementation of the various recommendations that are here today in that timeline?

Ms. Isman: — Thank you. Madam Chair, I think in terms of the what and the how, I feel confident by the end of this fiscal year that we’ll do that. I think the implementation will be dependent on what the conclusions are of the overall project because the implementation actually might take a period of time and multiple years, depending on sort of where we land in terms of the recommendation. But in terms of a plan to move forward of the what and how to implement, I think I feel, yes, confident that we’ll have that done by the end of this fiscal year.

Mr. Wotherspoon: — Just looking at the auditor’s recommendation and some of the study, her recommendations around risk-based approach on this front, I think that those are particularly important. I suspect that’s shared by ministry. But

maybe could you just speak a little bit to maybe where there's been either gaps in the past on that front or even if you will just . . . I guess, improvements for the future as to using a risk-based approach with internal audit?

Ms. Isman: — Well maybe before I actually ask Terry to speak to some of those things, in terms of using a risk-based approach, we do that in terms of all of our audits. So when I think back to . . . in terms of the audits that we do in our revenue system and just auditing in general, we use very much a risk-based approach in terms of doing that.

When we look at our IT systems, we look at the systems where we believe there to be the greatest risk, and that's where we actually spend our time and our effort. Not unlike the external audit process, you look at materiality or the quantum of risk before you actually embark on any system.

Off the top of my head, I actually can't think of any significant areas of risk that we've identified in terms of moving forward, but maybe I'll just ask Terry to speak to that from his office's perspective.

Mr. Paton: — No, Clare is correct in this respect. I don't think we've identified significant risks that aren't being addressed.

What I would like to just make a comment is that, when we're looking at this, we have to recognize that the ministries that are being identified here are unique in their own way in terms of the types of risks they're identifying and the nature of their programs. Often we'll see audit risk that's identified as financial risks in terms of the types of payments they're making. But recently, we've seen a movement towards risk analysis based on what the program objectives are. So that's something that's occurring over the last few years and something that we're supporting.

Mr. Wotherspoon: — I guess just as a . . . Thank you for the answers, and thank you for the work on this front. It's important and very good.

Just as a more specific question around internal audit, have you reviewed and assessed the report done by the BC [British Columbia] government's internal audit as it relates to Partnerships BC that noted some concerns and risk around bias within Partnerships BC? And I guess the connect to Saskatchewan of course is that it's largely the principal organization that's being funded by SaskBuilds to carry out the bulk of the infrastructure projects.

Ms. Isman: — Yes, Madam Chair. No, I have not reviewed that work of the BC auditor.

Mr. Wotherspoon: — I guess I would just, I would possibly urge attention to the . . . maybe to communicate and review the report and, you know, have follow-up directly with the Minister Responsible for SaskBuilds on that front. But I think that, you know, the fact that it's coming from internal, as an internal audit within Finance, and British Columbia notes some specific risks and concerns around bias within Partnerships BC that they found to be important for their government and Finance to be considering it, should certainly be a consideration here in Saskatchewan as well.

Ms. Isman: — Thank you, and we'll certainly undertake to do that review. Thank you for the information.

The Chair: — Are there any further questions on this particular chapter? Two chapters, yes — thank you to our auditor — chapter 30 and chapter 46. No further questions? So we have to deal with the new recommendations in the 2012 report volume 2, chapter 30. What are the committee's wishes? Mr. Doke.

Mr. Doke: — Madam Chair, we would note that recommendation 1, 3, 4, 5, and 6 concur with the recommendation of progress towards compliance.

The Chair: — Mr. Doke has moved . . . Can I suggest that we ask the auditor about no. 7 as well?

Mr. Doke: — Yes. I've got it separate . . . [inaudible].

The Chair: — You've got it separate, but maybe the auditor has some insight about no. 7. Ms. Ferguson?

Ms. Ferguson: — I think, as noted in the update from management, what they've done is they've recognized that there's a bit of legwork that they need to do to implement no. 7, and some of that legwork's been under way.

The Chair: — So would it be your . . . [inaudible interjection] . . . Yes. Mr. Doke.

Mr. Doke: — Yes, I would also add no. 7, recommendation no. 7 in there.

The Chair: — So Mr. Doke has moved that this committee, for the 2012 Provincial Auditor's report volume 2, chapter 30, that this committee concur with recommendations 1, 3, 4, 5, 6, 7 and note progress to compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Mr. Doke.

Mr. Doke: — Also on recommendation no. 2, I would concur with the recommendation and note compliance.

The Chair: — Thank you. Mr. Doke, for the 2012 Provincial Auditor's report volume 2, chapter 30, recommendation no. 2, has moved that this committee concur with the recommendation and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. With respect to the 2014 auditor's report volume 2, chapter 46, that was a follow-up for the previous chapter to which we've just spoke, so we can conclude considerations. Could I have a motion? Mr. Doke.

Mr. Doke: — So moved.

The Chair: — Mr. Doke has moved that for the 2014 auditor's report volume 2, chapter 46, that this committee conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you for that. Moving on to the 2014 report volume 1, chapter 25, I shall pass it off to our Provincial Auditor.

Ms. Ferguson: — I'm going to ask Ms. O'Quinn to make the presentation for that please.

Ms. O'Quinn: — Thank you. Chapter 25 of our 2014 report volume 1 starts on page 193, and it contains the results of our follow-up of one recommendation from our 2010 audit of the Public Employee Benefits Agency's processes to secure its information systems and data. We noted that by January 31st of 2014, PEBA [Public Employees Benefits Agency] was in the process of formalizing its processes to periodically test its IT security. Periodic testing is key to monitoring the adequacy of the IT controls. That concludes my remarks.

The Chair: — Thank you, Ms. O'Quinn. Ms. Isman.

Ms. Isman: — Thank you very much, Madam Chair. Yes, we believe that we have implemented the recommendations contained in this chapter. Some of the work, in terms of the work that was done, was actually done after the audit in '14-15. And from the external party that did the review, PEBA's IT security controls were proven to be effective and so deemed. So, thank you.

The Chair: — Thank you, Ms. Isman. Are there any questions on this chapter? Seeing none, as there's only one outstanding recommendation and no new recommendations, this committee can conclude consideration. Could I have a motion?

Mr. Doke: — So moved.

The Chair: — Mr. Doke has moved that for the 2014 auditor's report volume 1, chapter 25, that this committee conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Moving on now, we have two chapters we'll cover together: the 2014 Provincial Auditor report volume 1, chapter 1, and the 2015 Auditor's report chapter 1, volume 1 which was a follow-up. So I will pass this off to the Provincial Auditor to deal with.

Ms. Ferguson: — Thank you very much. Both of those chapters actually report the results of our annual integrated audit of the municipal employees' pension plan. And they indicate that the plan needs additional financial reporting controls over the accounting for and the disclosure of private equity and infrastructure investments to ensure that its financial statements appropriately disclose risks associated with these particular investments. These investments include performance provisions that can have accounting implications. While the amount of these particular types of investments at this time is small, it is important that the municipal employees' pension plan have a full understanding of the risks and associated accounting implications of all of its investments.

At times this requires a higher amount of coordination between those responsible for overseeing investments and those responsible for financial reporting. So that concludes our

presentation on these two chapters.

The Chair: — Thank you, Ms. Ferguson. Ms. Isman.

Ms. Isman: — Thank you, Madam Chair. Yes, I believe the financial services branch at PEBA as well as the investment services branch have strengthened the interrelationship between those with regard to the learnings and particularly with regard to some of the supports provided. As well I believe the auditor has really noted that one of the key issues here is the documentation of that. And certainly in speaking to the management within Public Employees Benefit Agency, that level of documentation is proceeding.

The Chair: — Thank you. I'd like to open up the floor for questions. Seeing none, because that was an outstanding recommendation in both those chapters, perhaps we could have a motion dealing with the 2014 report volume 1, chapter 1 and the 2015 report, chapter 1, volume 1 to conclude consideration.

Mr. Doke: — So moved.

The Chair: — Mr. Doke has moved that for the 2014 Provincial Auditor report volume 1, chapter 1 and the 2015 Auditor's report volume 1, chapter 1, that this committee conclude consideration on those two chapters. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Moving on now to the *2013 Special Report — The Need to Change — Modernizing Government Budgeting and Financial Reporting in Saskatchewan*. I will pass that over to Ms. Ferguson for comments.

Ms. Ferguson: — Thank you, Madam Chair, Deputy Chair, members, and officials. For a great many years, our office had encouraged the government to move to focusing its budget and financial reporting to a government-as-a-whole basis. In April of 2013, we had released a special report that's before your committee, outlining our concerns with the government's budgeting and financial reporting practices.

Using a government-as-a-whole basis is of great importance, given the Government of Saskatchewan is comprised of over 200 difference agencies. Saskatchewan, more than most other provincial governments, likes to use separate agencies to deliver its programs and services. Many of these agencies rely on funding from the General Revenue Fund, such as regional health authorities. As a result, only a government-as-a-whole basis provides the full financial picture of the cost of the government's plans and financial results.

The 2013 report drew attention to what our office regarded as confusion resulting from the budgeting and financial reporting practices used at that point in time. It noted that Saskatchewan's legislation related to budgeting and financial reporting was out of date and out of sync with other provinces. It further noted that Saskatchewan's legislation supported that the government's then focus on the government's General Revenue Fund — for example, *The Growth And Financial Security Act* requiring of a balanced budget for the General Revenue Fund and in-term financial reporting for the General Revenue Fund — that legislation such as that took a General Revenue Fund focus as

opposed to a government-as-a-whole focus.

The report contains 11 recommendations to modernize the government's budgeting and financial reporting practices. These recommendations are actually summarized in section 6 on page 35 of the report. I do not plan on going through each of the recommendations, in that recommendations 2 to 9 each focus on seeking legislation to facilitate a shift from a focus on the General Revenue Fund to a government-as-a-whole or summary basis. Rather I'm just going to highlight three recommendations: recommendations no. 1, 10, and 11.

The first one is recommendation 1 on page 15 in the body of the report. We recommend that the Government of Saskatchewan provide information on planned revenues and expenses in its summary budget, using the same accounting policies and format as used for the summary financial statements. This recommendation was designed to help legislators and the public understand the nature of the government's plan and to facilitate meaningful comparison of the government's plans to its actual results. And we find that the recent summary budgets presented by the government do in fact align with this recommendation.

Recommendation 10 on page 32, we recommend that the government seek changes to *The Financial Administration Act* to require the use of Canadian public sector standards established by the Canadian public sector accounting standard board in the preparation of the summary financial statements. This recommendation was designed to enshrine in legislation the current practice of using Canadian public sector generally accepted accounting principles in the preparation of the summary statements. These standards are set with due care and using a due process independent of the government. Their use helps ensure the legislators and the public receive credible financial statements. We think the government has recognized the importance of its enshrining these types of standards when it has set requirements for Saskatchewan municipalities, in that *The Municipalities Act* requires municipalities to use public sector standards. We think that the government should impose a similar requirement on itself for the summary financial statements.

[14:00]

The last one that I wanted to highlight was recommendation no. 11 where we recommend that the Government of Saskatchewan expand the financial statement discussion and analysis about the summary financial statements included in Public Accounts volume 1 to include a more detailed analysis of differences between budget to actual, as well as reasons for trends in key financial statement items and indicators.

When we looked in 2013, we found that the government's financial statement discussion and analysis included in public accounts, at that time we thought it could be improved. As an office we recognize that understanding financial statements is challenging. Not everybody's an accountant, nor do they need to be. We find that the use of ratios, graphs, and explanations that explain the reasons for differences between actuals and budgets and trends can really help legislators and the public understand the government's finances. We are pleased to report that since our 2013 report, starting in the spring of 2014, the government shifted its budgeting and financial reporting to a

government-as-a-whole focus, that is a summary focus. It changed the financial admin Act and amended it to remove the requirement for audited General Revenue Fund financial statements.

However, as an audit office we'd like to see a few things enshrined in legislation, changes to legislation to make sure those changes are sustainable over time. Moving to a summary focus is more than just adding up the numbers. It means planning and making decisions from a government-as-a-whole perspective. This type of change takes a significant time and effort, and we recognize that these efforts continue.

We'd like to take a moment to actually acknowledge the leadership of the Ministry of Finance and, I think, Executive Council and others in making this change to move to a summary focus. Our office plans to follow up on the recommendations that are set out in this report, and we'll report on that in a future report. So this concludes my overview of this special report.

The Chair: — Thank you, Ms. Ferguson. Ms. Isman, would you like to make some comments?

Ms. Isman: — Thank you very much, Madam Chair, only by way of a couple, and that is to acknowledge the support and help of the Provincial Auditor's office as we've done this, and the fact that the audit office has acknowledged that this is a transition.

We see this very much as a journey in terms of the move. And when we made the change in '14-15 to the budget process, I think that was one of the things that we did acknowledge, was that over time we will learn new things as this process unfolds, and where to focus the attention in terms of best meeting the needs of the people of the province, both with regard to the budget and the financial statements. I think we made some changes in the '15-16 budget process, and we will continue to do that as we move forward, as we gain more and more experience of the level of detail that actually does support better decision making and better understanding of the statements.

The Chair: — Thank you. I would like to open up the floor for questions. Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you very much for the work of officials and for the answers here today. Thank you so much for the work of the auditor. I think that there's been a collective effort to get the finances in line with most other jurisdictions and to be consistent with accounting standards. I just want to make sure I've heard properly — and I have the report in front of me here — it's the ministry's belief that of the three recommendations that were highlighted, of course there's more that were brought forward, but the three that were highlighted by the auditor, that in fact the actions that have been taken have ensured implementation on those fronts. Is that correct?

Ms. Isman: — I think with regard to some of the outstanding ones, I think the key question is whether or not there is a requirement for legislative change in terms of actually embedding the changes. With regard to changes to the financial and admin Act, I'll maybe get Terry to speak to that in terms of, you know, from our perspective we clearly are following the

treasury board policies, which I think do align with what is expected at this present time. So the question about the need for legislative changes in terms of doing that, I think, is still a question that we're still reviewing in terms of the rationale as to why. So maybe, Terry, just in terms of other jurisdictions.

Mr. Paton: — Yes. We've studied this a little bit over the years. My recollection is there really is only one province that has legislated PSAP [public sector accounting principles] in the past, and I believe that was British Columbia. They did that quite a few years ago. I know there was a period where I believe they have either not followed that legislation or maybe even rescinded it. I'm not sure exactly what their status is. But it's not common practice for . . . [inaudible] . . . governments to put this type of an accounting policy into their legislation. This would be . . . We might be one of the first provinces to do that.

I think it's really an opportunity or a responsibility for governments to govern, and there could be situations where they have to make decisions that may not be in compliance with the PSAP. I'm a strong supporter, but I think the fact of putting it in legislation might be just going one step too far at this time.

Mr. Wotherspoon: — Thanks for your information. We can disagree on the point here. I do want to just touch base on the point around the recommendations. You highlighted three here, the auditor highlighted three here today. In the case of those three that she highlighted, implementations occurred in the case of all three of those. Is that correct?

Ms. Isman: — I believe on two, two of the three, but the third one being this question with regard to embedding it in the legislation.

Mr. Wotherspoon: — Okay. And I guess maybe to the auditor, what would the auditor see as the consequences of not doing so?

Ms. Ferguson: — I think from an audit office perspective, you know, really what we are looking for is the government to give that due consideration. I guess what's, you know, what we've noted, and as I noted in my opening comments, is that it is a requirement that the government, the Legislative Assembly has imposed on Saskatchewan municipalities, that they do in fact follow GAAP [generally accepted accounting principles]. So what we're saying is that if it's good for municipalities that do have a responsibility to govern within their own municipality jurisdiction, you know, I guess we'd be interested to hear why it's appropriate for a municipality but not appropriate for the provincial government. So I think it's . . . We'd want to make sure that there's given due consideration in terms of that.

You know, as indicated, what we're after is just to make sure it's sustainable in terms of that they're using accounting standards and practices that are set with due process so that the members of the public and the legislators receive credible information so that they know that the government of the day isn't setting accounting policies, you know, to meet their own purposes. We do recognize that there may be some times where governments may have a different view and want to present additional information, but from an audit office perspective, those are things that perhaps can be done outside of this set of financial statements.

Mr. Wotherspoon: — So I would want to note, I mean, significant progress on so many of these pieces, and I know this hasn't been a small undertaking for your ministry as well. And you know, it's certainly one that's been of hot discussion and debate in the public sphere and the political sphere, and I've enjoyed actually engaging in the discussion as well.

But I do want to thank those of you that have been leading this process to improve our systems and ensure implementation. I want to say thank you. Certainly we as the official opposition would concur with the auditor that it's important to have the legislative change to ensure the rules, as it's stated, that are imposed on other bodies and other governments are the same rules that are applying to government. We see how what happened in the past when that wasn't the case here in Saskatchewan, where we ended up having a set of rules that were decided, you know, decided by accounting rules by a government, as opposed to the public sector accounting standards that are there for a reason.

And I think we've noted lots in the past with the business community, who often note to me and I've related back to them, that certainly they don't have the ability to choose their own accounting policy. They have one to report to, and that's critically important around integrity and trust of whether it's a publicly traded company. It's just as important that we have standards in place and consistent rules when it relates to our government and how that information is going to be accounted for.

But we'll leave that as a matter of difference at this point, and certainly we'll have other avenues to pursue that. But I mean this has been a significant body of work that's been taken on by government. I want to say thank you as well to the Provincial Auditor's report.

As I flip back through it, I mean it takes us back to some places that aren't our proudest moments, I think, as a province, when there were ads being run that are identified here in this report that, you know, suggesting somehow that Saskatchewan was balanced when highlighting that maybe other provinces weren't, when the reality, as highlighted by the auditor, is there was a different set of rules, different set of accounting for which Saskatchewan was utilizing. And it just wasn't an accurate reflection of an apples-to-apples comparison. And you know, the debate I've had with minister and Premier and cabinet was that it wasn't accurate to the public at large.

And of course the consequence of not acting on that information soon enough by cabinet was the very unfortunate circumstance of, you know, a failed audit here in Saskatchewan, and really a bit of a black eye for our province, and then having statements in auditor's reports as strong as using words, and I'm quoting, of misleading and wrong. And that's just not what we, you know . . . We should hold ourselves to a different standard.

My debate isn't with the civil service of this province or your ministry. My debate has been with cabinet who sets that direction. And to each of you that have been a part of taking on this new initiative and bringing us into line on so many fronts, I just want to say thank you.

The Chair: — Ms. Isman.

Ms. Isman: — Thank you for those comments and thank you, Madam Chair. I just want to . . . and I'm sure the Provincial Auditor will agree with me. With regard to the summary financial statements which the provincial government has released for a very long time, we have always followed PSAP standards. And so I just think it's really important for the public to know that and to recognize that. That isn't up for discussion in terms of this context. And I think that further supports that we have followed PSAP with regard to the summary financial statements. And I've always had unqualified auditors' opinions on that front.

On this note though, I mean we certainly will take it under advisement with regard to the recommendations of the auditor and continue to review it.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — We're going to have a quarterly report this year, quarterly reports?

Ms. Isman: — Yes. So yes, first quarter report and the mid-year report, absolutely. Yes.

Mr. Wotherspoon: — Thank you very much.

The Chair: — Are there any further questions? Ms. Isman, I just have a clarification, I think, for the committee's sake. I know that the status update that your ministry prepared for us, we have recommendations no. 4 and no. 10; but 4 is not implemented. So I just want to double-check that that is the case. That was one of the legislative ones as well around balanced budget legislation.

Ms. Isman: — Yes, that's the case.

The Chair: — And no. 10, I know on the status report it says implemented, but the discussion that we've had around the table here today, I understand that it's not been implemented yet: "We recommend that the Government of Saskatchewan seek changes to *The Financial Administration Act*."

Ms. Isman: — Yes, that's correct because we're using policy as opposed to the legislation.

The Chair: — So no. 4 and no. 10 are the only two that have not been implemented. Does that seem, that sounds right?

Ms. Isman: — Yes.

The Chair: — Thank you very much. Are there any further questions? Seeing none, what is the will of the committee with respect to this report? Mr. Doke.

Mr. Doke: — Madam Chair, for recommendations, I'll get these all in order here, recommendations 1, 2, 3, 5, 6, 7, 8, 9, and 11, we would concur with the recommendations and note compliance.

The Chair: — Mr. Doke has moved that for the *2013 Special Report — The Need to Change — Modernizing Government Budgeting and Financial Reporting in Saskatchewan*, that this committee concur with recommendations 1, 2, 3, 5, 6, 7, 8, 9,

and 11 and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Mr. Doke.

[14:15]

Mr. Doke: — Yes, and for recommendations 4 and 10, we would concur with the recommendations and note progress towards compliance.

The Chair: — Just a question here. Just in the discussion that we had, no. 10, would we call it progress because you have implemented it in policy instead of . . . Is there any intent . . .

Mr. Wotherspoon: — Not implemented.

The Chair: — Yes, not implemented would be the way, I think, to refer to both of those. Just to clarify here that I think we just concur with those recommendations.

Mr. Doke: — Sounds good.

The Chair: — Okay. So Mr. Doke has moved that for the *2013 Special Report — The Need to Change — Modernizing Government Budgeting and Financial Reporting in Saskatchewan*, that this committee concur with recommendations no. 4 and 10. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Okay. I think we need a very brief recess — two minutes. I know Finance officials are still here, but we have some officials from Environment joining us as well, so we will adjourn . . . or pardon me, recess. Don't adjourn on me. Don't go away. We'll recess for just a couple of minutes to have some further officials come in.

[The committee recessed for a period of time.]

The Chair: — Welcome back to Public Accounts, and I'd like to welcome Cam Swan here. Mr. Swan is the deputy minister of Environment. The next couple of chapters are with both Finance and Environment, and then we'll move into Environment in a little bit. But we will work right now with the 2013 Provincial Auditor report volume 1, chapter 10, and the 2014 Provincial Auditor report volume 2, chapter 45. And I will pass it off to Ms. Ferguson for her comments.

Finance and Environment

Ms. Ferguson: — Thank you, Madam Chair, Deputy Chair, committee members, and officials. With me this afternoon is Ms. Tara Clemett. Tara led the work on contaminated sites. Behind is Rosemarie Volk. Rosemarie is responsible for the Environment portfolio. Ms. Carolyn O'Quinn that was just previously at the committee, she's responsible for Finance, so that crossover piece. And Ms. Kim Lowe who's our office liaison for this committee.

So before I start the presentations, I do like to pause and thank actually the Ministry of Environment and the Ministry of

Finance both for their co-operation during this audit. It was a little bit unique in that it was an audit that touched on two agencies at the same time, so it did require coordination on their part and we appreciate that additional effort.

Both the chapters on this agenda focus on the identification and management of contaminated sites. The Ministry of Environment and Finance each play a role in the identification, management, and accounting for those sites — Environment as the regulator of sites and actually as an owner of a number of contaminated sites, and Finance as the central agency that provides ministries with financial advice and guidance and prepares the government's summary financial statements. Ms. Clemett will give an overview of both of those chapters at this time.

Ms. Clemett: — Thank you. Contaminated sites are areas of land or water that contain a substance that may cause or is causing an adverse effect in a concentration that may exceed an environmental standard. Contaminated sites can pose risk to public health and safety if they are not properly managed. Where the provincial government has caused contamination or accepted responsibility for cleanup of contaminants, it must assess the contamination and decide on actions and costs required to address it.

New Canadian public sector accounting standards that came into effect April 1st, 2014, require the government to account for and report the expected costs to clean up contaminated sites.

My comments are going to focus on chapter 45 which begins on page 361 of our 2014 report volume 2. We concluded five recommendations remain at August 2014 from the original contaminated sites audits, three directed at the Ministry of Environment and two at the Ministry of Finance. I'm going to touch on each of these five outstanding recommendations.

We recommended that the Ministry of Finance set out guidance in the financial administration manual for recording liabilities of contaminated sites to enable complete reporting in the government's 2014-15 budget and summary financial statements. By August 2014, Finance had distributed accounting guidance for contaminated sites through various emails, documents, and discussions with government agencies. Finance planned to include it in the financial administration manual by March 31st, 2015. This will help ensure that it is applied consistently and is readily accessible.

We recommended that treasury board require government agencies, when requesting funds for cleanup activities, to use the national classification system endorsed by the Canadian Council of Ministers of the Environment to prioritize cleanup activities where the provincial government is responsible for cleaning up contaminated sites.

[14:30]

On page 367 of the 2014 report, we report that Finance had requested government agencies provide it with national classification system ratings when submitting lists of contaminated sites, however not all government agencies provided these ratings. Use of the national classification system ratings would facilitate consistent ranking across the

government of public health and safety risks posed by the contaminated sites for which the provincial government is responsible for cleanup.

We recommended that the Ministry of Environment establish an adequate system for tracking contaminated sites. In January 2014, Environment developed and implemented a database for tracking information about contaminated sites. Environment recognizes the database does not capture all key information, is not fully operational, and does not have all key information entered. Without a complete, accurate, and fully functional database for contaminated sites, Environment cannot effectively track the status of such sites and know which sites are higher risk and require more attention.

We recommended that the Ministry of Environment complete its risk assessments for contaminated sites and rank them in terms of priority. On page 364, we found Environment had not clearly conveyed what is expected for risk assessments associated with contaminated sites. As a result, Environment was unable to demonstrate that site assessments were complete and reviewed for contaminated sites where required.

Ensuring risk assessments are complete for contaminated sites reduces the threat of high-risk sites not being given sufficient attention and not being cleaned up within an appropriate time frame. We recommended that the Ministry of Environment take steps to make government agencies fully aware of the responsibilities proposed under *The Environmental Management and Protection Act, 2010* and the related Environmental Code.

At August 2014, the ministry had not communicated any detailed requirements on managing about 80 contaminated sites to government agencies. As a result, government agencies might not have undertaken the necessary actions to mitigate the safety risks associated with the contaminated sites in a timely manner. That concludes my presentation.

The Chair: — Thank you, Ms. Clemett. I'd like to pass it off to the officials from Finance and Environment. Mr. Swan and Ms. Isman, if you'd like to make comments. I'm not sure who would like to go first.

Ms. Isman: — Thank you, Madam Chair. So thank you very much for the report on this. The Ministry of Finance has fully implemented the recommendations of the auditor and as we move forward, both with regard to the guidance to ministries within the financial accounting manual on accounting and reporting for contaminated sites' liabilities, as well as ensuring that we are accounting for that appropriately in the '14-15 financial statements which will be released shortly, and as well with regard to the follow-up of using the national classification system which was implemented beginning with the '15-16 budget cycle and will be expected in terms of the reporting from ministries to Finance and treasury board on a go-forward basis.

The Chair: — Thank you, Ms. Isman. Did you want to make some comments on the Environment recommendation? That would be number 2 out of that chapter.

Mr. Swan: — Sure. Probably before I do that I should introduce the officials I have here with me. So I have Kevin

Murphy, assistant deputy minister, resource management and compliance division; Lori Uhersky, assistant deputy minister, environmental support division; Erika Ritchie, ADM of environmental protection and audit division; Wes Kotyk, executive director, environmental protection branch; Thon Phommavong, executive director, results-based regulation and code management branch; Bob Wynes, executive director, forest service branch; Laurel Welsh, executive director, finance and administration; and last but not least, Cheryl Jansen, director of financial management section.

The Ministry of Environment welcomes the advice and values the work of the Provincial Auditor and her staff as a means of assisting us in our efforts to continually improve our operations. We're committed to principles of open, transparent, and accountable government. It's with those principles in mind that Environment continues to implement a results-based regulatory framework that supports environmental and resource management outcomes, which in turn supports government's vision for growth.

The Provincial Auditor's 2013 and 2014 reports related to identification and management of contaminated sites includes eight recommendations for both Environment and Finance. Two of the five recommendations addressed to the Ministry of Environment have been implemented, and progress has been made on the remaining three recommendations.

With regard to the Provincial Auditor's recommendation to establish an adequate system for tracking contaminated sites, the ministry has developed a new impacted sites database. All new activities are being entered into this database, and a plan is being developed to update historical information. We anticipate having the historical information updated by September of 2017.

With regard to the recommendation to complete risk assessments and priority rankings for identified contaminated sites, the ministry has completed more detailed site assessment work for northern abandoned mines. In 2015-16, the ministry will be evaluating and prioritizing items currently in the database in relation to the risk ranking. Once the database has been updated for the historical information, all sites will be evaluated in ranks and ranked in terms of priority.

The Provincial Auditor recommended that steps be taken to make government agencies fully aware of their responsibilities under *The Environmental Management and Protection Act, 2010* and the related environmental code. The Act came into effect June 1st, 2015. Ministry officials have been providing workshops and educational information to a range of stakeholders. Stakeholder-specific notifications informing stakeholders of their responsibilities were sent out in early June. We are of the opinion that this last recommendation has now been implemented recognizing that continued communication is important with all stakeholders.

We are committed to fully addressing all recommendations as soon as possible. Thank you for your attention to these opening remarks regarding the contaminated sites recommendations.

The Chair: — Thank you, Mr. Swan. I'd like to open up the floor for questions. Mr. Wotherspoon.

Mr. Wotherspoon: — Yes, thank you very much. So basically the recommendations that have gone to the Ministry of Finance — and these are important recommendations — have been implemented from the perspective of the ministry, and certainly we appreciate that and having . . . as well as having this action plan, sort of all that information in a concise way really helps us as members. So thanks for that. Just as far as the actual value of the actual liability in its . . . I understand now it's been properly accounted for through the summary financial statement. What is the total liability that's been booked by way of contaminated sites?

Ms. Isman: — Thank you, Madam Chair. The actual specifics of the liability that is going to be recorded is in the financial statements that are going to be released next week with the public accounts, so I think at this point it's probably better to wait and release it with the public release of the full financial statements.

Mr. Wotherspoon: — And how does it factor in? How does it impact the financial statement itself?

Ms. Isman: — I'll let Terry be the technical expert on that one.

Mr. Paton: — The accounting standard that the public sector accounting board put out allowed governments to adopt this retroactively. So what all government did is, as of April 1st of 2014, they assessed the value of those liabilities that existed at the beginning of the year. Those numbers are adjusted to the accumulated deficit so they don't affect the current year expense. However if there's any increases during the year, they go through current operations.

Mr. Wotherspoon: — Thanks for that information. And is there a discrepancy in maybe just the information that's been presented here around the recommendation? I think of two status updates that came forward, and it's the recommendation that "We recommend that the Ministry of Finance set out guidance in the Financial Administration Manual for recording liabilities of contaminated sites to enable complete reporting in the Government's 2014-15 Budget and Summary Financial Statements." Has that been implemented?

Ms. Isman: — Yes it has, and that's what will actually then be reported in the financial statements.

Mr. Wotherspoon: — Right, okay. So I think one of the audit status updates that came said it is partially implemented; it was maybe looking at work from a ways back. But that's good to see that there is full implementation.

So on the Finance side of the equation, implementation has occurred. On the Environment side of the equation, there is progress occurring towards implementation and actions that have been laid out to get us there. Maybe just on the side with Environment, I see the target of September 2017. And that seems like a long ways away, but if we're thinking now, I guess that's only a year and a little bit away. It's amazing — 2017. Maybe just speak to what some of the barriers and challenges that Environment faces to gathering this information and, I guess, barriers to ensuring implementation in a more timely fashion because I suspect that this is reflective of best efforts and based on some of the processes that are required.

Mr. Swan: — Thanks for the question. Really I guess the short answer is there's a lot of records, like about 10,000 records that we're talking about. A lot of it is years ago, so it's just a matter of redirecting some current resources dealing with maybe some, you know, up-to-this-date, higher risk items to get this into the database. And the good news is we do have the records, so we actually have the physical records. We have the hard copies of the records, but we have to get it into the database to be able to do the overall proper assessment. So it's just our best estimate on the length of time it will take for us to do that. Hopefully we surprise ourselves and it gets done earlier than that.

Mr. Wotherspoon: — Thanks for that answer. Thanks for the work that's been taken on, and thanks for the work of the auditor. I think that in many ways, I mean these are important considerations if you're doing sort of a more full-cost accounting of some of your impacts and your true state of your province. And so I'm pleased to see progress on this front, and thanks for your work.

The Chair: — Mr. Marchuk.

Mr. Marchuk: — Thank you, Madam Chair. I'm just looking for some congruence in terms of the prioritization and the classification system. Are they one and the same with regards to how the priorities are established? I mean we don't want to duplicate, do we?

Mr. Swan: — I wouldn't necessarily call them one and the same, but they're very related because basically you classify it based upon the classification system that'll then determine your priorities. So the theory will be, you know, higher risk items based upon the classification should direct your early efforts towards dealing with that. So they're related in that way.

Mr. Marchuk: — Thank you.

The Chair: — Are there any further questions on these two chapters? Seeing none, for the 2013 Provincial Auditor report volume 1, chapter 10, there were four new recommendations. What is the will of the committee with respect to these four recommendations? Mr. Doke.

Mr. Doke: — Madam Chair, with regards to recommendations 1, 2, 3, and 4, I would concur with the recommendations and note compliance.

The Chair: — Mr. Doke has moved for the 2013 Provincial Auditor report volume 1, chapter 10, that this committee concur with the recommendations and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. With respect to the 2014 Provincial Auditor report volume 2, chapter 45, there are no new recommendations in that report so we can conclude our considerations. May I have a motion?

[14:45]

Mr. Doke: — So moved.

The Chair: — Mr. Doke has moved that for the 2014

Provincial Auditor report volume 2, chapter 45, that this committee conclude considerations. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. All right, we shall say goodbye to the Finance officials. Ms. Isman and your officials, thank you for your time today. And I just want to say thank you for these status updates. Those have proved to be very helpful in directing our questions and understanding where you're at. So thank you very much for the diligence and putting those together.

Ms. Isman: — Thank you very much, Madam Chair, and thank you to the committee.

The Chair: — So we will be moving on now to strictly Environment. And I'll maybe just give the officials one minute to switch seats and do what they need to do. Perfect. It looks like we are just about ready here to carry on. We will carry on with the 2014 Provincial Auditor report volume 2, chapter 8. There are a couple of new recommendations in that chapter, I believe, but I will pass it off to the Provincial Auditor for remarks and then to Mr. Swan.

Environment

Ms. Ferguson: — The home stretch, the last item on the agenda. So good afternoon, Madam Chair, Deputy Chair, committee members, and officials. Ms. Clemett is still with me here this afternoon, as is Ms. Kim Lowe who's liaison with our committee. Before I make the presentation, I once again want to thank the ministry officials for their co-operation during this work.

The chapters that are on the agenda for this piece here, one reflects our annual integrated audit, and the other one there is with respect to a follow-up of a previous audit. Neither chapter includes new recommendations for the committee's consideration. So without further . . . No, that's my mistake. Too optimistic here. The first one includes two new recommendations. So without further ado, I'm going to turn it over to Ms. Clemett.

Ms. Clemett: — Thank you. Chapter 8 of our 2014 report volume 2, beginning on page 53, reports the results of our annual integrated audit for the year ended March 31st, 2014 for the Ministry of Environment, the Fish and Wildlife Development Fund, and the Water Appeal Board. We raise three concerns, two new and one previously reported. In addition, we note the ministry improved its processes to secure its computerized data. It now uses a secure site for accepting credit card payments for the sale of hunting and fishing licences.

On page 55 we report staff did not always follow procedures for promptly removing user access to computer systems and data. In one instance, the ministry requested the removal of an individual's network access 102 days after their last day of employment. Not removing user access to ministry systems and data increases the risk of inappropriate access to systems and data.

On page 56 we report the ministry had begun updating its current business continuity plan, also known as a BCP, to include all newly assessed risks. By March 2014, Environment had not completed its BCP to address these risks or tested it. Environment planned to begin testing the BCP and training staff in the 2014-15 year. Should a disaster occur, it is important that the ministry's ability to deliver its critical programs and services is not disrupted for an extended period of time.

On page 57 we report the ministry did not always follow its policies for recording the cost of inventory items in its inventory records. We found that the ministry did not record the cost of approximately \$1.2 million in airplane parts when it entered the related inventory quantities in its inventory records. Without timely recording of the cost of inventory items, Environment cannot accurately determine the value of its inventory in its accounting records. Environment did correct its records by March 31st, 2014. That concludes my presentation. Thank you.

The Chair: — Thank you, Ms. Clemett. Mr. Swan, if you'd like to make some comments.

Mr. Swan: — Thank you. And once again the Ministry of Environment welcomes the advice of the Provincial Auditor and her staff as a means of assisting the ministry in the efforts to continually improve.

The Provincial Auditor's 2014 report volume 2 provides four recommendations related to the annual integrated audit of the ministry. Of the four I might be speaking about the reforestation pieces here too in some of my opening comments. So I'll maybe just move on to specific recommendations.

So with regard to Provincial Auditor's outstanding recommendation on preparing a complete business continuity plan, progress has been made. In February of 2015, the ministry's emergency response and business continuity plan was updated. Testing is being developed for the business continuity plan and is planned for this fiscal year 2015-16.

With regard to the new recommendation on removing unneeded user access to systems and data, managers are encouraged to use the Public Service Commission checklist which advises the manager to cancel all network permissions and user access. In addition we have a weekly check within our finance and administration area to see whether all of those directions have been followed through. In addition to that, in July 1st of this year, so not yet in place but coming up here in a few weeks, we will also be introducing an additional check and balance, if you will, through our customer relationship management software that we have in place to monitor who has user access.

With regard to the new recommendation for following established policies for recording the cost of inventory, the cost of inventory was corrected as noted prior to the end of the fiscal year 2013-14. In addition staff have received additional training on the inventory system and a monthly report is being run to identify costing errors, which are followed up in a timely manner. This recommendation, in our belief, was implemented in the 2014-15 fiscal year. That concludes my comments.

The Chair: — Thank you, Mr. Swan. I'd like to open it up for

questions. Mr. Wotherspoon.

Mr. Wotherspoon: — Just thanks for the progress on these and the deadlines that you've laid out to ensure implementation. I guess we have the status update here, and to just then, I think, correct it for our record here is the recommendation around inventory items. You've stated actions that you believe would have brought it into implementation. We have a status update here that states that it's not implemented. I think what I'm hearing from you is that it's implemented from your perspective.

Mr. Swan: — From our perspective, we believe it's implemented, correct.

Mr. Wotherspoon: — Thank you.

The Chair: — Are there any further questions on this chapter? Mr. Doke.

Mr. Doke: — Just one on the Fish and Wildlife Development Fund. Who accesses that?

Mr. Swan: — I'll just get Kevin Murphy here to give a much more elaborate answer than I would be able to try to provide.

Mr. Murphy: — We have a number of users that can access the fund, ranging from academics, students working on postgraduate programs, access for research purposes; land acquisitions through our conservation groups such as Ducks Unlimited, Nature Conservancy of Canada, and the Saskatchewan Wildlife Federation; also utilization for the provincial fish culture station, which is administered through the Wildlife Federation at present.

Mr. Doke: — And is it being utilized?

Mr. Murphy: — The fund is fully expended every year.

Mr. Doke: — Okay. That's what I wanted to know. Thank you.

The Chair: — Are there any further questions? Mr. Hart.

Mr. Hart: — Just a question on the removal of user access. The auditor notes here, on page 55, that two out of ten individuals that were tested did not request prompt removal from the computer network access and one was on 102 days after the last day of employment. That individual at 102 days, that individual ceased to be employed by Environment. Did they move on? Did they retire? Did they move on to another government agency? Do we know anything?

Mr. Swan: — I'm sorry, I don't know the reasons they left. But they did leave and we never removed their access for 102 days, which is not a good thing. So we have checks and balances in place now to ensure that that does not occur in the future.

Mr. Hart: — For sure we see this recommendation from the auditor on a number of ministries, and I know it's a bit of a stickler. And I see many ministries doing their very best to correct it, and we definitely see progress in this area. So thank you.

The Chair: — Any further questions on this chapter? Seeing none, what is the will of the committee with respect to these two new recommendations for the 2014 Provincial Auditor report volume 2, chapter 8? Mr. Doke.

Mr. Doke: — Madam Chair, with recommendations 1 and 2, we would concur with the recommendations and note compliance.

The Chair: — Thank you for the motion here. Can I just clarify with Mr. Swan that recommendation no. 1 around procedures to remove unneeded user access, you said it's just about implemented but not quite there. Would it be fair to say note progress or implemented?

Mr. Swan: — In our view it's implemented. The additional piece coming up in the future we think goes above and beyond the original recommendation. That would be our take.

The Chair: — Thank you. Sorry. Thank you for the clarification. Sorry, Mr. Doke. Mr. Doke has moved that for the 2014 Provincial Auditor report volume 2, chapter 8, that for recommendation no. 1 and 2, that this committee concur with those recommendations and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. All right. Moving on to the 2014 auditor's report volume 1, chapter 21. I will pass it off to the Provincial Auditor for her remarks.

Ms. Clemett: — Reforestation is an important part of sustainable forest use, allowing a sustained flow of forest products and maintaining forest ecosystem health. Chapter 21 of our 2014 report volume 1 reports the results of our second follow-up of six recommendations from our 2009 audit on regulating reforestation.

By March 2014 the ministry had implemented three recommendations and had made progress on the remaining three. We found the ministry sets a formal rolling five-year plan annually to ensure proper reforestation of the forest, provides senior management with annual reports on reforestation activities, and develops and uses a communication strategy to inform stakeholders about the effectiveness of reforestation activities in the province.

The ministry's progress and work remaining includes, as noted on page 176, the ministry implemented a digital permitting system that enables reforestation terms to be added to forest product permits. However the ministry did not have standard documented reforestation terms. This increases the risks of inappropriate reforestation terms may be included in forestry product permits.

Starting on page 176, the ministry had not established processes to set reforestation fees at a level to cover reforestation costs. And it had not amended the rates set out in the forest resources management regulations for non-forest management area term supply licences since 1999. This increases the risk that taxpayers will be required to pay for the shortfall.

As noted on page 178, the ministry did not have effective

processes to monitor operators' compliance with reforestation requirements. The ministry requires forest management areas and term supply licences to submit a regeneration assessment survey on an annual basis. By March 2014, the ministry had not completed its evaluations of all 2011 and 2012 annual surveys. It expected to complete this work during its 2014 field season. That concludes my presentation. Thank you.

The Chair: — Thank you, Ms. Clemett. Mr. Swan.

Mr. Swan: — Thank you. The Provincial Auditor's 2014 report volume 1 provided six recommendations related to regulating reforestation. Of the six, three have been implemented and three are in progress.

With regard to the Provincial Auditor's outstanding recommendation to establish processes for setting reforestation terms and conditions, and for approving forest product permits, the ministry has implemented an electronic permitting system, as noted, which allows for centralized tracking of permits and for setting reforestation terms and conditions. The forest service branch has developed standard documented reforestation terms and conditions for forest product permits, and these will be reviewed by our internal auditors in this fiscal year.

[15:00]

With regard to the outstanding recommendation to establish processes to set reforestation fees at a level to cover reforestation costs, a regulation amendment is being prepared to adjust rates.

With regard to the Provincial Auditor's final outstanding recommendation to establish processes to monitor operators' compliance with reforestation requirements, the ministry has developed a series of forestry directives to guide staff on monitoring operators' compliance with reforestation requirements. Industry submits regeneration assessment surveys, and the ministry has completed its evaluation of all the outstanding 2011 and 2012 surveys. We are committed to fully addressing all recommendations as soon as possible. Thank you for your attention to these comments.

The Chair: — I'd like to open up the floor for questions. Seeing no questions, this is a chapter with no new recommendations, and so this committee has the opportunity to conclude considerations. Could I have a motion?

Mr. Doke: — So moved, Madam Chair.

The Chair: — Mr. Doke has moved that for the 2014 Provincial Auditor report volume 1, chapter 21, that this committee conclude consideration. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. That brings us to the end of our agenda. Mr. Swan, would you like to make any closing comments?

Mr. Swan: — I just want to thank the committee and the Provincial Auditor for their time, and my officials for their time today, and appreciate the questions and listening to the answers. So thank you.

The Chair: — Thank you. I want to thank you for your time, Mr. Swan, and the officials from Environment and all the officials we had before us today, to my colleagues, and to the Provincial Auditor's office. Mr. Wotherspoon?

Mr. Wotherspoon: — My attention may have been somewhere else. I'm not going to re-open a large comment or question on the report here, but I mean it's an important process. These are outstanding recommendations since 2010, so we're five years on here. I do recognize that there's complexity to these processes, but certainly we'll be tracking with interest the timely completion and implementation, and thankful to those in Environment in making that happen and certainly appreciative of this focus from the auditor.

The Chair: — Thank you. Could I have a motion to adjourn? Mr. Norris. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — This committee stands adjourned until 9:30 tomorrow morning, which is June 18th. Thank you.

[The committee adjourned at 15:02.]