



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Mr. Todd Goudy
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Saskatoon Churchill-Wildwood

Mr. Warren Michelson
Moose Jaw North

Ms. Vicki Mowat
Saskatoon Fairview

Mr. Randy Weekes
Biggar-Sask Valley

[The committee met at 09:00.]

The Chair: — Well good morning everyone. We'll convene the Standing Committee for Public Accounts here today. I will introduce members that are here today: Vice-Chair Mr. McMorris, Mr. Goudy, Ms. Lambert, Mr. Michelson, Ms. Ross, and Ms. Mowat. Who do we have substituting here today? We have Ms. Ross substituting for Mr. Weekes.

We have the following items to table today: PAC 52-28, Ministry of Education: Responses to questions raised at the June 12th, 2018 meeting; PAC 53-28, Ministry of Highways and Infrastructure: Responses to questions raised at the June 12th, 2018 meeting; PAC 54-28, Provincial Auditor of Saskatchewan: Policy revisions dated June 29th, 2018; PAC 55-28, Ministry of Health: Responses to questions raised at the June 12th and 13th, 2018 meetings; PAC 56-28, Ministry of Finance: Report of public losses, April 1st, 2018 to June 30th, 2018; PAC 57-28, Ministry of Health: Report of public losses, April 1st, 2018 to June 30th, 2018; PAC 58-28, Ministry of Education: Report of public losses, June 1st, 2018 to August 31st, 2018.

I'd like to also advise the committee that pursuant to rule 142(2), the following documents were committed to the committee: Provincial Auditor of Saskatchewan, *Annual Report on Operations for the Year Ended March 31st, 2018*; Government of Saskatchewan, 2017-18 Public Accounts volume 1, summary financial statements.

Agriculture

The Chair: — At this time, I'll introduce some of our officials that are here with us today. We have Terry Paton, our Provincial Comptroller; and we have Jenn Clark, director over at the Provincial Comptroller's office. Of course we have our Provincial Auditor, Judy Ferguson, and her team here today. I'll welcome her and ask her to introduce her officials. And then we'll open things up for consideration here with the Ministry of Agriculture here today, and I'll have a brief introduction of the chapter under consideration.

We have a few chapters under consideration. I think we're going to do them one at a time, and then I'll welcome our deputy minister to introduce his officials and respond. At this time, I'll turn it over to our Provincial Auditor.

Ms. Ferguson: — Thank you very much. Good morning, Chair, Deputy Chair, and committee members and officials. With me today I've got Mr. Kelly Deis. Kelly is the deputy provincial auditor. He has recently assumed responsibility for our environmental and infrastructure division, and within that division it includes responsibility for Agriculture.

Behind him is Mr. Victor Schwab. Victor is a principal with our office and has led a number of the work that's before us this morning. And beside Mr. Schwab is Ms. Kim Lowe, and Kim is our committee liaison.

As the Chair just indicated, we are going to go through each of the three chapters this morning, pausing after each chapter to allow for the committee's deliberation and discussion. There is four new recommendations in the first chapter for the

committee's consideration. The other recommendations that are presented here, the committee has already considered them.

Before I turn it over to Mr. Deis to do the presentation, I would like to take a moment and say thank you to the deputy minister and his staff and also to the folks from the Crop Insurance that are here today too, for their co-operation that they've extended to our office during the course of our work. Mr. Deis.

Mr. Deis: — Good morning. Saskatchewan exports around \$2 billion worth of live animals each year. The regulation and control of certain animal diseases is a shared federal-provincial responsibility. The Ministry of Agriculture is responsible for preventing and controlling the spread of diseases among Saskatchewan farmed animals. Cabinet has identified 14 livestock diseases requiring provincial notification and monitoring.

Chapter 20 of our 2017 report volume 2, on pages 107 to 120, reports results of our audit on the Ministry of Agriculture's processes to mitigate the risk of the occurrence and spread of diseases of farmed animals — in other words, livestock — in Saskatchewan. We concluded for the 12-month period ended August 15th, 2017 that the Ministry of Agriculture had, other than reflected in our four recommendations, effective processes to minimize the risk of the occurrence and spread of diseases of farmed animals in Saskatchewan. We made four recommendations. I'm going to focus my presentation on those four recommendations.

In our first and second recommendation on pages 113 we recommend the Ministry of Agriculture maintain support for its decisions on which livestock diseases to include on its notifiable disease list. We recommend that the Ministry of Agriculture maintain support for its decisions on which livestock diseases require response plans. While the ministry developed its own provincial notifiable disease list in 2013, it did not keep support for the basis of its decisions on which livestock diseases it included on its notifiable disease listing, nor has it kept support for its decisions on the extent of its involvement in reported cases of diseases on its listing. For example, it has not documented its rationale for decisions related to which diseases require a response plan.

Having clear and documented assessments of the impact and likelihood of diseases occurring provides for stronger decision-making processes. Having documented basis of decisions provides key support to decisions. In addition, it makes it easier to revisit for changing circumstances, and decisions are more defensible by capturing the logic behind those decisions, such as the rationale for including certain diseases on the notifiable list and excluding others or requiring response plans for some but not others. It also assists in the event of staff turnover.

In our third recommendation on page 116 we recommend the Ministry of Agriculture maintain support for its decisions on which notifiable livestock diseases to have surveillance activities performed. The ministry has surveillance activities carried out on 6 of the 14 notifiable diseases. It hires and leverages outside organizations and individuals to do these activities. However the ministry did not have support that showed why it selected these

particular diseases and not others included on its notifiable list. In addition, it did not have a long-term plan indicating its future plans for disease surveillance.

The ministry cannot prevent instances of livestock diseases in the province, but doing sufficient surveillance activities are key to minimizing risk of occurrence of livestock disease. Having support for the basis of selecting which diseases to surveil, and when, helps show that it is doing enough. It also assists in the event of staff turnover.

In our last recommendation on page 119 we recommend that the Ministry of Agriculture consistently document its analysis of the sufficiency of action taken on all positive cases of notifiable livestock diseases. The ministry maintains records on positive cases of notifiable livestock diseases to summarize key information about cases. However we found that in nine cases, information in the ministry's centralized records was not complete. For example, in some cases veterinary actions taken on positive cases were not documented.

Keeping complete and accurate records will help the ministry to manage livestock diseases and ensure that its contracted third parties take appropriate actions to resolve positive cases of notifiable livestock diseases. Complete records will also provide the ministry with a permanent record of its assessment of the sufficiency of actions taken. That concludes our presentation.

The Chair: — Thank you very much, Mr. Deis. We'll turn it over now to the Ministry of Agriculture. Thanks to Deputy Minister Burton for being here, as well to other officials and all that work throughout the ministry within the province, and thank you as well for the detail in your status update with respect to these recommendations. It helps us focus our attention here. So I'll turn it over to the deputy minister to introduce his officials and respond.

Mr. Burton: — Thank you. It's my pleasure to be here today. With me today, I'm going to introduce all my officials that are here to support all three chapters. I'll do that right now. So with me today is Shawn Jaques, the CEO [chief executive officer] and president of Saskatchewan Crop Insurance Corporation, and Betty Althouse, the chief veterinary officer for the Ministry of Agriculture.

In the row behind me I have Cammy Colpitts, the assistant deputy minister; Grant Zalinko, executive director of our livestock branch; Michele Arscott, our executive director of corporate services; and Janie Kuntz, the vice-president of finance of Saskatchewan Crop Insurance Corporation.

I'll maybe just start with comments around the first chapter. I won't go into the four recommendations. I think that Mr. Deis highlighted them very well. I'll just say that I want to thank the auditor for highlighting the areas of improvement for the ministry to make in terms of our disease surveillance and mitigation efforts. So I do appreciate that.

I'm happy to report that all four of these recommendations have now been implemented. Our chief veterinary officer has created a notifiable disease standard operating procedure which specifies why each disease was included in the provincial notifiable animal disease list, why certain diseases require a response plan while

others do not, and how and where the records for each disease are to be kept. So I think those go a long way in meeting the intent and fulfilling the recommendations. It's important to note that disease surveillance needs are continuously evolving, and so our reporting systems reflect this as well. So with that I'm just going to open it up for questions or, you know, end my opening comments.

The Chair: — Thank you so much for the presentation. I'll open up to committee members that may have questions. Ms. Mowat.

Ms. Mowat: — Thank you very much, Mr. Chair. I want to thank everyone who's here today. I won't go through the whole list. And I'll start and I'll try to focus my questions throughout the chapters from the Provincial Auditor so that folks can follow along more easily. So on page 108 where it's talking about monitoring livestock diseases in Saskatchewan, there's a figure on the following page, figure 1, the number of animals and dollar value of exports from Saskatchewan. And there's no numbers available for 2017, so I'm just wondering what cash receipts for farm livestock receipts were in 2017, if you have those numbers.

Mr. Burton: — Don't have that off the top of my head, but we will get that before the end of the questions today.

The Chair: — No, that's great. So if you can get it here before questioning, that's great. If that's not the case, then we'll just make sure that it gets tabled back to the committee. So thank you.

Ms. Mowat: — Thank you. So the reason I ask is it's mentioned that the ministry's target is to increase annual cash receipts from farm livestock sales to above 2 billion by 2020. So do we anticipate meeting that goal, or are we on track to meet that goal?

Mr. Burton: — Yes. Actually we've exceeded that goal the last three years. We were as high as 2.7 billion in total livestock receipts three years ago and then 2.6 and then down to 2.2. That change was primarily a result of price changes that occurred in the industry, but we've exceeded that goal in the last three years.

Ms. Mowat: — Okay. Thank you very much. On to the recommendations. On page 113, and the deputy provincial auditor has identified what the recommendations are, but with regards to the second recommendation that "the Ministry . . . maintain support for its decisions on which livestock diseases require response plans." What are the most common or problematic diseases in Saskatchewan?

Mr. Burton: — I think I'm going to let my veterinary officer answer this one.

Ms. Althouse: — So some diseases are responded to federally, so in that case we don't have responses. But the three that we currently have active response plans are anthrax and rabies, and that's because they do occur sporadically in animals in the province and we need a response plan really to prevent transmission to people. They're important zoonotic diseases so our control plan responds to the animals but also protects human health.

[09:15]

The third one that we have a response plan is porcine epidemic

diarrhea or PED. And this was a new, emerging disease that just entered the country in 2014 and has potentially devastating effects to the swine industry. So we have a response plan with industry on the case of a first detection, and we've carried out surveillance of high-risk sites since 2014. We occasionally get detections off of transport trailers and respond with cleaning and disinfection. We may do some tracing back to a farm to make sure that it hasn't been established. But so far, despite ongoing outbreaks in Manitoba, there have been no cases of PED in Saskatchewan swine herds.

Ms. Mowat: — Thank you. And that certainly explains why there was a focus on those particular diseases on the Provincial Auditor's behalf. With regards to the third recommendation on page 116, I'm wondering if the Provincial Auditor . . . Or perhaps she'll defer to her deputy in this case. You identify that the ministry lacks a long-term plan. And I'm wondering if you consider this to be a necessary piece considering the ministry's status update and the rationale that they've provided for not creating a long-term plan with the difficulties that they face.

Ms. Ferguson: — As you can tell by the recommendation, we didn't focus on the long-term plan. You know, I guess when we were looking at literature, that was one of the things that they were talking about was having a long-term plan. We did look at the situation, you know, and in discussions with the organization and management, we did agree that, you know, it's what they need to do is they need to, on a continual basis, just make sure that they have support for the ones that they are doing surveillance on, and keep on top of that. Like it's not a one . . . It's something that they're going to have to revisit on a continual basis, you know.

So when I look at the response, at the operating procedures, we haven't had a chance to look at the detail on that. But we're hoping that's something that would be a continuous aspect, you know, because it is a situation where they're going to have to do environmental scanning all the time and make decisions based on that. So that's why we landed where we landed in terms of focusing in on making sure you have documentation for the decisions that you're reaching.

Ms. Mowat: — Thank you very much. And did the ministry want to comment on the SOPs [standard operating procedure] that have been developed or how this addresses the concern?

Ms. Althouse: — Yes. So we can't unfortunately go back and create records that weren't kept. Then going forward, as we're developing, as new diseases are added to the list . . . Since the audit, we've added chronic wasting disease, for example, and we're making sure that we keep all the records of meetings and decisions and draft documents so that they're there to help support the decision-making process.

I think as far as surveillance, I mean it is something that's difficult and there is ongoing scanning that happens. We subscribe to a number of listservs. We are certainly in communication with other jurisdictions on what's going on. Currently you may be aware African swine fever is spreading through Europe and in China. We've heightened concern. We've been working on increasing communications to producers about trying not to host foreign delegations and precautions to take, working with Agribition on information to all the foreign visitors

coming to Agribition, and providing them updates on disease prevention actions they should be taking.

And I think the other thing that supports surveillance is the . . . It's not active surveillance where we're actively going out and looking for a disease, but we have the ongoing passive surveillance through our veterinary diagnostic lab at Prairie Diagnostic Services. The results of all the disease testing is available to us, so if there's something unusual shows up or they're seeing an increase in cases of a condition, we're aware of those pretty quickly.

Ms. Mowat: — With regards to the final recommendation on page 119, so this is discussing consistently documenting the analysis of actions that have been taken, and it was noted in the Provincial Auditor's report that I think there were nine cases that were not complete in the centralized records. I'm wondering if you can comment on how that broke down or, you know, what lessons were learned in that particular situation.

Ms. Althouse: — I think the answer was learned, is just to make sure that everything is completed. So we've reviewed the records and identified which ones are mandatory to be completed and which are optional. In the nine cases, in all of those cases, it was the veterinary response taken. And in all of those, there was no response taken. So we just needed to make sure that it was clear that no response was taken so that people down the road aren't left wondering what happened in those cases.

Ms. Mowat: — Thank you. And can you elaborate on the new system of mandatory and optional data fields?

Ms. Althouse: — So it's just what is mandatory for a particular disease. Like contacting the owner or contacting public health may be not mandatory for every case, but it will be mandatory for some. So those fields are there and they're used, or not, as required for the disease.

If it's a zoonotic disease, we notify public health as well so that they can determine if there's some actions they need to take from their side.

Ms. Mowat: — Thank you. I have no further questions, Mr. Chair.

The Chair: — Any other . . . Ms. Ross.

Ms. Ross: — Yes, I do have a question. So can we go back to the PED? So you said in Manitoba they have cases?

Ms. Althouse: — Yes, they've had quite a large outbreak last summer and again this summer.

Ms. Ross: — Right. So what exactly are we doing to ensure that that isn't being transferred across the border if you don't mind me just . . . I maybe just missed what you said.

Ms. Althouse: — So primarily it's education, awareness, and biosecurity, but we have a program with Sask Pork where they actually take samples from transport trucks, truck washes, anywhere where animals accumulate. We directly sample . . . Well we, under contract, sample a slaughter plant and an assembly yard so sort of those high-risk commingling places, and

the transport trucks are really continuously monitored, to make sure that the virus isn't present in the facility or in the trucks.

And on the occasions where it's detected, the truck gets held. Full cleaning and disinfection is done until we can verify that it doesn't have the virus in it. And if there are risky contacts, say that truck while it was positive may have delivered a load of animals somewhere, we'll follow up there and do sampling as required to ensure that it hasn't spread.

Ms. Ross: — Right, because it's devastating.

Ms. Althouse: — Yes, it's up to 95 per cent mortality on the young piglets and it can be really difficult to eradicate from farms. So that's what the industry is attempting to do in provinces like Manitoba and Ontario where they have it, is to completely eradicate it. But it is a long-term and expensive process, so if we can prevent it that's where we're hoping to be.

Ms. Ross: — Thank you.

The Chair: — Any other questions from committee members at this time? Just one question around chronic wasting disease: how does it transfer and what sort of risk is it right now for livestock?

Ms. Althouse: — So chronic wasting disease has been a concern of ours for a number of years. It doesn't affect the traditional livestock but it certainly is a concern in our game farm industry.

So it's a disease of cervids. So that's elk, deer, moose, and caribou reindeer. We have had . . . The largest numbers of detections in farmed game animals in Canada have been in Saskatchewan. We're up to, well 92 or 93 — we're in the midst of an investigation — cases in Canada that have been responded to.

I guess one of the big concerns there is that the Canadian Food Inspection Agency has changed their response to the disease in the last year. So they used to do complete herd depopulations where it was detected. Now they will only respond to herds that are on a voluntary herd certification program. Unfortunately only 26 of our herds are on that program so we have another, approximately, 150 with animals that wouldn't be on the program.

So when those herds are detected with CWD [chronic wasting disease] . . . And we do have a mandatory CWD submission program. All animals that die on farm over 12 months of age are required to be submitted for CWD testing. But when they're detected on farms not on the program, then the province is responsible for any of those control actions. So that's been newly added to the list in the last year, and our response program is functional but I wouldn't say fully developed and operational right now. We're working with Environment because the disease also exists on the other side of the fence and we do need a more comprehensive program for response.

The Chair: — Okay. No, thank you for those comments. Obviously this whole area is very important to our province, and the integrity of our livestock is critically important. I know as a consumer I do my part to support Saskatchewan livestock, and so I appreciate all the measures that the ministry takes to ensure the integrity of that system.

I guess at this point it looks like we've got implementation of the recommendations. I'd certainly consider a motion at this point, something to the effect that we concur and note compliance.

So Vice-Chair McMorris moves that we concur with the recommendations and note compliance for recommendations 1 through 4 of chapter 20 from the 2017 *Report of the Provincial Auditor*. All agreed?

Some Hon. Members: — Agreed.

The Chair: — All right. So moved. Or it's agreed. We'll move along now to chapter 29, and I'll flip it over to Kelly Deis of the Provincial Auditor's office.

Mr. Deis: — The Ministry of Agriculture is responsible for regulating the storage and management of livestock waste in a way that protects water resources. It uses permits to do so. Chapter 29 of our 2017 report volume 2, on pages 225 to 226, reports the results of our second follow-up of one recommendation originally made in our 2013 audit on the Ministry of Agriculture's processes to regulate livestock waste. Our first follow-up, reported in our 2015 report, found that the ministry had implemented two of the three recommendations and partially implemented the remaining one.

By April of 2017 the Ministry of Agriculture made good progress in addressing the one outstanding recommendation related to confirming intensive livestock operations approved pre-1996 and had sufficient controls to protect water resources. It reviewed and confirmed the existence and operational status of intensive livestock operations that it had permitted for the operations prior to 1996.

It identified 331 intensive livestock operations with approved pre-1996 as operating. It was inspecting them and had to verify the compliance of 7 per cent of them. By April of 2017 it had found 17 per cent of operators it inspected were not in compliance. It was working with those non-compliant operators to implement sufficient controls to protect water resources.

Adequate waste storage is key to protecting groundwater and surface water from potential contamination. Reassessing pre-1996 operating intensive livestock operations helps ensure sufficient controls are in place to mitigate environmental risks. That concludes our presentation.

The Chair: — Thank you for the presentation and the important follow-up on this outstanding recommendation. I'll flip it over to the Ministry of Agriculture to respond.

Mr. Burton: — Thank you, and again thank the Provincial Auditor for their work in this area, you know, dating back to 2013. I think it's an important area, and we certainly feel that we've improved our performance as a result of the Provincial Auditor report over time.

So I can report on the one recommendation that's outstanding that as of August 28th, 2018, the ministry has confirmed the status and the compliance of all 311 operations with the pre-1996 approvals. There are 32 of those that are still not in full compliance. We continue to work with those 32 to bring them into compliance. You know, it will take us a little bit of time. We

work with the operator and the producer to ensure that the highest risks are met, and we're working with them on an ongoing basis to do that. Sometimes it may take some additional work or changes to their operation. Sometimes it's documentation and monitoring. So with that, I'll end my comments on this chapter.

The Chair: — Thank you. Thank you for that report. And just a reminder that as other officials weigh in, just state your name before you do so. I'll open it up to the committee for questions. Ms. Mowat.

Ms. Mowat: — Thank you very much. Just with regards to the non-compliant operations, can you elaborate on some of the challenges that are being faced in bringing them toward compliance and the reason that they're not there yet? When we're talking about a process that started in 2013, I just think it would be useful to understand what some of the challenges are.

[09:30]

Mr. Zalinko: — Sure. Good morning. Grant Zalinko. I'm the executive director of the livestock branch, and I have the engineering unit that's responsible for administration of the appropriate legislation. Some of these original permits . . . The original legislation dates back to 1971, and then the legislation was changed in 1996. So some of these operations may not involve the original owner-operator. It may be second and in some cases maybe third generation, or there's been ownership changes and we're working with a new owner of a property that may not in fact be aware that there was even a permit issued to that property.

The majority, or a significant number of the 32, are simply that there's been expansion of the operation over that last 20, 30, or 40 years. And so it's a process by which we are updating records of the operation, and then with this increase, ensuring that manure management plans are appropriate for that expanded size of operation, and then reviewing to ensure that holding ponds and . . . on all of the design work that had originally gone into those operations, meets the standards by which today . . . So some of this may involve geotechnical investigations specific to each of the sites. And I think that is what it takes us additional resources and time to get through to confirm on those 32 operations, that what's gone on in terms of inventory increase over time is sufficiently reflected in the engineered design on-site and records.

Ms. Mowat: — Thank you. In terms . . . Oh, did you want to add something?

Mr. Burton: — I'll just add, because I think part of your question was why since 2013 are we still working with these 32. And in 2013, after the auditor's report we actually . . . there was over 1,600 . . . [inaudible interjection] . . . No. There was a large number that we had to first confirm whether they were operating. So these 32, we didn't know about in 2013. Over the process of our investigation, then we determined the current status of all of these, and so that took some time. And now we continue to work to bring those 32 in compliance now that we've determined that they need more work done.

Ms. Mowat: — Thank you, and that certainly makes sense. In terms of the . . . What else was I going to ask about? In terms of

the risk that you are talking about, so you said that the higher-risk operations have been a priority. Like, can we reasonably understand that these operations that are not compliant yet pose a minimal risk to groundwater and surface water contamination?

Mr. Zalinko: — And they do, and for several reasons. Number one, they were originally permitted or reviewed during this original process. So that, you know, that reduced the risk compared to an operation that we're unaware of in terms of its status. The risk matrix that was developed to categorize these operations took into account scale of operation, geology characteristics, proximity to water resources. And so that's what forms that basis of . . .

And so staff is prioritizing based on that risk score, and of the non-compliant 32, start with the highest risk on those non-compliants and move down. But the goal is certainly to move all towards compliance.

Ms. Mowat: — Thank you. Is there a timeline for full compliance? And what would the ramifications be if the operation can't get into compliance?

Mr. Zalinko: — The timeline typically depends so much on individual site characteristics and work that may be required. If it's simply an update to records, that can happen within a matter of months. If there is in fact some design work and some construction that may go on, it certainly can only proceed dependent on what the weather does and doesn't co-operate with and the time of the season to do that.

So you know, it would be our goal to as soon as possible bring each of those to compliance. But depending on the nature of the work, it could take a number of months and potentially it could go over a construction season to get all of those controls. But the risk is low in that they were already permitted and aware and have controls in place. It's just a matter of getting them updated to reflect the new operating standards of that operation.

So the question in terms of if producers aren't moving towards compliance, we do have regulatory tools. We start out with a series of graduated enforcement activities that involve letters to the operator but through to minister's orders. And potentially there is an avenue through the courts to move through a legislative . . . Through legislation we have authorization to move to courts to compliance. And then in an extreme case, we could order an operation to cease operation.

Ms. Mowat: — Thank you. And just on the note of each site, are there timelines set with each producer as you go through the process for compliance?

Mr. Zalinko: — So we've tried to really work co-operatively with each of those operators and tried to come up with, you know, a sort of what's reasonable to achieve the outcomes for both. So there's not a hard-set number that we're going to each operator and saying you have 90 days or six months or that. We really are trying to work co-operatively with each of them to come up with a reasonable time to move to compliance.

Ms. Mowat: — Thank you. I have no further questions, Mr. Chair.

The Chair: — Thanks for the auditor's attention on this file. Certainly it's important to protect water, but also to make sure that there's a level playing field and fairness across the industry for operators. I guess I'd have one other . . . And thank you to the Ministry of Agriculture for your work and actions in your report here today.

If an operator was looking to sell or a producer was looking to sell their operation, would there be any requirement to disclose this deficiency to a buyer?

Mr. Burton: — We don't know. You know, I think that's one we'll have to get back in terms of the legal requirements for disclosure. You know, we don't know in advance when the sales and transfers occur. If we did, we certainly could make them aware, but I don't know the legal requirements.

The Chair: — Thanks for that information. So maybe when you endeavour to find a little more information on this front, if you can ensure it's tabled back to the Committee Clerk and it'll be tabled to this committee and all members. I see Ms. Ross has a question.

Ms. Ross: — Well it's maybe a statement that if it's a registered company and they go to sell, if there's any outstanding issues, they have a fiduciary responsibility to share that information because it does reflect upon the price of the company that they're selling. So in fact there is rules and regulations in regards to sale of properties that have outstanding issues.

The Chair: — And for those that know, Ms. Ross, you know, is not just a good MLA [Member of the Legislative Assembly] but she's a long-serving realtor before that, so she brings some of that knowledge to the table here today.

We don't need to vote . . . oh, sorry. Question, Mr. Michelson?

Mr. Michelson: — Yes, I just wanted to follow up a little bit with . . . working with these people that are . . . You tried to increase or bring in the regulations and that. You spoke very well, and thanks for the presentation, that you're working co-operatively with them. I would assume that they are interested in working co-operatively with you as well as far as attaining the necessary regulations that they need to live up to.

Mr. Zalinko: — Yes, certainly they are. Several, I guess, you know, they have to remember where this originally came from. So it's with that. But you know, in general, industry has increased their proactive response and awareness and take their environmental stewardship very seriously. So I look at industry activities such as the verified beef production program for the beef industry. I look at proAction through the dairy industry. And, you know, as a commitment to protecting the environmental resources, industry is taking those considerations very seriously and must meet compliance with provincial legislation to participate in those industry programs. So it's much broader than just this handful of producers. In general, industries are raising the bar on this.

Mr. Michelson: — Thank you for your comments.

The Chair: — Mr. McMorris.

Mr. McMorris: — Two quick questions. This doesn't kind of garner a really long answer, but what's the definition of intensive? I mean, we've got 331 prior to '96. What is the ministry's definition of an intensive livestock operation?

Mr. Zalinko: — The short answer is one animal confined to an area of less than 370 square metres. But if that operation is not within 300 metres of a watercourse, the trigger for approval starts at 300 animal units. As that operation, if it's within that zone of a watercourse, that trigger is as low as 20 animal units.

Mr. McMorris: — So my second question then. If it isn't, and this could be a longer answer as well, an intensive livestock operation, if it's just a regular operation, what kind of regulations are there around — we're talking about water security and around public waterways — just a ranch around a public waterway, I mean with cattle probably on both sides? Is there any regulations? Are there any things that Ag is watching for? Or is that more of an environmental issue that Environment would look at?

Mr. Zalinko: — So Agriculture does not have a specific regulation for non-intensive livestock in proximity to a watercourse. What I note is the adoption of beneficial management practices through environmental stewardship programming that are used to assist producers to move animals away from a watercourse — so perimeter fencing from riparian areas, or that area where soil, water, and vegetation meet. There's programs available to help producers move their animals away from nearby proximity to watercourses, even though they're being extensively managed. But we do not have specific regulation of non-intensive operation of livestock.

Mr. McMorris: — So non-intensive, it is up to the producer then. We have programs that would help assist them, but it would be up to the producer to say that, my cattle should not be going through this river . . . [inaudible interjection] . . . Okay.

The Chair: — Good questions. We don't need to vote on this because it's an outstanding recommendation. Thanks for the follow-up to the auditor. Thanks for the action to the ministry, and of course the work's not finished by way of the 32 operations. I guess we conclude our considerations with this recommendation, but how do we know that we've reached compliance with those 32 operators into the future?

Mr. Burton: — We certainly can provide a report back to the committee or to the Provincial Auditor, whatever you think is appropriate.

The Chair: — Both would be great, to just provide that information.

Ms. Ferguson: — We'll be doing our normal follow-up, you know, and give a couple of years time frame and circle back. And hopefully by that point in time, all the 32 have been resolved. But if not, we'll give an update at that status too.

The Chair: — One more question while we have you before us on this front. Just a comment about the question around livestock interacting with water and, let's say, a lake that's also used for recreation and fishing. There's monitoring that goes on, and then sometimes there's statuses that change around E. coli for

example. When E. coli is recognized in the water, I guess, is there an ability to understand if that E. coli is the result of potentially livestock or from human waste or . . . Because it simply gets reported out as E. coli in the water.

[09:45]

Mr. Zalinko: — My understanding then, typically it would be through Ministry of Environment or potentially Ministry of Health that would monitor a specific bacteria such as E. coli. There is DNA sequencing that is available to serotype a particular bacteria. And I think we've noted that, in terms of food recalls pertaining to E. coli investigations, it takes time, but they're able to identify back through to source.

The Chair: — Thanks for your time here today. I'd look to a committee member to move conclusion of the consideration of this chapter. Ms. Lambert. All agreed?

Some Hon. Members: — Agreed.

The Chair: — All right. It's agreed.

Saskatchewan Crop Insurance Corporation

The Chair: — We'll move along now to the Crop Insurance Corporation, and I'll flip it over to Kelly Deis.

Mr. Deis: — Chapter 26 of our 2018 report volume 1 on pages 277 to 279 reports the results of our second follow-up of two recommendations originally made in our 2013 audit on Saskatchewan Crop Insurance Corporation's processes to determine AgriStability program benefits.

Our first follow-up, reported in our 2015 report, found that the corporation had implemented three of five recommendations we made in 2013. By January of 2018, Saskatchewan Crop Insurance Corporation had implemented one recommendation. We determined that the other one was no longer relevant.

The Saskatchewan Crop Insurance Corporation set targets for its performance measures relating to Saskatchewan AgriStability benefits programs. It reports its performance on those measures to senior management, its boards, and to the public through its annual report. That concludes our presentation.

The Chair: — Thanks for the presentation. I'll turn it over to the deputy minister — or is it the CEO, correct?— of the Crop Insurance Corporation.

Mr. Jaques: — Yes, Shawn Jaques, president and CEO of Saskatchewan Crop Insurance. So I'm pleased to report that on the one outstanding recommendation that we had in relation to targets for the AgriStability program, we have implemented those targets and established targets that are reported regularly back to our senior management group as well as our board of directors. And those targets are published in our annual report.

And then the second recommendation, you know, in the work we did with our Provincial Auditor's office, that recommendation is deemed no longer relevant. So I'll just leave it at that for now.

The Chair: — Thank you. I'll open it up to committee members

if they have questions. Ms. Mowat.

Ms. Mowat: — Thank you very much. On page 278 there's a figure of measures and targets, and it's talking about the turnaround time and the percentage of files that been completed within 75 days, and then the administration cost per file. I see the targets for 2017-2018 were 75 percentage of files completed within 75 days and \$1,000 administration cost per file. Do we know if these targets were met?

Mr. Jaques: — So with AgriStability, the program is always compensating producers for the year previous. So for the 2017 program year, we wouldn't have those numbers yet because we're just in the process of working through those applications for producers.

Ms. Mowat: — That certainly makes sense. And in terms of the targets that have been set, can you speak to the fact that the targets don't move really? Like aside from lowering the administration costs slightly, they seem to be pretty steady over time. I'm just wondering if there is a goal for continuous improvement in how to process the files?

Mr. Jaques: — SCIC [Saskatchewan Crop Insurance Corporation], you know, we take continuous improvement very serious. We're always looking at ways to make our processes more efficient. And since taking on the delivery of AgriStability from the federal government, we've already significantly reduced, you know, the administration of that program. We have less people administering it. We have streamlined processes. Documentation that we send to our producers we have streamlined. So we're continually looking at ways to make that more efficient.

As far as the cost per file, you know, as farms consolidate . . . And it really depends on how many applications we get in a year to do that administration. You know, we want to try to maintain that \$1,000 a file, because if we take in less applications that cost is going to be higher because it still costs some money to deliver that program. I'm pleased to report, as compared to other jurisdictions that are delivering AgriStability, we're one of the lowest in the country. And you know, I'm quite proud of what we've done at SCIC for efficiencies.

Ms. Mowat: — Thank you. And in terms of turnaround time, does that hold true as well?

Mr. Jaques: — Yes. And again, we're always looking at ways that we can improve that turnaround time. We've improved our technology. We have some technology in place where producers can input that data directly onto our system, which increases the turnaround time. We have processes in place for fast-tracking applications — first in, first out — and we work very hard to turn around those as quick as possible.

Ms. Mowat: — Thank you. On page 279 there's a discussion about how the federal Growing Forward program changed in 2013 and how it reduced AgriStability benefits available to producers. Can you speak to in what way the benefits were changed?

Mr. Jaques: — Yes, so AgriStability was part of the agricultural framework, Growing Forward 2. And when Growing Forward 2

was implemented in 2013, the trigger that is established for when a producer would have a claim changed from 85 per cent to 70 per cent of their program, or their reference margin. So you know, it lowered the trigger point when a producer could make a claim so that is why the benefits would have been reduced. The other thing too is 2013 was an extremely good production year, and so producers, you know, there was less need to apply to the program.

Ms. Mowat: — Thank you. And at the bottom of that page it says that “2017 actual program year amounts were not available as of March 31, 2018.” Are those numbers available now or they’re still in the works?

Mr. Jaques: — With the 2017 program year, you know, we started processing them at the beginning of ’18, and so we don’t have the final numbers. We’re well on our way processing, but we don’t have the final numbers.

Ms. Mowat: — Thank you. And in figure 2 it says that the claims . . . The claims appear to be lower than from 2009 to 2012. Can you speak to why that is?

Mr. Jaques: — Some of that is, you know, to the program design which we spoke about earlier where the changes were made in 2013. So that has certainly reduced some of the payments. We’ve had some pretty good production years. In 2013, ’14, and ’15 were high production years, and then maybe some of the participation. We saw a bit of a decline in participation, so that would also reduce some of the payments.

Ms. Mowat: — Thanks. And the estimates that are presented in this figure, can you speak to how those are determined?

Mr. Jaques: — The estimates for payouts?

Ms. Mowat: — Mmm hmm.

Mr. Jaques: — Yes, so we work with Agriculture and Agri-Food Canada in, you know, forecasting what we think the estimates will be for the upcoming year. And so what Agriculture Canada does is provides us with a range of what they think payments can be. So for example, in our ’17-18 annual report, we said that the estimates for that year would be anywhere from 50 million to \$90 million. And so we report a range, and then once we’re done processing we have the actual numbers.

Ms. Mowat: — Thank you. I have no further questions.

The Chair: — Okay, thanks for the questions. Any further questions? Mr. Michelson.

Mr. Michelson: — Yes. Just wanted to follow up on, you indicated that there’s reduced participation. Do you follow up to find out why there would be reduced participation, or is it just less producers?

Mr. Jaques: — You know, with all the business risk management programs that we have, you know, participation in them are an individual decision. So a producer takes a look at their farm operation and determines if the program that’s being offered fits their risk management. Some maybe choose that, you know, they feel that they don’t need AgriStability. Some maybe

didn’t like the way the program changes were made, and chose to opt out.

You know, we spend a lot of time and effort in educating producers about what programs are being offered, and how they work. And at the end of the day it’s really, you know, a decision of the individual producer. And there certainly is some farm consolidation. As we know, farms are getting larger and consolidating, and so that is also part of the reason.

Mr. Michelson: — Would you have a percentage of what the rate of reduction may be? Like 2 per cent, 0.5 per cent?

Mr. Jaques: — Currently we have about, I think, for the ’17 year, about 12,000 participants in the program. And we’re covering approximately, if I get this number straight, about 50 per cent of the net cash farm receipts in agriculture, which is down slightly from previous years.

Mr. Michelson: — Okay. Thank you for that explanation.

The Chair: — All right. Thank you for the presentation. Thank you for the actions that have been taken, and the fact that this recommendation has now been implemented.

I guess it’s fair to say as well, we sit here on October 3rd with a lot of snow outside, and sort of the second round of that. So we certainly, you know, also are thinking of all those producers across the province that have wet and snowy crops that are out there instead of drying in the bin. So our thoughts are there, and certainly there may be an important place for the Crop Insurance Corporation and the Ministry of Agriculture to be there as well. So thanks for your work. I’d welcome a motion to conclude consideration of the Crop Insurance chapter. Moved by Ms. Ross. All agreed?

Some Hon. Members: — Agreed.

The Chair: — It’s agreed that we conclude consideration of chapter 26 from the 2018 *Report of the Provincial Auditor*. So thank you very much to the officials that have joined us here today, and all those that are working in their respective . . . in the Crop Insurance Corporation as well as the Ministry of Agriculture. And I’ll turn it over to the deputy minister if he has any final comments.

Mr. Burton: — Just in response to an earlier question around the livestock exports, just to circle back, we don’t have the number today on the exports. 2016, the number in the table was 1.7 billion. We would expect 2017 to be a very similar number. The farm livestock cash receipts in the province was very similar from ’16 to ’17. So that export number, we can get you the exact number, but it’s going to be roughly the same number. I just wanted to make sure that you are aware of that.

The Chair: — Thank you very much. And when you have that number, if it can be supplied back to this committee by way of the Clerk. Thank you very much.

Mr. Burton: — Just thank you to the committee and thank you to the Provincial Auditor for their work. I think it certainly makes us in the ministry better at what we do, so I do appreciate that.

The Chair: — Thank you. We'll have a quick recess while the Public Service Commission gets on deck.

[The committee recessed for a period of time.]

[10:00]

Public Service Commission

The Chair: — Okay. Welcome, folks. We'll reconvene. Thank you to the officials from the Public Service Commission that have joined us here today. We'll have the auditor's office present first the recommendations, the chapters that they've covered. Then we'll flip it over to you to introduce yourselves and address the report, and we'll have questions possibly from the committee. So at this point I'll turn it over to the Provincial Auditor.

Ms. Ferguson: — Thank you, Mr. Chair, Vice-Chair, members, and officials. I just want to introduce who has joined us here this morning. There's Ms. Carolyn O'Quinn. Carolyn's our deputy provincial auditor responsible for our finance division in the office and which her responsibilities include the Public Service Commission.

And behind us, Ms. Charlene Drotar has also joined us. Charlene's a principal in our office. And Charlene is within the finance division, but she also wears an IT [information technology] hat in our office too. So she's one of those IT auditors that we have, and she's led some of the work that's before us. With us, Ms. Kim Lowe is also here, and Kelly Deis, which we introduced earlier.

So before us this morning we've got two chapters related to the Public Service Commission. They both reflect annual audits that we do at the Public Service Commission. One is an IT audit of the MIDAS [multi-informational database application system] HR [human resources], which is the payroll system that government uses across the piece. And the other is the annual integrated audit, which has the financial flair to it. So with that, I'd like to extend our thanks to the officials at the Public Service Commission for their co-operation during our work in each and every year on this. Thank you very much.

So I'm going to turn it over to Ms. O'Quinn, who's going to present each chapter and pause after each presentation. There is one new recommendation in the first chapter for the committee's consideration.

Ms. O'Quinn: — Thank you. The Public Service Commission is responsible for the government's key human resources and payroll IT system, MIDAS HR. The system processes over \$900 million of payroll each year for about 12,000 staff primarily employed by the ministries.

Chapter 1 in our 2017 report volume 1, which starts on page 15, reports the results of our annual IT security audit to assess the effectiveness of the commission's central controls to manage and secure MIDAS HR payroll and its data for the 12-month period ending December 31st, 2016.

We found the commission's controls effective other than one area where we made one new recommendation. On page 17 we recommended that the Public Service Commission follow its

established procedures for reviewing payroll reports prior to making payroll payments. The commission requires its staff to review and approve payroll reports prior to paying employees. We found that for 21 of 40 reports we examined, staff did not review the reports prior to processing payroll.

The commission also uses other reports to confirm the accuracy of new and revised employee records. We found that staff did not review 3 of 13 reports we examined prior to processing payroll. Reviewing payroll reports prior to paying employees helps to identify potential errors in payroll and reduces the risk of incorrect payments to employees or incorrect payroll records.

That concludes my remarks on this chapter.

The Chair: — And we'll deal with the outstanding recommendation from chapter 10 after this one.

A Member: — Yes.

The Chair: — Sounds good. We'll flip it over to the Public Service Commission. And please identify yourself and introduce officials here as well. Thank you.

Mr. Kistner: — Okay. Thank you. Good morning everyone. I am Scott Kistner. I am the executive director of the human resource service centre, and I'm here on behalf of Karen Aulie. I'm pleased to be here to provide an update on the progress that the Public Service Commission has made in addressing the recommendations of the Provincial Auditor in the 2017 report volume 1, chapter 1.

Before we begin, I'd like to introduce the officials from the PSC [Public Service Commission] with me here today. To my right is Ray Deck, assistant Chair; and behind me here is Greg Tuer, assistant Chair as well. And to my left here is Glenda Francis, executive director of corporate services.

I'd also like to acknowledge the work of the Provincial Auditor. We appreciate the work you and your employees do and any recommendations they provide us to help us improve in our business.

As it relates to volume 1, chapter 1 and the recommendation that the PSC follow its established procedures for reviewing payroll reports prior to making payroll payments, I am pleased to say we have established processes to improve on this and that a subsequent review from your office has indicated the recommendation has been fully implemented. We will continue to monitor and manage this process accordingly.

And we'll go on to volume 2, chapter 10 after.

The Chair: — Thank you. Thanks for the presentation. Are there questions from committee members? Ms. Mowat.

Ms. Mowat: — Thank you, Scott, and to the other officials who've joined us here today. On page 15 it talks about the fact that there's 12,000 staff that are employed by government ministries and agencies. This is coming out of the 2017 report. Do we have the current number of employees?

Mr. Deck: — I think the number is generally the same. I don't

think there's been a significant change in that number.

Ms. Mowat: — And then the other question I had . . . oh, that's for chapter 10. So I will hold my questions now.

The Chair: — Sure, thanks. Thanks for the report as well. It would appear that this has been implemented, so I would seek, you know, a motion to the effect of concurring and noting compliance. Would anyone care to move?

Mr. Michelson: — I would so move we note compliance with this recommendation.

The Chair: — I would concur and note compliance, moved by Mr. Michelson. All agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed that we concur and note compliance with recommendation no. 1 of chapter 1 from the 2017 report of the Provincial Auditor.

We'll move along our consideration to volume 2 and turn it over to the auditor.

Ms. O'Quinn: — Thank you. Chapter 10 in our 2017 report volume 2, which starts on page 65, reports the results of our 2017 annual integrated audit of the commission. This chapter contains no new recommendations.

At March of 2017, while the commission had made some progress in improving its processes for promptly removing user access to its IT systems and data, more work remains.

Starting in May of 2017, the commission implemented a new termination checklist to remind staff to promptly request removal of unneeded user access. However we found staff were not using the checklist consistently. For five of six individuals we examined, the commission did not promptly request removal of unneeded network user access to its IT systems and data. For example, in one case IT access was not removed until 23 days after the employee's last day. Not promptly removing unneeded user access increases the risk of inappropriate access to the commission's IT systems and data. That concludes my overview of this chapter.

The Chair: — Thank you for the presentation. I'll turn it over to the Public Service Commission.

Mr. Kistner: — Thank you. As it relates to volume 2, chapter 10 and the recommendation that the PSC follow its established procedures for removing access to its computer systems and data, I believe the PSC has improved in this regard and recognize there's still much work to do. This is not only an issue for the Public Service Commission but other ministries as well and requires a coordinated effort across the service.

I'm pleased to say that the PSC took a lead role and collaborated with the information technology division to look at how a technology solution could help us. Working together we developed a solution to improve the timely removal of computer access. Once employee termination paperwork is received by the human resource service centre, an automated notification is sent

to a central contact for that ministry, as well as the ITD [information technology division]. This allows the ministry to identify all workflow processes required to remove employee access such as application access, building access, purchase cards, parking, etc.

So far the solution has been successfully piloted with the Ministry of Justice. Justice has indicated that it not only helps them with their timely removal access issues, it also helps them resolve other business challenges that they've been experiencing.

We began rolling this solution out to other ministries in September of this year, including our own agencies of the Public Service Commission, to help us improve in this regard. All ministries will be on board by April 2020, with the priority given to the top five highest risk ministries in this regard. Those ministries will be completed by April of 2019.

In addition to the technology solution, PSC managers continue to use procedures currently in place, including the use of checklists when an employee leaves the organization, regularly reviewing computer access reports received by the ITD.

We're pleased with the progress we've made on this recommendation and will continue to work to improve in this area. With that, I'd be happy to answer any questions the committee members may have.

The Chair: — Okay. Thanks for the presentation. And I guess, just to point out there's a lot of actions you've committed to. The recommendation did come in 2010, and it looks like compliance is now being planned for 2020. So I think it's important that we're 10 years on with it but, you know, there's a lot of work, I guess, that goes into compliance. But maybe . . . I suspect there'll be some questions around the table. Ms. Mowat.

Ms. Mowat: — Thank you, and thanks for the update on how the progress has been going. In terms of access to a computer network and users not being removed until 15 to 23 days after their last day of employment, what types of risks are being posed by these delays, and is there a prevalence of incidences or breaches that have taken place?

Ms. Francis: — So in the matter of risks, it depends on which system they're not removed from, of course. I mean, there might be the IT systems, any of the systems within the ministries. With that in mind, I think when employees are terminated, generally speaking they are not in the workplace. They do not have access to their computers after that point in time, so there is mitigation around that particular risk.

There are situations as well when we consciously continue to allow access to the system even though the time frame has, I guess, passed. In some of those cases, as an example, we had one breach this particular year where we had an employee who was leaving as a full-time, permanent employee, and we allowed them to remain on access because they were moving to part-time status. And so there is some rationale around that. We know that this is not in compliance necessarily with the policy itself, but we do sometimes look at business risk.

I do not believe we have had any breaches in terms of whether it be privacy, whether it be any other use of the systems during the

period of time that we have not been in compliance.

Ms. Mowat: — Thank you. The Provincial Auditor's report discusses a termination checklist. Is that still being used in the interim while the system-wide process is in development?

Mr. Kistner: — Yes, it's still in use and will continue to be in use even with the solution in place. There's still many other things that a manager should be doing as part of a termination.

Ms. Mowat: — Thank you. Can we get a little bit more information on the corporate-wide IT solution with the ITD?

[10:15]

Mr. Kistner: — So the main purpose of it is that we're notified when an employee terminates through either a leave or they're retiring or those things. That's typically something that the HR service centre is notified of immediately. That then triggers an automatic notification to the ITD to suspend the network account. So immediately upon notification of the termination or the retirement or the leave, we are automatically notifying ITD to suspend the account.

Ms. Mowat: — So if it's across multiple ministries, how is it being funded? Do we know about the overall cost? Is it broken down per area, etc.?

Mr. Kistner: — Given some recent improvements within the Public Service Commission to an application called PSC Client, the overall cost for this was under \$15,000 to do for government, just through the notification process, the way we're able to do that. The Public Service Commission has funded that fully. And we're working, and ministries are happy to have that because it also helps them with their other processes such as building access, all of those access cards, purchase cards. So they're ecstatic about that helping them. And Justice has been a big player with that with us, and they were one of the worst offenders for timely removal. So it's been very good.

Ms. Francis: — This is a great example where we've been able to use an automated solution to improve our business and also, you know, establish stronger controls and workflows within the organization. We're looking at other options into the future to help us do this in other cases as well.

Mr. Kistner: — And we certainly want to thank the Ministry of Justice. They were very helpful in providing the solution and getting the solution in place for all of government. So now it's just a case of continuing to roll out each of the ministries and take into consideration each of their business processes.

Ms. Mowat: — Thank you. And you mentioned that it's going to move from the pilot into the top five highest risk ministries. Do you know what those are?

Mr. Kistner: — I do. Yes. So Justice and Corrections is the first one. Social Services, Highways, Environment, and Economy.

Ms. Mowat: — And where does the Public Service Commission fall into that priority?

Mr. Kistner: — So we're already working on implementing it

right now within the Public Service Commission. As far as that list goes, we're further down; like we're 10th or so.

Ms. Mowat: — Thank you. I have no further questions, Mr. Chair.

The Chair: — Thanks for the questions. Mr. Michelson.

Mr. Michelson: — Yes. Thank you, Scott. I commend you for taking a lead on this because this has been something, as you alluded to, that's been coming up time after time.

I want to question the term "established procedures." Was there something difficult that . . . It seems that we're going now to an automated that will trigger something a little bit quicker than that. But the established procedures, maybe it's after the fact now, because when I read this and it says, not following established procedures, it always gets the hair up on the back of my neck. But if we're not doing that, what are we doing to make sure that this is happening? So you're saying that it's an automated system that we're actually implementing?

Mr. Kistner: — Yes, so the solution we're implementing is based on the manager still providing that finalized paperwork to the human resource service centre the day of the leave or the retirement or termination. That will then automatically trigger . . . So the manager won't have to then contact the ITD to suspend network accounts which immediately will shut down that network access. So you won't have the delay of 23 days of the manager then finally going, oh this came up on a report 23 days later. Now I should do something about that. It's automatically happening. When we remove them from payroll, we remove them from all other access to systems.

Mr. Michelson: — So we're improving established procedures.

Mr. Kistner: — Improving established procedures.

Mr. Michelson: — Essentially that.

Mr. Kistner: — Yes. Thank you.

The Chair: — Mr. McMorris.

Mr. McMorris: — I was interested in the security piece. Glenda, you had mentioned that, I mean not that there is no risk, but when they are terminated, they tend to leave their laptop and any access to any networks behind. They can't access outside of the workplace for the most part, you know, off of a whatever. They cannot access the network after they've left the building, more or less. Is that pretty general, then?

Ms. Francis: — Yes, it is. I mean in the old days — I'll use that terminology — there was an ability for employees to access through personal PCs [personal computer], but for the most part now, I believe we have, you know, you go in through government-issued laptops and VPN [virtual private network], which is the secure network, yes.

Mr. Kistner: — And just to extend, the procedures that we had in place before were simply for network removal. It didn't add on to the business application access that you might have, the building access, all of those things. So we went the extra step in

making sure that we're providing a better service to our ministries to extend that so that it's meeting all needs for removal.

The Chair: — Not seeing any other questions, this is an outstanding recommendation, so we don't need to have a motion on it. You've laid out a timeline towards implementation that will be followed up certainly by the auditor as well and by this committee. But thank you for the work. I'd welcome a motion to conclude consideration of this chapter. Mr. Goudy moves. All agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed that we conclude consideration of chapter 10 from the *2017 Report of the Provincial Auditor* volume 2.

I'd also like to thank the officials that are here with us today, all the officials that work across the ministry as well. Thank you very much. Officials probably don't like getting singled out, but we've got a son of hockey legend and hockey builder Graham Tuer here, Greg Tuer, that's joined us here today; also, I guess, brother of Al. Al was a pretty remarkable player himself. Sometimes his gloves would fall off on the ice. But it's nice to have you here as well today.

We'll take a brief recess and we'll get SaskBuilds on deck.

[The committee recessed for a period of time.]

[10:30]

SaskBuilds

The Chair: — We'll reconvene considerations here this morning of the Public Accounts Committee. We'll move along to SaskBuilds. I'd certainly welcome the official that's here today. We'll turn it over to the Provincial Auditor's office for presentation on the chapter first, then flip it your way and take questions from committee members subsequent to that. So I'll turn it over now to Judy Ferguson.

Ms. Ferguson: — Thank you very much, Chair, Vice-Chair, members, and official, I guess, in this case here. So this morning we've got one chapter on the agenda with respect to SaskBuilds and it is a follow-up chapter. And so there's no new recommendations for the committee's consideration.

So with me, Mr. Deis has rejoined us. He was here a little bit earlier and so SaskBuilds falls within his portfolio. And also Mr. Victor Schwab has rejoined us too, and Victor led the work that is on the agenda here this morning. So without further ado . . . Oh thank you very much for the co-operation that's extended. I guess we already said that informally, but formally we do appreciate the co-operation that we receive from the officials at SaskBuilds. So Mr. Deis is going to make the presentation.

Mr. Deis: — Chapter 46 of our 2017 report volume 2, on pages 305 to 308, reports the results of our first follow-up of five recommendations originally made in our 2015 audit on SaskBuilds' processes for evaluating infrastructure projects to determine whether the projects should use a public-private

partnership — i.e., P3 — approach.

By September of 2017, SaskBuilds had improved its processes for evaluating infrastructure projects to determine whether the projects should use a P3 approach. It implemented four of five recommendations and partially implemented the other. SaskBuilds revisited its P3 project assessment and procurement guideline to specify the minimum content required in the public value-for-money reports, and it set a timeline for the release of those reports.

SaskBuilds also revised its guideline to require sensitivity analysis to be incorporated as a major consideration in the recommendation of P3 projects where minimal value-for-money savings exist on a project. SaskBuilds provides its risk workshop participants with key empirical data to facilitate evaluation of infrastructure project risks and costs and to support decisions. However by September 2017 SaskBuilds had not fully leveraged its analysis or worked with others to include feasible benefits and efficiencies in future public sector conventional procurement approaches.

Analyzing benefits and barriers of P3 projects and sharing best practices and lessons learned may assist the government in overcoming problems sometimes cited with the use of conventional procurement approaches. This includes not using life-cycle costing, not having realistic budgets and time for each phase, and/or not clearly and formally defining responsibilities of each party and key individuals at each phase. That concludes our presentation.

The Chair: — Thank you very much for the presentation and the folks of the work. I'll now turn it over to SaskBuilds. If you don't mind introducing yourself briefly and you can respond to the chapter and then we'll have questions.

Ms. Florizone: — Thank you. Teresa Florizone, vice-president of corporate services and CFO [chief financial officer] at SaskBuilds. And I just want to say good morning and thank you for the opportunity to appear before the committee today. I'd mentioned the 2015 audit of SaskBuilds for evaluating potential use of P3s had five recommendations. The follow-up audit for 2017 had four of those fully implemented and one partially implemented. And I'll just read that one out to you:

We recommended that SaskBuilds leverage its analysis of value-for-money for infrastructure projects to evaluate and include feasible benefits and efficiencies in future public sector conventional procurement approaches.

This recommendation, we feel, is implemented as of now, and SaskBuilds has embedded our lessons learned into our daily business practices. We feel that lessons learned is a continuous evolution at SaskBuilds.

I will speak to the action SaskBuilds has implemented on the recommendation as well as our future actions as well. The basis for leveraging P3 knowledge has come through our documentation and our analysis of lessons learned from the project phases; for example, from the planning to the procurement to the design, the construction, and into the operations. At each of these phases we continually document the lessons learned on all of those phases. And at the auditor's

follow-up time, we had approximately 120 different lessons that we have learned and documented through those time periods.

Since then, we have had the opportunity to analyze these lessons and categorize them into what I call six themes: governance, process clarity, communications, stakeholder engagement, contract management, and risk management. In April of this year, SaskBuilds has presented the lessons learned to our capital planning community of practice. These themes and examples were shared with the ministries to help them take the lessons learned from the P3s into the traditional projects. And out of these lessons learned, the majority can be applied to traditional procurements. By educating capital planning staff, staff is encouraging a culture change in the way the government can better assess business cases, procure, and analyze to make better decisions to achieve on-time and on-budget projects.

During the capital planning process, ministries are required to submit a business case for each of their projects. SaskBuilds has updated the business case templates to incorporate the lessons learned from the P3 processes so that way we can leverage the business case information. In addition to these lessons learned, during the procurement of P3s we have embedded the practices into the Priority Sask training modules where we've reached out and trained over 600 ministry and Crown staff.

SaskBuilds has also implemented another action to ensure effective lessons learned are transferred. Our project directors have been integrated into other capital project teams. As a fully integrated team member in the capital planning process, they apply their P3 knowledge to evaluate ministry business cases and to provide feedback at the time they're analyzing assessment processes. For example, we work with the Ministry of Highways to review their request for proposals in all of their evaluations.

By leveraging the knowledge within SaskBuilds, lessons are incorporated into the planning and award phases. This helps government make decisions that align with its strategic priorities. And as mentioned earlier, the embedded P3 processes are an evolution at SaskBuilds and part of our day-to-day business practices.

I would like to now share some of the upcoming plans that we're doing. A major event of leveraging the lessons learned, we are continuing to update our capital projects. To achieve this we have two deliverables for this fall.

We are holding a one-day symposium for Government of Saskatchewan employees to learn more about alternative project delivery, procurement, and project management. Staff and infrastructure capital planning and project management branches within the ministries and agencies will participate in a moderated P3 project owners and consultation panel session. And these presentations will be on the project management, alternative project delivery methods, project procurement, and analysis and best value. The symposium will connect many of those responsible to plan, procure, and manage all types of capital projects and give them the practical education tools and best practices to better meet Saskatchewan infrastructure needs.

SaskBuilds is also working on a capital project manual that illustrates the capital project management methods of Government of Saskatchewan complying to procurement and

then to project close out. The manual incorporated the lessons learned of the P3 processes, and this becomes the tools and checklists that provide better information for traditional projects.

Education is ongoing. Embedded lessons learned into our business practices is standard at SaskBuilds. We will continue to document our lessons learned and SaskBuilds is committed to continuing to share best practices in order to help government make better decisions and deliver cost-effective and effective infrastructure for the citizens of Saskatchewan.

And with that I would like to thank the committee for the opportunity to present here today, and if there are any questions, I would be happy to answer them at this time.

The Chair: — Thank you very much for your presentation. I'll open it up to the committee for questions. Ms. Mowat.

Ms. Mowat: — Thank you very much, Ms. Florizone. Can you describe how the capital planning process is different today compared to when the process wasn't standardized or centralized in SaskBuilds?

Ms. Florizone: — Sure. Thanks for the question. We have integrated a process with business case solutions into a central location area. So we have a division within SaskBuilds that collates business cases for all exec government. And we've actually now extended that with, as of today, there's a 10 o'clock signing of integrated bilateral agreements which is \$896 million of funding coming from the federal government. We're bringing all of that into one central location and reviewing all those business cases now.

Ms. Mowat: — Thank you. And when exactly did this transition take place?

Ms. Florizone: — Over the last three to four years we have improved our processes, so it started about four years ago and we are probably into our fourth year of business planning now.

Ms. Mowat: — Thank you. And how many capital projects have been approved since then?

Ms. Florizone: — So the approval of the capital projects themselves are actually the responsibility of the treasury board branch. So we provide our recommendations of projects to flow through. It is up to treasury board and cabinet to actually make the decisions on the capital projects.

Ms. Mowat: — Thank you. How many have you recommended go forward then to treasury?

Ms. Florizone: — I'd probably like to caveat that, that we review all the business cases that come in and are submitted to us. On an annual basis we range and review anywhere, the detailed business case, from 30 to this year was almost 60.

Ms. Mowat: — So do you know if there's been a change to the number of capital projects that has been approved since the centralization?

Ms. Florizone: — The amount of projects is probably not necessarily where I'd like to go with that response — more so,

the readiness of those projects. Has the information that's been provided . . . is the information, I'd say, the due diligence behind it, is it readied? Did they do proper planning? Did they do a proper risk assessment? Did they do proper options analysis? Those are the things that are critical in order to ensure when a project gets approved. Are those projects going to be on time and on budget? Because that's what's going to save the taxpayer dollars money in the long run.

Ms. Mowat: — Thank you. You've also talked about Priority Sask incorporating the lessons learned. What is the current role and mandate of Priority Sask?

Ms. Florizone: — The Priority Sask role is in regards to . . . I'd probably say I wish Ron was here to explain that, but in general it is the work that to improve procurement across executive government and to have transparent and fair processes for businesses across Saskatchewan, as well in order to do procurement.

Ms. Mowat: — Thank you. And do they have a role in the capital approval process for all ministry projects or all Crown projects?

Ms. Florizone: — So one of the things that Priority Sask has done, recently over the last year, has been reviewing all of the requests for proposals from the Ministry of Highways. And the project directors from the project side have also been involved with that and we review and assess with them the actual outcomes of the awards.

Ms. Mowat: — Thank you. And was that the request of the ministry in particular for assistance or is it a standardized process?

Ms. Florizone: — It's been a request of the ministry as well as some of the procurement modernization processes, where Priority Sask has taken about 100 templates across government to standardize it and create about eight consistent templates that all ministries could use as well as the external stakeholders can actually utilize. So there is some modernization as well as ease for bidders to submit as well.

Ms. Mowat: — Thank you. Moving on to some specifics in the Provincial Auditor's report. On page 305 there's a note that between 2015 and 2017 SaskBuilds had evaluated the suitability of one project for use of a P3 approach. Which project are they referring to?

[10:45]

Ms. Florizone: — That would have been the Warman-Martensville interchange north of Saskatoon.

Ms. Mowat: — Okay. And are any other projects currently being evaluated?

Ms. Florizone: — Currently under our procurement options analysis, there aren't any in progress right now.

Ms. Mowat: — Okay. On page 307 there's a paragraph that's talking about . . . Well it's in the section 3.2, requiring further assessment when minimal savings are estimated. The final paragraph is:

We found that SaskBuilds used this approach in a project that it evaluated in 2015 subsequent to our audit. For the project, the value-for-money savings was calculated as less than 3%. SaskBuilds considered the extent of uncertainty reflected in the sensitivity analysis and recommended that this project proceed under the conventional procurement model.

Which project is this referring to?

Ms. Florizone: — That again is the Warman-Martensville project.

Ms. Mowat: — Thank you. In discussing the value-for-money reports . . . I think they're called reports, right?

Ms. Florizone: — Right.

Ms. Mowat: — Who is responsible for conducting the report?

Ms. Florizone: — So the overall value-for-money report, we hire financial advisers to actually do the full assessment and provide an overview of the entire report. It will go through a process where SaskBuilds does review, and we provide what I'd call the early process or the part of the document, but the financial advisers do the dollar technical piece and have that input into it. And we also have a fairness adviser that does review it as well.

Ms. Mowat: — Thank you. And are these different firms that will come in based on what the project is, or is it usually the same people that come through and do it?

Ms. Florizone: — Before the actual project is created, we actually go out and do an RFP [request for proposal] and we ask for different submissions and the best provider of that information at that point in time. So for each of our projects we actually have had different financial advisers.

Ms. Mowat: — Thank you. And is there any follow-up? I know that the value-for-money reports are quite detailed, and I think they're a strong addition to accountability. Is there any follow-up to see if the actual project after the fact sort of matches what the value-for-money report put forward?

Ms. Florizone: — So what we're doing constantly . . . And a big part of it is the risk component. And we're ongoing, continually doing contract management and risk analysis on these projects. So for example, the projects that are . . . As they go into the operational phase, are those risks real and are they actually being measured? And we do that on an ongoing basis to see where the risks are landing and ensure that the risk stays within the agreed-upon contract. And so we do that on a regular basis.

Ms. Mowat: — So there's an ongoing risk assessment throughout the project, is what you're saying?

Ms. Florizone: — Exactly, or when the actual incidences occur to ensure that the risk stays within the signed contract requirement.

Ms. Mowat: — Thank you. And how many projects have underwent the value-for-money analysis?

Ms. Florizone: — We've had the four projects, or if you call the two joint-use schools separately, there was five individual value-for-money assessments.

Ms. Mowat: — Okay. And do the results of those analyses vary, or have they kind of come to the same determinations?

Ms. Florizone: — Those will vary depending on each of the projects, based on the risks, based on the projects themselves, the locations of the projects. So every one is very specific. And the way we also look at all of our value-for-money reports because of the independence of each one, we do look at each one very specifically in regards to risks as well. We do risk-specific quantifications on each one independently rather than just using standard approaches.

Ms. Mowat: — Thank you. In this process, is there any consideration given to other factors outside of the economic and risk factors? Specifically I'm thinking about working conditions, whether workers have to commute longer to get to the site, quality of work, whether it needs to be redone, if it's done cheaply but it needs to be redone after the fact. Is any of that stuff in consideration at the beginning with the value-for-money report?

Ms. Florizone: — So I think I'm going to answer that: it's more in the project itself. So when you're talking about each project, and when you have a P3, you're looking at it from a design, build, finance, and maintain perspective. Or if in some cases it's operate and maintain. When you get the bids that come in, you look at the project very specifically. What do you need from a design, build, and construction perspective? But in those cases, because they are 30-year contracts, you're also looking at it from an operating and maintain perspective as well. And sometimes the decision would be to . . . If you're maintaining it for those 30 years, you might be wanting to add more on, put money into the construction side so your operating and maintenance costs are actually lower over those period of time. So all of that is taken into consideration.

Ms. Mowat: — Thank you. In terms of a formal assessment of these performance measures, is there anything set up in the process to formally assess after the fact?

Ms. Florizone: — So are you talking . . . Sorry, I'm just going to rephrase the question. Is that just on the value-for-money assessment piece or on the design, construction, and all the other components of an actual capital project?

Ms. Mowat: — Let's go with both.

Ms. Florizone: — So when we get to the design, construction end of that phase, we do something called commissioning on a project before it gets handed over during the operating, maintenance phase. And there is a really due diligence process that's involved for several months for reviewing process and to ensure that an asset is transferred within the terms and conditions of the actual contract. So there is a really strong process that's in place there, and ultimately those processes don't need to be just used in a P3. It could be used in the traditional projects as well. So I think there's a lot of opportunity there to do things consistently across all kinds of projects.

And in regards to ongoing monitoring of the project, that's where, when I was talking about the six themes, one of the important parts of managing projects of any sort is to manage contracts. And contract management is critical to not just on a P3. It's managing contracts on consulting. It's managing contracts on capital. And that's where it is really critical to ensure that what you've actually signed for is what you're getting, and so there is ongoing monitoring and working within each of the projects as well.

Ms. Mowat: — Thank you. I have no further questions, Mr. Chair.

The Chair: — Thank you, Ms. Mowat. Mr. Michelson.

Mr. Michelson: — Yes. In your presentation you talked about a manual that's being constructed. Do you have a . . . And obviously that'll be an ongoing as you learn more, but do you have an idea of when that might be put out or presented?

Ms. Florizone: — For sure. Thank you. Yes, we're anticipating to have the final manual actually completed in about six months where we go out and train with, as well, with Priority Sask, as well as ongoing through our community of practice.

Mr. Michelson: — I think you need to be commended for taking the lessons learned and expanding them over other government jurisdictions. Have you looked at other jurisdictions throughout Canada or even abroad that we could bring in to learn from them?

Ms. Florizone: — For sure. So that is one of the things from, especially in the P3 world, there is a lot of work that goes on from other jurisdictions, and they've actually, on my side, they've actually contacted me several times to actually come and do panel discussions and do lessons learned across the design, construction phase, as well as commissioning and into the operations and the . . . [inaudible].

Just here in February we were working in Niagara, and we did a bunch of lessons learned there and we brought them back. And that's where we learned a lot about commissioning, and what other agencies do right across the country on commissioning. We are also going and talking to them on different ways of moving P3 project concepts into the design, build world. So we're sharing lessons right across the country, and I think those are important to continue.

Mr. Michelson: — So the lessons that you've learned, you're actually presenting them in other jurisdictions as well.

Ms. Florizone: — That's correct. And we actually hear lessons learned about the jurisdictions as well.

Mr. Michelson: — Okay. Thank you. Appreciate it.

The Chair: — Ms. Lambert.

Ms. Lambert: — One of the things that you mentioned was on communications. Can you give an example of one of the main lessons that you might have learned in that area? And is it just internal, or is there some external communication as well?

Ms. Florizone: — So the communications part, I would say there

is a piece that is communication itself, as well as stakeholder engagement. They kind of tie together, and you know, for the Regina bypass, for example, the stakeholder engagement, the communications with the people on the east, communities on the east end, I think that's critical that those conversations happen early in the process, and that's what we're taking in, working with our other projects as well.

Ms. Lambert: — Thank you.

The Chair: — Not seeing any other questions at this point, I would welcome a motion to conclude consideration of chapter 46, SaskBuilds. Ms. Lambert moves. All agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed. Ms. Florizone, thank you so much for your time for the committee here today, and thank you to the officials within SaskBuilds. Take a brief recess here and we'll move along to the next chapter, which I think is the Standing Committee on Public Accounts. Thank you.

[The committee recessed for a period of time.]

[11:00]

The Chair: — Okay we'll reconvene the Standing Committee for Public Accounts this morning. We're going to, you know, with the blessing of the committee, we'll change the schedule here just a little bit. If folks are okay, we'll do the Standing Committee on Public Accounts chapter a little later in the day. We have many officials here today related to the Advanced Education considerations. So are folks around the table cool with that?

A Member: — Cool.

Advanced Education

The Chair: — Looks like that's the case. So thank you very much to Deputy Minister McLoughlin for joining us and officials from across the advanced education sector here today. We will turn it over to you shortly to introduce officials that are here today and respond to the chapter, but first off I'll turn it over to the Provincial Auditor to present their chapters.

Ms. Ferguson: — Thank you very much, Chair, Vice-Chair, officials, and members. So before us we've got six different chapters that relate to the advanced education sector. We're going to present each of them individually and pause after each presentation for the committee's deliberation. There is three new recommendations within these chapters and so we'll be looking for the committee to consider them as we work our way through.

I just also want to pause and introduce who has joined us this morning. It's Mr. Trevor St. John. Trevor is actually one of our newly promoted deputy provincial auditors. He assumes responsibility for the education division and so we're happy to have him in the chair. He's been working in that division for a little while so he has a good familiarity. And he also is an IT auditor in our office too, so wears lots of different hats too.

And behind is Ms. Michelle Lindenbach. Michelle's a senior

manager within the office and has worked in the education portfolio for a period of time and has led a number of the work that's before us this morning. And Ms. Lowe continues to be with us as the committee liaison.

Mr. St. John will be presenting each of the chapters, but before he proceeds in doing that, I just want to pause and extend our thanks to the ministry but also the officials of the other agencies that are also on the agenda here this morning. We appreciate the co-operation that's extended to our office.

Mr. St. John: — Chapter 1 of our 2017 report volume 2 starts on page 15. It reports the results of the 2016-17 annual audits of the Ministry of Advanced Education and its agencies. Its agencies include seven regional colleges, Sask Polytechnic, and the Training Completions Fund, and the Saskatchewan Student Aid Fund. The financial statements of each of these agencies were reliable and the ministry and each agency complied with relevant authorities.

Other than the following two areas reflected in our recommendations, the ministry in each agency had effective rules and procedures to safeguard public resources.

In a new recommendation on page 18 we recommend that the Ministry of Advanced Education follow Canadian generally accepted accounting principles for the public sector to record transfers in its financial records.

Our concern related to how the ministry accounted for revenues related to the Strategic Investment Fund federal-provincial agreement and for expenses related to parallel agreements with certain post-secondary institutions for specific capital projects.

We found the ministry recorded revenues before it earned them and recorded expenses before it was liable to pay them, contrary to Canadian public sector accounting standards.

In 2016-17 the ministry recorded 65.8 million as revenue. 65.8 million was the full amount that the ministry expected to receive under the federal-provincial agreement. We found that by March 2017 the ministry had not met the eligibility criteria to earn the 65.8 million and the federal government had not authorized payment of the 65.8 million to the ministry. Rather, by March, the ministry had earned only 25.1 million. In addition, the ministry recorded a corresponding amount of 65.8 million as expenses for amounts it intended to pay to post-secondary institutions for specific capital projects. We found that by March 2017, the ministry owed post-secondary institutions only 25.1 million under these parallel agreements.

Not following Canadian public sector accounting standards resulted in the ministry overstating its 2016-17 revenues and expenses by 40.7 million and it not disclosing a related contractual obligation of 40.4 million. This error results in recording revenues and expenses in the wrong fiscal period. Inconsistent application of Canadian public sector accounting standards can impact the relevance and reliability of financial reports and can decrease the public's confidence in the accuracy of the government's financial reports. We know that these errors did not impact the 2016-17 annual deficit of the summary financial statements.

On page 18 we provide an update on the status of a previous recommendation. We recommended that the Ministry of Advanced Education sign an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services. We made this recommendation in our 2008 report. Your committee had previously considered this matter.

As of August 2017 the ministry had not yet signed an adequate agreement on disaster recovery of computer systems and data with the Ministry of Central Services. This is about five years after signing the memorandum of understanding with Central Services. Without an agreement on disaster recovery services, neither the ministry nor Central Services knew whether they could restore the ministry's key IT systems and data in the event of a disaster to provide timely services to the public. In 2017-18 the ministry did sign an adequate agreement with the Ministry of Central Services for disaster recovery. This concludes my presentation.

The Chair: — Thank you for the presentation. I'll turn it over to the deputy minister to introduce officials and respond to the chapter and then we'll open it up to questions.

Mr. McLoughlin: — Thank you very much, Chair. It's a pleasure to be here this morning. I'd like to introduce our officials that are here with me this morning. My name is Mark McLoughlin, deputy minister of Advanced Education; David Boehm, assistant deputy minister; Scott Giroux, executive director of corporate finance; Duane Rieger, executive director of business systems and risk management; and Lowell Balzer, manager of capital projects. I'll have the Saskatchewan Polytechnic and the University of Regina officials introduce themselves when they come to the table to address the committee on the recommendations that pertain to their institution.

Again, thank you for the opportunity to discuss the latest report and recommendations that are under review. On behalf of the Ministry of Advanced Education and the post-secondary sector, we'd like to thank the Provincial Auditor of Saskatchewan and her staff for their continued professionalism throughout the various audit processes that have taken place in our ministry over the previous fiscal year.

Today we're here to provide an update to the recommendations made in chapters 1 and 28 of the Provincial Auditor's 2017 volume 2 report and recommendations made in chapter 13 of the Provincial Auditor's 2018 volume 1 report. And we'll take each chapter individually.

Chapter 1 has two recommendations for the ministry. The first recommendation in chapter 1 deals with the accounting treatment of revenue and expenses related to the federal government's Post-Secondary Institutions Strategic Investment Fund. Advanced Education signed an agreement with the federal government to receive \$65 million and in turn signed similar agreements with a number of institutions to disburse this \$65 million for capital projects over a three-year period.

Advanced Education, in consultation with the Provincial Comptroller's office, concluded that the appropriate application of the accounting standards would be to record the entire \$65 million as revenue and expense in 2016-17. The Provincial Auditor disagreed, arguing that Advanced Education should only

record the revenue and expense that it receives from the federal government and that it paid to the institutions in each fiscal year. Advanced Education does not agree with the Provincial Auditor's conclusion, believing that our accounting treatment is a reasonable interpretation of public sector accounting standards.

It's important to note that, despite the difference in professional opinion, there is no impact to the government's annual deficit or net debt under the two approaches. This difference of opinion only impacts a fiscal year in which revenue and expense is realized.

Advanced Education believes that the entire revenue and expense be recognized in 2016-17, while the Provincial Auditor believes these revenue and expenses be recognized over the three-year construction period. This issue will resolve itself after the 2018-19 fiscal year because the projects and associated funding will be completed by March 31st, 2019. At this point, Advanced Education and the Provincial Auditor have agreed to disagree on this particular item.

The second chapter 1 recommendation relates to a recommendation that the ministry sign an adequate agreement on . . . Do you want me to stop there? We'll address that one? Stop first?

The Chair: — Keep going. Yes.

Mr. McLoughlin: — Keep going? The second chapter 1 recommendation relates to a recommendation that the ministry sign an adequate agreement on disaster recovery of computer systems with the Ministry of Central Services. Advanced Education worked with Central Services to complete a disaster recovery plan, adding it to our MOU [memorandum of understanding] with Central Services in February 2018.

As such, Advanced Education has fully addressed the concerns raised by the Provincial Auditor in chapter 1 and now considers this recommendation fully implemented. The Provincial Auditor recently confirmed this assumption in their 2017-18 audit report to Advanced Education.

The Chair: — Thanks for the presentation. I'll turn it over to committee members for questions. Ms. Mowat.

Ms. Mowat: — Thank you very much. I'm wondering if the Provincial Auditor can speak to the difference of professional opinion on the first recommendation.

Ms. Ferguson: — Most definitely. So this is one of those areas, for those of you that have been on the committee for a while, it's called government transfers. It's a complex accounting section in the handbook, and it is one that does require judgment and interpretation.

When we look at this particular situation, what we did is we as an office reached out to the federal government officials that are responsible for administering the program on their end, and really sought what their views were as to, you know, whether or not they think, they thought the province had in fact earned the full \$65.8 million, the entire amount of the contract. And in our discussions with them and confirmation with them, they indicated that they didn't think so, you know, and they in fact had

only approved a portion of it.

And it's not so much as when they pay the amounts. It's what they've authorized on their end. So at the point in time by the end of March of the fiscal year that we're talking about, the federal government had indicated that they'd only felt that the provincial government had earned 25.1 million, which is a portion.

The ministry is quite correct. It'll reverse over time. In our view, they've recorded the revenue too early. What's happening here, though, is we've got in some respects a bit of luck in some cases because we've two government transfers that are happening at the same point in time because they've got parallel agreements for funding to certain post-secondary institutions. And what they've done is they've matched the revenue and the expenses so there is no impact on the bottom line of the province. And there is no impact on debt, in that debt, as the officials of the ministry have indicated.

In our view that, you know, given the province hasn't earned the 65.8 million, then really the post-secondary institutions, they haven't earned that amount neither, you know, in terms of having that as revenue on their end. And frankly they don't expect to receive that amount, you know, over . . . immediately. They expect to receive that over time, too. So, you know, it's two parallel situations in terms of . . . We think the recording of the expense is wrong and the recording on the revenue is wrong. And really our primary driver is information directly from the federal government in this regard.

You know in some other federal-provincial agreements, when we reach out to the feds, they have a different response. So it's us using the information that we receive from the federal government. In this case it is bigger dollars, so they're watching it more carefully on their end. In some cases some of the federal-provincial agreements that we have on the federal scale is small dollars so they don't pay a whole lot of attention to them. So from our perspective, we don't have as robust of conversations with their federal officials. But in this case we were able to have robust conversations.

Ms. Mowat: — Thank you. In regards to the 65.8 million, what was this funding originally planned to be spent on?

Mr. Boehm: — David Boehm with the Ministry of Advanced Education. So the funding was a federal government initiative called the Strategic Investment Fund. And the intention of that fund as part of an economic stimulation package was to be used to build post-secondary education capital facilities. And the province acted as an intermediary, if you like, and flowed the funds from the federal government to the institutions that received approval to move forward on these projects.

[11:15]

Ms. Mowat: — So on the note of the partial awarding of the amount of money, what eligibility criteria hadn't been met?

Mr. Boehm: — So the agreements that we had with the federal government and the various institutions that received the funds included a number of provisions that the institutions were required to consider. And that included things like time frame, what costs were eligible costs, the reporting requirements, and

the cash flow provisions.

But the ministry's position is that these provisions were not eligibility requirements and affect the timeline when the revenue and expense were recorded. But the stipulations on what must be done with those funds by the recipients were only to be considered after the funds were received by the recipients, not prior to.

Ms. Mowat: — So at this point in time, has the remaining \$40 million been received?

Mr. Boehm: — The bulk of the funds would be out the door, but I would have to just check to make sure that every last dollar has been allocated. So two projects were extended, and so a portion of those funds would be outstanding.

Ms. Mowat: — Okay. Thank you. And was there any impact on the institutions that had anticipated this funding? Like has there been any impact on those institutions themselves? We heard from the Provincial Auditor that from the ministry's perspective it doesn't appear to have an impact, but wondering about the impact on the post-secondary institutions.

Mr. Boehm: — No. The agreements have been established with the institutions. And so we've agreed to flow funds for these particular projects. The funds will be flowed as the projects are completed, and so we do not anticipate any implications on the institutions that were moving forward with the projects.

Ms. Mowat: — Thank you. I have no further questions, Mr. Chair.

The Chair: — Any other questions from folks around the table? We only have the one new recommendation that's before us here today, and I would certainly welcome a motion on that front, maybe as simple as concurring with the auditor.

Mr. McMorris: — Yes. I'll move that we concur with the auditor.

The Chair: — Okay. Moved by Mr. McMorris that we concur with the auditor as it relates to recommendation — I'm going to make sure I'm referencing the right one here — the recommendation as it relates to chapter 1, Advanced Education, around following Canadian GAAP [generally accepted accounting principles]. All agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed and carried. We'll move along to chapter 28 at this point.

Mr. St. John: — Chapter 28 of our 2017 report volume 2 is on pages 221 to 223. This reports the results of our first follow-up of the Ministry of Advanced Education's progress towards addressing our 2015 audit recommendations related to its processes to manage risks related to the one-client service model system. The committee has previously considered and agreed to these recommendations.

By July 2017 the Ministry of Advanced Education had partially implemented the three recommendations related to the managing

of risks of the unsupported one-client service model system, which is a critical IT system to the ministry. The ministry, along with a number of post-secondary institutions and the now ministry of immigration and skills training, uses this system. At July 2017 the ministry had not yet finalized a plan for upgrading and patching IT infrastructure over the system's expected remaining life. The ministry was negotiating changes to its service level agreement with the Ministry of Central Services that would include periodically obtaining information about the one-client service model system including related costs, developing a plan for upgrading and patching the system to maintain it in a vendor-supported state, and including a signing responsibility for the upgrading, patching, and related costs. This concludes my presentation.

The Chair: — Thanks for the presentation. I'll turn it over to the deputy minister and officials.

Mr. McLoughlin: — Thank you. Chapter 28 has three recommendations for the ministry, all around the ministry's IT system, or what we refer to as OCSM, short for the one-client service model. These recommendations address obtaining information about IT costs, implementing a plan for upgrading IT infrastructure, and outlining the responsibilities between Advanced Education and the Ministry of Central Services.

The Provincial Auditor indicated in chapter 28 that these recommendations were partially implemented. Subsequent to the release of the 2017 volume 2 report, Advanced Education finalized a number of agreements with the Ministry of Central Services that addresses these issues. As such, Advanced Education believes it has fully addressed the concerns raised by the Provincial Auditor in chapter 1, and now considers this recommendation fully implemented.

The Chair: — Thank you for that presentation, as well for the update in advance with the actions that have been taken to implement this recommendation. Questions of committee members? This is an outstanding recommendation, so we don't need to vote on it, but I'd welcome a motion to conclude consideration of chapter 28.

Mr. Michelson: — I'll so move that we conclude.

The Chair: — Mr. Michelson. All agreed?

Some Hon. Members: — Agreed.

The Chair: — All right. We'll move along to chapter 13 of the Provincial Auditor's 2018 volume 1 report, and I'll turn it over to the auditor's office.

Mr. St. John: — On page 200 of chapter 13 in our 2018 report volume 1, the Ministry of Advanced Education has a sector plan that sets out its six key strategies. Its stated mission is to provide leadership and resources to foster a high-quality advanced education and training system that responds to the needs of Saskatchewan's people and its economy. Chapter 13 reports the results of our first follow-up of the Ministry of Advanced Education's progress towards addressing recommendations we made in our 2015 audit of its processes to work with the advanced education sector on achieving the ministry's strategies for the sector. The committee has previously considered and agreed to

these recommendations.

By March 2018 the ministry implemented one recommendation and was in the process of implementing the remaining recommendation. The ministry analyzed its oversight tool and identified gaps and opportunities to enhance engagement with post-secondary institutions. It worked with post-secondary institutions to establish a common set of expectations.

In September 2015 the ministry initiated the post-secondary indicators project with the objective to support consistent and comparable sector-wide reporting. The ministry and representatives from various post-secondary institutions were working to establish indicators for use across the advanced education sector. They aim to have all institutions reporting on indicators by September 2020.

At March 2018 the ministry planned to conduct additional analysis to set measurable targets and timelines for the sector. This concludes my presentation.

The Chair: — Thanks for the presentation and the work. I'll turn it over to the deputy minister.

Mr. McLoughlin: — Thank you. Chapter 13 has one outstanding recommendation for Advanced Education that is considered to be partially implemented. This recommendation relates to using specific, measurable targets and timelines to monitor the progress towards achievements of its strategies. Advanced Education initiated the post-secondary indicators project to provide comparable data from institutions to be able to report on the success of government.

We recently achieved a milestone on this project, and we were able to release the first set of data that focuses on enrolments, demographics, and types of credentials. Work continues on expanding the number of indicators that we will be able to report on and expanding the number of institutions that report data. We expect that this project will be fully implemented by 2020. Thank you.

The Chair: — Thank you for the remarks and the commitments and the work. Opening it up to committee members for questions. Ms. Mowat.

Ms. Mowat: — In your status update, you reference the second public-wide report on sector-wide indicators that will be released in the fall of 2018. Has this report been finalized yet?

Mr. Boehm: — No, it is yet to come.

Ms. Mowat: — Thank you. And where can we expect that it would be made available?

Mr. Boehm: — So with the initial report that we released earlier, we have posted it on our website and made it available to our institutions as well. And just to note that this indicators project is a collaborative exercise between the ministry and the post-secondary institutions to help create a data set that will help us to measure progress on a number of the initiatives that are common to the ministry and the institutions.

Ms. Mowat: — Thank you. Can you speak to what types of

strategies are being monitored?

Mr. Boehm: — The indicators project itself is more focused on outcome-type data from the institutions. If you can appreciate, each of the institutions does a very good job of reporting on their own progress through annual reports and other documents that they would release as well as information on their website.

Where we have challenges is each of our institutions tend to operate within their own systems and own ways of measuring outcomes. And from the ministry's perspective, and I think from the government's perspective and the people of the province, we'd like a roll-up and to be able to look at our sector from a sector perspective. And so as simple as that sounds, it's a very complex exercise because we basically have to work with each of the institutions to come to common definitions on these indicators that were referenced.

And so we've done a number of those. We have about 20 of them that we're about to publish this fall that will help us to develop benchmark information for ourselves and for the sector so then we can start to measure progress against the various strategies.

Ms. Mowat: — Thank you. I have no further questions, Mr. Chair.

The Chair: — Any further questions from folks? Well thanks to everyone working on this project, certainly all the post-secondary institutions, some that are here today. I see the U of R [University of Regina] sitting at the back. Congrats on the big win there with the Rams. I know the deputy minister also coaches there. And to the deputy minister, it's nice to be sort of cheering for you as opposed to against you when you were arriving with the Stamps back in the day to play at Taylor Field. So thanks to folks here.

We don't need a vote on anything here because these are outstanding recommendations. We'll be tracking the progress towards implementation, but I'd certainly entertain a motion to conclude consideration of chapter 13. Mr. Goudy. All agreed?

Some Hon. Members: — Agreed.

The Chair: — So moved. Thank you. With the committee's . . . We'll maybe take a brief . . . [inaudible interjection] . . . Oh, right. We have some more. You're not done yet.

A Member: — Not quite.

Saskatchewan Polytechnic

The Chair: — Yes, that's right. We'll move along to the Provincial Auditor as it relates to Saskatchewan Polytechnic.

Mr. St. John: — Chapter 45 of our 2017 report volume 2, starting on page 299, reports the results of our first follow-up of Saskatchewan Polytechnic's progress towards addressing 13 recommendations we initially made in our 2015 audit of the processes to procure goods and services. We are pleased to report that by September 2017 the Saskatchewan Polytechnic had significantly improved its processes to procure goods and services. It implemented all 13 recommendations. Saskatchewan Polytechnic obtained the board's approval of an updated procurement policy, better documented preparing for and

evaluating tenders, established requirements for the use of contracts, and began reporting incidences of non-compliance with procurement policies. That is all I have for my presentation.

The Chair: — Thanks so much for that presentation. Thank you to the polytechnic for all the actions that have been taken on. We'll turn it over for your comments.

Ms. Schmitz: — Thank you for the opportunity to discuss the Provincial Auditor's recommendations regarding Saskatchewan Polytechnic's procurement processes and policies. Before I begin, let me introduce Sean Engemoen, who is attending with me. He is the acting AVP [associate vice-president] of financial services. And my name is Cheryl Schmitz. I'm the interim CFO, VP [vice-president], administrative services at Saskatchewan Polytechnic.

On behalf of Dr. Rosia, our president, and on behalf of Saskatchewan Polytechnic, I'd like to thank the Provincial Auditor of Saskatchewan for the comprehensive efforts from your office. We really appreciate the advice provided on the recommendations.

Today we are here to provide information on chapter 45 in the 2017 volume 2 report that covers processes for the procurement of goods and services. The auditor concluded in the 2015 report that Saskatchewan Polytechnic has effective processes for the procurement of goods and services, with 13 recommendations for improvement. Saskatchewan Polytechnic agreed to the full implementation of all 13 recommendations and, as Trevor said, I'm pleased to inform you that all 13 recommendations have been fully addressed and implemented.

Sean and I would now be pleased to answer any questions that you may have.

[11:30]

The Chair: — Thank you very much. I'll open it up to committee members for any questions they might have. Ms. Mowat.

Ms. Mowat: — Thank you very much. On page 300 of the report at the very end of the page, it says that:

In September 2017, Sask Polytech drafted its first annual non-compliance report. Management expected to present the report to the audit committee following its presentation to senior management in October 2017.

What was the outcome of this presentation just as time has passed since that took place?

Ms. Schmitz: — That report was presented to the audit committee and to the board through the audit committee, and to our senior management. And it just outlined if there was any, for example, sole sourcing of procurement. It indicated a list of what was sole-sourced and why. If we do sole source we have to have documented rationale why. And it would just provide any information on the different levels of compliance in our procurement policy. So how many RFPs we had, how many sole sources we've had, how many different levels of procurement that we went through. And the outcome of that report was favourable and it was accepted by the audit committee and the

board of directors.

Ms. Mowat: — Thank you very much. I have no further questions, Mr. Chair.

The Chair: — Any other questions at this point? I'd welcome a motion to conclude consideration of chapter 45 of the volume 2, 2017 auditor's report. Moved by Mr. McMorris. All agreed?

Some Hon. Members: — Agreed.

University of Regina

The Chair: — All right, we'll move along to the considerations that relate to the University of Regina. We'll deal with one chapter at a time because they're different areas of focus. And at this time I'll turn it over to the Provincial Auditor and her office, her officials, to present on chapter 34.

Mr. St. John: — Thank you. Chapter 34 of our 2017 report volume 1 starts on page 285 and it reports the results of our second follow-up of the University of Regina's progress towards addressing 13 recommendations we initially made in our 2013 audit of its processes to protect its interests including financial, reputational, and ownership interests as it fosters research and commercialization of research.

By March 2017 the university had implemented 10 of 13 outstanding recommendations. The university approved its guidelines for reporting the status of action plans to achieve the university's strategic research plan and measures to assess performance towards research goals. The university developed a risk assessment and management plan; updated its research policies; and completed intellectual, property, and conflict of interest disclosures.

The university also approved a policy related to research institutes and centres and improved its timeliness of actions in response to board decisions about institutes or centres and improved its timeliness of actions in response to board decisions about institutes or centres.

At March 2017 the university was actively working on the remaining three outstanding recommendations. First, it needs to define, and the board of governors approve, what constitutes specialized resources for the purposes of the university's intellectual property policy in order to protect the university's rights.

Second, once defined, the university needs to ensure that the definition is consistently used and applied. At March 2017 the university had not defined specialized resources for one academic unit.

And finally it needs to complete its review of the classification and operations of all its research institutes, assess their contribution to the university's strategic research goals, and take any necessary actions identified by the reviews.

We found that by March 2017 the university had developed a schedule and guidelines for reviewing research institutes and had initiated the review process. Research is a core function of the university. Having a solid research program helps attract

qualified professors which in turn attracts students. That is the end of my presentation.

The Chair: — Thank you for the presentation on recommendations that date back a few years here now. Thank you to officials that are before us here today. I'll turn it over to you.

Mr. Malloy: — Good morning and thank you very much. I'd like to thank the Provincial Auditor for working with us over the past, I guess, five years now. The recommendations that you provided us have really improved the way in which we conduct our research, both post-grant and pre-grant processes. So we're a better place as a function of your input and we very much appreciate it.

So I don't know if you'd like me to address . . . I think you've covered the recommendations and our responses, and I think now that we've completed the recommendations that you've given us in the initial report.

The Chair: — Thank you. Thank you very much. Thanks as well for the status update that was provided before to speak to the specific actions that have been taken. I believe it's expressed that now in fact there is compliance with all recommendations or that all recommendations have been implemented. And thanks to everyone as well for all the work. I know this has been I think a significant task, and so thank you for all the work on that front. But I will open it up to committee members for questions. And then just to remind officials, just before you respond, if you can introduce yourself. Ms. Mowat.

Ms. Mowat: — Thank you very much. I too appreciate the status update. I just had a couple of questions here. On page 290 of the report under "Institute Reviews Not Complete," the Provincial Auditor notes that, "In February 2017, the University developed a schedule and guidelines for reviewing research institutes. [And goes on to say] . . . the University engaged an external consultant to review [I think it's] CETRI, [the Clean Energy Technologies Research Institute]" What were the findings of this review?

Mr. Malloy: — The current status is that we're exploring the de-establishment of this particular centre. It is partially becoming redundant with other work that's being done at the university and particularly within the Faculty of Engineering. So that process hasn't begun, but that's where we're heading with this evaluation.

Ms. Mowat: — Thank you. The Provincial Auditor also notes, "The University evaluated all research institutes to determine how [well] they fit into the research clusters identified in the University's Research Plan." So how well does the current profile of research institutions align with the U of R research plan?

Mr. Malloy: — Well I could speak to you all morning on this. They align very well. If we look at the five university clusters, they're more of a thematic designation, but the research institutes are really where the, I guess, where the rubber hits the road. They're really the active point of contact of researchers with the community and with the government. So the theme of the clusters guides the strategic direction of each of the institutes, but they are really the active end point of the research that we do.

Ms. Mowat: — Thank you. And on the second page of the status update, it's been noted that everything's been implemented, but I just wonder if you can speak a little bit to this recommendation:

We recommended that the . . . [U of R] review the classification and operations of all of its research institutes, assess their contribution to the University's strategic research goals, and take any necessary actions identified by the reviews.

In the status update, it indicates that some reviews have taken place and a schedule has been drawn up for future reviews. So I wonder if, on a technicality, it hasn't fully been implemented, but it's only been partially implemented because all of those reviews haven't taken place. So I was wondering if you could speak to what that schedule looks like.

Mr. Malloy: — Well these are exhaustive reviews. We look at doing three, four per year, so impossible for us to do it in a short period of time. They're certainly in process. We have a schedule, but it will take time for each institute to have a thorough evaluation.

Ms. Mowat: — Thank you. Can you speak to what the findings were of some of the reviews that have already been taking place that you've noted on the status update here?

Mr. Malloy: — Yes, we've done three of them. The Humanities Research Institute and the Prairie Adaptation Research Collaborative . . . The Humanities Research Institute is one of our smaller institutes because it's . . . Humanities in general does not receive a great deal of funding so its scope is smaller than some of the other centres, but it's proceeding as we would like it to. As far as the Prairie Adaptation Research Collaborative, it is the focus of my attention right now because it has been receiving significant funding from both federal as well as private sources. It did undergo some restructuring as a function of our review, and I think it's in a much healthier place currently.

Ms. Mowat: — I think you've basically answered my questions. I was going to ask more but I think I've got a good picture of things. I have no further questions, Mr. Chair.

The Chair: — Any other questions from members? I'll entertain a motion then to conclude consideration of chapter 34 pertaining to the University of Regina.

Mr. Michelson: — I will so move, Mr. Chair.

The Chair: — Moved by Mr. Michelson. All agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed. We'll move along now to chapter 49 of the volume 2, 2017 report and I'll turn it over to the Provincial Auditor.

Mr. St. John: — The university spends about 60 million each year on goods and services. Chapter 49 of our 2017 report volume 2, on pages 315-317, reports the results of our second follow-up of the University of Regina's progress towards addressing our four recommendations we initially made in our 2013 audit related to its processes to procure goods and services.

By June 2017, the university had implemented two of four recommendations.

The board of governors of the University of Regina defined its reporting needs regarding procurement activities. It established and documented an appropriate signing authority policy for use when approving contracts, invoices, and payments to ensure the proper separation of duties.

The university continues to need to implement a process to coordinate the departments that procure goods and services, including construction, to efficiently manage procurement in accordance with the university's policies and establish sufficient contract documentation requirements for the procurement of goods and services. Strong buying processes help the university protect its reputation and interest, and help it receive the best value for money in purchasing decisions. That ends my presentation.

The Chair: — Thanks for the presentation, and thanks again to the university and the ministry for the status update and all the work. I'll invite some comments if you wish and then we can open it up for questions.

Mr. Button: — Good. Thank you very much. I'm Dave Button; I'm the vice-president of administration. And I'd introduce my colleague as Dr. David Malloy, our vice-president in research as well. So thank you for those answers, David.

Once again, we can't say enough about the work of the Provincial Auditor. In fact both of these reports were special reports that we asked for the Provincial Auditor to take above and beyond their normal workload, and in both cases were extremely helpful to us. And, as indicated, there've been improvements over the years that they've continued to help us tweak and monitor even further.

So we've got two items that were partially implemented when we came before this committee once before and we're pleased to report that they are fully implemented now. And just as a little bit of background on them, both of them reflect on the fact that the university is a huge institution, as indicated by the Provincial Auditor, many millions of dollars spent on procurement each year. And for the most part, the two observations reflect on the fact that we had multiple different units on campus doing procurement and they weren't doing them in precisely the same way — in virtually all cases doing them in an appropriate way, but it would've been better practice to take and coordinate them better.

And so we can report today that we now have the different purchasing agencies within the university better coordinated, in fact using similar templates. And something that isn't reported in the actions taken in the submission, because it's only tangentially related, but our entire store system, which of course is minor procurements in the scale of things, but actually is coordinated under our central supply and management systems who are our procurement specialists. And so that's an added benefit. And it also brings the administrative actions of all the other procurement even closer together, so we think it even strengthens the observations and recommendations that both we have made and as advised by the Provincial Auditor. So we're pleased to report that they're all fully implemented now.

The Chair: — Thanks for the report. Thanks as well for all the work and all the action that's occurred. I'll open it up to committee members that might have questions. Ms. Mowat?

[11:45]

Ms. Mowat: — Thank you, and thank you for the information as well about the status update here. In looking at the status update, it mentions in actions taken to implement since the Provincial Auditor's report, two new process requirements to ensure that all projects will follow proper tendering policies. In one of these, there's a discussion about a tender summary showing posting of project on SaskTenders if it's above the threshold. Can you speak to what the U of R's threshold is and whether that's comparable to other post-secondary institutions?

Mr. Button: — Absolutely. Thank you very much for that question. The thresholds . . . One of the recommendations of course that was implemented prior was an entire signing authorization policy. And so in fact each of our individual signing authorities and therefore thresholds are firmly embedded into policy now in terms of what's permitted by individuals and what's permitted by different processes. So in particular, things like purchasing card limits of 3,500, multiple bids for projects over 10,000, which is generally where we'd see the SaskTenders limits.

An interesting note is that on behalf of the entire Western Canadian post-secondary sector — universities for sure, and a couple of the colleges — we actually host the procurement website and things on behalf of the entire sector. And so in fact our staff are the ones that are monitoring it, managing it, etc. And so as regulatory changes happen, not that there have been any recently, and things, we would take and update that and of course are the ones that monitor on behalf of everyone else and therefore are monitoring it for ourselves as well.

Ms. Mowat: — Thank you. And is there a process for direct award contracts that don't require a competitive bid?

Mr. Button: — Absolutely. And in fact that was another one of the observations, and in fact I'll call it an extraordinary process that we did create in terms of what we call a CBE, or contract bid exception, where it requires special attention and approval. We would avoid either sole-source or single-source — two different types of direct procurement — unless it's absolutely necessary, required, and is deemed appropriate by the professionals.

So in this particular case, if anyone has a reason to procure in that manner, it requires a written approval which is vetted by our procurement specialists, the director of our supply management services. And if there are any questions, it elevates up to my office. And if there were any exceptions, we would take it — that would be special — if there's any, then they would go to the board as well. So we've implemented an entire process on that particular subject.

Ms. Mowat: — Thank you. And how frequently are we talking about these CBEs, these exceptions?

Mr. Button: — It would be in the order of a dozen to two dozen in a year, all for small amounts and all typically for the special purpose that they were intended — in most cases, some expedited

special service that is only available, by definition, by a single source, that there's no one else, and the justification has been shown by the individuals to show that there truly is only a single source for that.

Ms. Mowat: — Thank you. And is part of the process putting out the advance contract award notices? Like do they post those on SaskTenders? Or how does it work when there's a CBE?

Mr. Button: — When there's a CBE it wouldn't necessarily be posted. If there's truly a validated reason why it's only a single source, then of course it isn't posted in that particular case. But in the case of all the others, it's posted on SaskTenders and many, many other places as well with, of course, the intent being to get the best price possible by getting the most interested parties bidding.

Ms. Mowat: — And of course you mentioned that it goes to the board and so on, so there's still quite a bit of oversight in that. That makes sense.

With the next recommendation, in actions taken, there's a mention of "In May 2018 facilities management initiated a legal review of all RFQ and RFP documents and contract documents used for constructing and consulting services." Was this a review of previously awarded contracts?

Mr. Button: — No, this was a review of the wording, with the observation from the Provincial Auditor being that we had two processes that were both valid processes but not consistent. There was an observation that it would be best if they were consistent. So through the help of the lawyers and things, we looked at the actual wording of all of the fine print on each of our contracts and came up with a singular template to use, the best from the two previous templates we had, to make it consistent and the best of both into one singular template to be used at the university.

Ms. Mowat: — Thank you. So the goal of the review was to seek standardization of language then?

Mr. Button: — Correct.

Ms. Mowat: — Thank you. I have no further questions, Mr. Chair.

The Chair: — Any further questions? Not seeing any, I'd welcome a motion to conclude considerations. Mr. Goudy. All agreed?

Some Hon. Members: — Agreed.

The Chair: — This committee concludes consideration of chapter 49 of the volume 2 report and, I guess, the considerations in general pertaining to the post-secondary sector and Advanced Education. So thank you so very much to the leadership and officials of the University of Regina that are here today, all those that have been working on this front as well. As well to the Saskatchewan Polytechnic, thank you very much. And certainly to the deputy minister and all the officials and all the partners in Advanced Education that were a part of the work here today, thanks so much.

As a committee should we briefly recess and move along to the

considerations of our own committee? Okay, thank you.

[The committee recessed for a period of time.]

Standing Committee on Public Accounts

The Chair: — All right, we'll reconvene here this morning for chapter 51 from the volume 2, 2017 *Report of the Provincial Auditor* pertaining to the Standing Committee on Public Accounts. I'll turn it over to the Provincial Auditor's office. I believe it's Kim Lowe that's going to lead the way.

Ms. Ferguson: — And that is exactly right, so I'm just going to turn it right over to Kim here.

Ms. Lowe: — All right, thank you. The chapter before you this morning does not contain any recommendations. Rather it provides your committee with an overview of the committee's accomplishments and the status of implementation of the committee's recommendations.

In our view, your committee is very important in that it is the audit committee for the Legislative Assembly. It plays a critical role in fostering an open, accountable, and transparent government and better management of government operations. Your work contributes to the government's implementation of a significant number of recommendations. In your review of our work, your committee makes recommendations either through the concurrence with those of our office or on its own. Your committee includes its recommendations in its reports to the Assembly. On May 16th, 2017, the committee tabled the first report of the twenty-eighth legislature. It contained 128 recommendations.

Your committee has asked our office to assess the government's compliance with its recommendations and to report on their status. We make this assessment as part of our examinations. We report the results of these assessments in either specific chapters or, if not discussed elsewhere in the report, in a table in the Public Accounts chapter. Each year in the Public Accounts Committee chapter we provide you with a summary of these assessments.

As set out in chapter 51 of our 2017 report volume 2, as of September 2017 the government has implemented 69 per cent of the recommendations included in the committee's reports. As well, by this date the government has partially implemented another 49 per cent of the remaining recommendations. These percentages do not include recommendations that the committee has considered but not yet reported to the Assembly. That concludes my overview, and we would be happy to answer any questions.

The Chair: — Thanks very much for the report and all of the work. Obviously implementation is important, and you've cited a number there with respect to implementation and then partial implementation. How does that compare to other jurisdictions? Would you know that?

Ms. Ferguson: — We actually don't know that because what you'll find is that not all jurisdictions even keep track, you know. So I think you should applaud yourselves in that. You know, you have a very strong reporting process in terms of your reports into the Legislative Assembly, and you frankly are following best

practice in that regard, and us as an audit office is engaged in that process. So it's an area that we don't have comparators, but I think it's a good news story in that this committee is doing things that really are best practice.

The Chair: — Are there questions from folks? Ms. Mowat.

Ms. Mowat: — Sure. So we've talked about this number of 69 per cent. Do we have any idea of further progress that has been made since 2017, or because we haven't had a report on it since then, we're working on the 2017 numbers? Is that correct?

Ms. Ferguson: — That is absolutely correct. Kim's really nodding because we've got . . . If you notice, this is included in volume 2, which is the report that we table in December. And she's busy crunching numbers, hopefully. Right, Kim? So that information will be in the next report.

[12:00]

Ms. Mowat: — And I'm noting on page 330 it says, "Not including our 2017 *Report — Volume 1*, the Committee has not reviewed 21 chapters relating to the health sector." So I'm just wondering if there's particular challenges with health sector chapters or why we haven't reviewed these. I don't know who this question is for.

The Chair: — I think it's fair to say that, you know, I think that we should . . . We're reviewing as a steering committee and then work in conjunction with the auditor's office and the Clerk's office to make sure we get all outstanding work into the queue.

And I think the piece that's important for us around this table, and something I know that we're working on, is just laying out some of the and committing some of the dates into the future, which then allows the relationship of the Clerk's office, along with Kim Lowe from the auditor's office, to get officials booked in and organized to be here. I think it can be challenging at times to have a date set out, and it doesn't always work for officials. We try to go at this as, you know, co-operatively and constructively as possible. And I think to some extent we have a responsibility as well to make sure that we have enough frequency and enough commitment to dates to make sure that we're catching up.

I think it's fair to say that, in coming out of our recent conference of the public accounts from across Canada, we seem to be at a pretty good place, comparative to a lot of other public accounts committees, in the timely consideration of those reports. I do think that that's a very important component of having impact, and I would attribute that to, well certainly members around the table, but to the auditor's office, to Kim Lowe, and to our clerks within this Assembly. Mr. Michelson?

Mr. Michelson: — Yes, if I could, Mr. Chair. It hurts me to say this, but as the most senior person on this committee . . . I think we should compliment the auditor on the work she does. And there's very, very few recommendations that come in here that we question the auditor on; if anything, it's more of a clarification. So I think the auditor and her staff should be commended for the work that they do in bringing these recommendations forward for us to consider. So I just wanted to put that on the record and thank you for the work that has been

done.

The Chair: — Thank you for passing those words along. And you know, again we came out of a conference here recently where we had the chance to sit down with other public accounts committees. And I think, you know, there's always areas that we can look to improve, and we will, but the relationship that we have with the auditor is a really important one, and I think it's a strong one at this table. But I think it goes further than that. I think that the way our auditors and our Provincial Auditor and their office relates to the auditees, the ministries and the agencies and the boards and the institutions, you do so in a very positive way, a very constructive way even when you're dealing with difficult things. So I'd certainly want to echo those comments of Mr. Michelson.

I guess I just want to say you've also been instrumental, or we all have, in bringing forward those status updates that are a part of our work here. I was around chairing this committee and questioning before those were here, and it really allows us to be, I think, very constructive, very focused. And so I want to say a big thank you to the Provincial Auditor on this front as well, as well as to executive government, because the only reason this is an effective tool is because deputy ministers and executive government have chosen to support it and utilize it in the way that it should be.

With no further considerations, we'll conclude considerations. I guess, would somebody move that? Mr. Michelson moves. All agreed?

Some Hon. Members: — Agreed.

The Chair: — All right. We'll go for lunch. We'll reconvene at 1 o'clock.

[The committee recessed from 12:04 until 13:02.]

Technical Safety Authority of Saskatchewan

The Chair: — All right, we'll reconvene the Standing Committee for Public Accounts. We have the Technical Safety Authority of Saskatchewan, TSASK, on deck here this afternoon to respond to a couple chapters of the Provincial Auditor. I'll thank you for being here today.

I'll pass it over to the Provincial Auditor to present. We'll deal with one chapter at a time. Subsequent to that, certainly introduce officials that are here on behalf of TSASK here today and then we'll . . . and respond how you want to the presentation, and then we'll open it up for questions. So I'll turn it over to the auditor.

Ms. Ferguson: — Thank you, Chair, Vice-Chair, members, and officials from TSASK. This afternoon I've got with me Mr. Trevor St. John. He's back in the role of leading the work here. And behind is Mr. Jason Wandy, and Jason led the work that's before us on this agenda. And Ms. Kim Lowe, our committee liaison, is also joining here.

So as the Chair just indicated we've got two chapters before the committee here, both dealing with TSASK. One is a follow-up of a prior audit, so there's no new recommendations to consider. The other one is a new audit, so there's seven new

recommendations for the consideration.

I'd just like to pause and extend a thank you to the officials at TSASK for the co-operation that they've extended to us in the course of this work. So without further ado I'm going to turn it over to Mr. St. John to present.

Mr. St. John: — Thank you. The Technical Safety Authority of Saskatchewan administers Saskatchewan's safety programs for boilers, pressure vessels, elevating devices, and amusement rides on behalf of Government Relations. By law, it is responsible for regularly inspecting boilers and pressure vessels. Regular inspections help prevent equipment malfunction. TSASK is responsible for inspecting about 26,000 pieces of equipment related to boilers and pressure vessels.

Chapter 35 of our 2016 report volume 1, starting on page 311, reports the results of our first follow-up of TSASK's progress towards addressing nine recommendations we initially made in our 2014 audit of its processes for the inspection of boilers and pressure vessels.

We are pleased to report that, by January 2016, TSASK had implemented all nine recommendations. TSASK began identifying and assessing risks surrounding the inspection of boilers and pressure vessels. It had a written plan designed to address its backlog of outstanding inspections. It also established policies and procedures regarding its risk-informed strategy for inspection selection, the handling of incidents and complaints, and its follow-up of inspection deficiencies. That is the end of my presentation.

The Chair: — Thank you for the presentation. I'll flip it over to TSASK.

Mr. Scott: — With respect to this initial review, essentially there's not much I can say. When we were here last, we discussed our progress in this regard. And subsequent to that we were able to implement all the recommendations, and of course that's now been verified. So it's . . .

The Chair: — Can I just stop you for a minute? I should've introduced you and had you introduce other officials that are with you. But I believe it's Mr. Scott and you're the CEO of TSASK, correct?

Mr. Scott: — Yes. My name is Bill Scott, and with me today is Chris Selinger who's the chief inspector for the province.

So essentially, I'd actually done a quick set of remarks that covered both of these items, because they are somewhat interrelated in that when the Provincial Auditor came out to visit us with respect to these first recommendations, we were in the process of implementing a technologic solution, an IT process that would assist us in following through on our inspections and documenting the process more effectively. We've now been able to do that, and then when we have the subsequent discussion with respect to the next report, we can now show how that has then moved on to the other technologies also.

So in this regard, it's been a pleasure to us in that the recommendations of the Provincial Auditor were very closely aligned with our own internal strategic direction. And that is, you

know, for us it's a good day because it both verifies the fact that hopefully we were on a good course, and secondly, internally for me, it's a great thing to ensure that these things are implemented because I can threaten people with the fact that the Provincial Auditor is coming back.

I really don't have any other comments with respect to this initial report.

The Chair: — Thank you, and thank you as well for the actions that have been taken to implement the recommendations. I suspect there might be some questions from committee members. Ms. Mowat.

Ms. Mowat: — Thank you . . .

The Chair: — Before Ms. Mowat begins, I'm interested, would you know how many elevators we have in Saskatchewan? Not grain elevators, but escalators? Sorry.

Ms. Mowat: — Thirty-nine. I believe there's 39 according to this report anyway.

The Chair: — Wow. You read your report then. Go ahead.

Ms. Mowat: — That will not be the question that I ask.

The Chair: — I didn't know she actually knew that.

Ms. Mowat: — I do know, yes. On page 312 of the Provincial Auditor's report, they talk about the fact that "TSASK considers the following three factors to assess the risks of failure associated with each piece of equipment: probability, severity, and detection." I'm wondering if you can explain some of these factors and how they are considered.

Mr. Selinger: — So in that sense, what we actually have is the nature of equipment in the boiler and pressure vessel side is quite varied from some storage vessels to some very complex, whether they're boiler designs and they have safety controls on them. So when an inspector performs his inspection, he is looking at an assessment when it comes to probability that considers such things as its current condition, whether it's been . . . just how it's been maintained over the years, and essentially corrosion and other kind of issues and stuff like that, that gives a rating regarding the probability that some kind of an incident could occur.

The consequence aspect is a consideration then that is evaluated on the basis of the type of failure that would be expected, whether it be something like, if you liken it to a balloon and if it's filled with water, you get kind of a leak coming out, right? Whereas if you fill it with, say you fill it with hydrogen or something and you have an ignition source nearby, you get a bit of an explosion, right? So there's an aspect of the consequence, and also looking at nearby a subsequent type, whether it's personnel, equipment, or something that could be involved in the type of event that would occur.

And then the detection part is a consideration that the inspectors evaluate that look at the likelihood that that failure or the cause leading to that failure will be observed, detected, and addressed essentially before you ever get to that failure. So that's

recognizing the efforts of the owners in some of their own inspection or maintenance kind of practices to be able to determine and find that cause that would lead to an accident and address it before it ever becomes an issue.

Ms. Mowat: — Thank you. There's also reference to the fact that as of January 2016, TSASK had formally assessed the risks associated with about 34 per cent of the over 26,000 pieces of equipment that it is responsible for inspecting. Are these all the boilers and pressure vessels in the province or . . . the 26,000? Do you know what the number is?

Mr. Selinger: — So there are, under the legislation, about 32,000 items that require licensing and ongoing inspection work. That difference between that 26,000 and that 32,000 represent equipment that owners have taken the steps to implement what's called a quality management system of inspections that they have to have certified through us, and employing pressure equipment inspectors that are also licensed through us, based upon their qualifications. And then we maintain kind of an ongoing oversight through audit and stuff that those inspections are ongoing.

There would be additional equipment in the province — some air receivers, some of the propane tanks you may see at farmyards or, you know, that are not included in either of those two numbers because they require essentially a one-time initial inspection, and so they're not an ongoing licensed item that we have mechanisms to track its life and stuff.

So that gives you an idea of the equipment in the province that we are looking after.

Ms. Mowat: — Thank you. On page 313 of the Provincial Auditor's report, there's a discussion about management considering whether any legislative changes would be necessary to better enable risk-based selection for equipment inspections. What were the findings of these considerations in regards to legislative changes and whether anything should be coming forward?

Mr. Selinger: — So we've also had the opportunity over this last while to that . . . in all three technologies. So it's not just the boilers and pressure vessels that I'm responsible for as a chief inspector, that we have gone through some regulatory change. So the regulations have been updated for the boiler and pressure vessel safety. And some of the big things that are identified and did occur under those changes are updating, like the codes, the adopted codes, which establish the levels and stuff like that, that equipment must conform to. So that all took place and became effective January 1st of this year.

Mr. Scott: — I'd just like to add that there's thousands of inspections. There's periodic inspections that take place every year. And every time an inspector attends to a piece of equipment, they're instructed and they review the risk rating that has been assigned to that particular piece of equipment, and that risk rating is followed up within our electronic system. And it allows us to parse through and determine items that require greater attention, which is our movement towards a more risk-informed environment for the conduct of inspections.

Ms. Mowat: — Thank you. There's a figure 1 on page 314,

shows the number of outstanding boiler and pressure vessel inspections from 2012 to 2016. It's showing . . . I will note that it shows some progress between 2014-2015 and 2015-2016 where the number of outdated or the backlog to be inspected was 4,421 and that moved to 3,276. Can you speak to what the current backlog looks like?

Mr. Selinger: — I'm just looking that number up exactly right now. But it did decrease again. I believe it is . . . Pardon me. I don't have the exact number, but based on a percentage is how I've been reporting it more recently within our annual report. And that initial number, that 3,276 back then, represented 2.9 per cent of total equipment inventory. And we've declined down to 1.5 per cent.

[13:15]

Ms. Mowat: — And presumably the total inventory hasn't changed very much between those two numbers, so it would be . . .

Mr. Selinger: — Exactly yes. There'd be a small little change because as just some new equipment comes into the province and a few things that get replaced, but I believe the numbers for equipment, as far as the total equipment that's related on, remained pretty well the same.

Ms. Mowat: — Thank you. I also see that there were some additional inspectors hired to address the backlog of inspections and that accounted for the progress. Have there been even more inspectors hired now or has there just been a concerted effort to address the backlog?

Mr. Selinger: — So when it comes to staffing actually from . . . We're at a time where we've got a couple less inspectors now than we did a few years ago, but what we've seen through some of the efficiencies in the data system and how we collect and do the inspections and also a decrease in the demand that we have on new equipment being brought into the province, that with that kind of resourcing, we've still been able to make that progress on reducing the overdue inspections. And it still remains a priority of ours to keep an eye on and make progress on.

Ms. Mowat: — Thank you very much. I have no further questions, Mr. Chair.

The Chair: — Questions from other committee members? Ms. Ross.

Ms. Ross: — I just have a quick question. When I look here at 203, it says that when an inspection's done and there's a problem, they receive a letter or it's sealed. Do they have a time frame of when they have to rectify it or like, is there an issue with that?

Mr. Scott: — I can tell you that we have a process where we have people that are non-compliant and, you know, we don't just rush in and seal them out. We go through a process of letters and discussion and we go through phone calls. At the end of the day, if it's just a question of non-compliance for a non-safety related item, they will have ample opportunity to make amends with us. If however it's a safety-related item, they're sealed. You know, there's an adjustment between sort of the administrative side and the safety side where there can be no compromise.

Ms. Ross: — Absolutely. But is there a time frame of when they have to rectify it or is that up to . . .

Mr. Scott: — It depends. The inspector determines an interval dependent upon the nature of the defect. There are a number of defects where they would allow a time frame for you to repair something that's relatively minor. If they come across something that's significant, then you're going to be sealed at that moment.

Ms. Ross: — Okay. Thank you very much.

The Chair: — Any further questions on this chapter from committee members? If not, I'd welcome a motion to conclude considerations of chapter 35. Ms. Lambert. Thank you very much for moving. All in favour?

Some Hon. Members: — Agreed.

The Chair: — So moved. We'll now open up considerations for chapter 14 from the 2017 volume 1 report, and I'll turn it over to the Provincial Auditor.

Mr. St. John: — Thank you. Saskatchewan has almost 4,000 licensed elevating devices like elevators and escalators. At November 16th as previously mentioned, Saskatchewan has about 39 escalators in operation. Effective regulation of elevating devices helps keep the public safe. Chapter 14 of our 2017 report volume 1, starting on page 193, reports the results of our audit on the effectiveness of the Technical Safety Authority of Saskatchewan's processes for inspecting elevating devices.

We concluded that for the 12-month period ended November 30th, 2016, TSASK had, other than the areas reflected in our seven recommendations, effective processes to inspect elevating devices. I plan to focus my presentation on the recommended areas.

On page 197 we recommend that TSASK keep accurate and complete elevating device inspection records. During 2016 TSASK was transitioning from tracking its elevating device inspections in an electronic spreadsheet to using an inspection records IT system called Basebridge. We found errors in its inspection records. For 78 device-inspection records we tested for completeness and accuracy, we found one elevating device had an incorrect inspection date in both the spreadsheet and in Basebridge, and two elevating devices from TSASK's spreadsheet were not in Basebridge. We also found 673 elevating devices had inspection dates in Basebridge older than 18 months. TSASK expects staff to inspect each elevating device about every 18 months. The older inspection dates was a result of a combination of inaccurate data entry and past-due inspections.

At November 2016 TSASK did not have a formal process to check the accuracy and completeness of elevating device inspection data in Basebridge. Inaccurate and incomplete elevating device inspection records can result in misleading reports or untimely completion of inspections. It can also result in inefficient use of resources, such as conducting inspections sooner than required.

On page 198 we recommend that TSASK develop and document a documented risk-informed strategy for prioritizing inspections of elevating devices. We found TSASK informally prioritized the

timing of inspections by types of inspections.

TSASK gives first priority to incidents involving elevating devices with potential public safety issues. TSASK verbally communicates the strategy to staff as it is not formally documented.

In addition TSASK does not formally re-evaluate its inspection strategy on a periodic basis. Rather it informally discussed its strategy with stakeholders, staff, and similar organizations in other jurisdictions. As well it does not assess a risk level such as based on the probability of failure or severity of the issue in detection risk for each licensed elevating device.

At November 2016 TSASK indicated that it was re-evaluating its inspection strategy as part of transitioning to the use of the Basebridge system for elevating devices. Developing a risk-informed strategy would allow TSASK to focus its resources on the highest-risk areas. Periodically re-evaluating the inspection strategy confirms its continued relevance and documenting the strategy will also enable staff to understand and follow consistent processes in the event of staff turnover.

On page 199 we recommend that TSASK formalizes procedures for handling incidents and complaints related to elevating devices. TSASK inspection manual does not include processes for handling elevating device incidents such as clothing caught in escalator and complaints. Over the past four years, TSASK handled about seven incidents each year.

TSASK does not formally track complaints received from the public as they are typically minor in nature. We found TSASK staff understood its informal processes for handling incidents and complaints. Documenting processes can prevent actions that do not align with expectations, promote consistency in handling similar situations, and provide clear direction for staff in the event of staff turnover.

On page 201 we recommend that TSASK perform in-service inspections of escalators in accordance with a risk-informed inspection strategy. For over 75 per cent of 21 escalators with in-service inspections completed that we tested, TSASK had not performed an in-service inspection within 18 months of a previous inspection. The time since the last inspection date for these devices, which are located in Regina and Saskatoon, averaged 30 months from between 19 months to 90 months. Performing regular in-service inspections based on a risk-informed strategy reduces the risk of equipment deficiencies going undetected and unaddressed. Periodic inspections reduce the risk of elevating device incidents.

On page 202 we recommend that TSASK document when it shares inspection reports with elevating device owners. For 31 in-service inspections we tested, 16 per cent of inspection reports with deficiencies were not signed as received by the elevating device owner and there was no evidence of when the inspector gave the reports to the owner, such as related emails or correspondence. Not documenting whether and when inspection reports are shared with the device owner increases the risk of device owners not being aware of identified deficiencies or not fixing the deficiencies in a timely manner.

On page 203 we recommend that TSASK monitor whether

device owners resolve deficiencies noted in its inspections of elevating devices within an acceptable time frame. TSASK does not centrally monitor the status of deficiencies that its inspections identify. Rather, it expects its inspectors to actively follow up deficiencies to determine whether they are resolved. Only 21 per cent of in-service inspection reports with identified deficiencies that we tested had evidence that device owners had deficiencies within specified time frames. Active monitoring of timely resolution of deficiencies can reduce the risk of elevating device malfunctions and any resulting safety incidents.

In our last recommendation, on page 205 we recommend that TSASK and the responsible ministry define the expected frequency for inspecting elevating devices to enable reporting of overdue inspections. We found that neither the elevator Act nor the elevator regulations establish an inspection frequency for TSASK inspection of elevating devices. Also, neither the ministry nor TSASK had firmly agreed upon the expected frequency for inspecting elevating devices. As such, TSASK did not track and the ministry did not receive information about overdue inspections.

We note that TSASK's previous manual tracking of inspections made tracking of a number of inspections completed impractical. Deciding how often elevating devices should be inspected and tracking overdue inspections facilitates better monitoring. Untimely inspection of elevating devices both increases the risk that deficiencies go undetected and increases the risk of incidents. Also, without complete information regarding overdue inspections, TSASK cannot demonstrate and the ministry cannot fully monitor performance under the agreement. That ends my presentation.

The Chair: — Thanks for your presentation and the recommendations that have been brought forward. I'll turn it over to TSASK for their response.

Mr. Scott: — Well I think that we're happy to be able to report that we've made significant progress with respect to satisfying many of the concerns that are before you today. You know, it wouldn't be my intention to work through the status update line by line, but I can tell you that, as was the case with boilers, much of our activity had centred around the implementation of an IT solution in this regard. And that was especially challenging with respect to the elevator world as the previous existing process for elevators for the inspectors in the field was entirely paper based. So it was quite a jump for them to move into an electronic world. In the boiler instance at least they'd had a previous boiler inspection program to work with and, as I say, the elevator piece was completely paper based.

So you know, some of the issues with respect to the transference of information . . . And some of those issues are related purely to the fact that you were sort of starting from ground zero here and then implementing a technologic solution. And I'm pleased to say that Basebridge is fully operational, installed. It's been well accepted by the inspectors in the field which, you know, is a significant thing for them, not having had a process in the past. And we took what we had learned from the installation on the boiler side and sort of provided an improved product when we were able to produce a similar inspection program for our elevator world.

So we understand that the Provincial Auditor will be back out to visit us very soon and to provide further clarification with respect to the updates that we've provided in our status report. But I think that we have come a long way towards the implementation of essentially every item that was recommended. For instance, just one thing that sticks out when we have this conversation and we talk about the escalator piece, we have a bit of an issue with the Provincial Auditor over the sample that they took in that regard as to how far out we were with regards to escalator reviews, but we now have implemented a policy where we look at escalators every year and that is our practice now.

[13:30]

With respect to the broader concept of intervals, our mandate is to move towards more of a risk-informed strategy as opposed to just a rote interval, and so we're going to sort of jump beyond, I think, just a mere interval. You know, intervals are nice and I can understand as an auditor you'd love an interval because it's easy to compare you to, but we think we need to take it to the next step to look at the risk nature of these items. And we'll probably have variable intervals depending upon the nature of the device. And that's where we're going.

So as we had discussed earlier with respect to boilers, we're in the process of determining how that risk is evaluated, which is problematic in the elevator world because, you know, an elevator is a fairly significant item in every event so, you know, it's difficult to get a nature to weigh the risk. But there are ways based upon, you know, the technological age, what it is, whether it's hydraulic or whether it's cable. There's all sorts of factors that we're working on. We'll build a risk-informed environment and intervals will flow from that.

The Chair: — Thank you very much for your presentation and a lot of the work that's been taken on. I'll open it up for questions. Ms. Mowat.

Ms. Mowat: — Thank you very much. I'll just ask some questions as we are working our way through the chapter. So starting at the beginning on page 193, the second sentence says that, "... TSASK had effective processes to inspect almost 4,000 elevating devices located across the province." Is this all the elevating devices in the province?

Mr. Selinger: — Yes it would be, with very few exceptions such as what they have in like the windmills going up. Those ones are ... and some similar kind of things that you'll see ... some people will think as elevating devices that are used say, such as window cleaners and stuff, that usually fall under occupational health and safety.

Ms. Mowat: — Thank you. On page 194 you had previously mentioned that the staffing profile has changed a little bit at TSASK. Can you give us an update? At the time of the report there were 7.5 FTE [full-time equivalent] staff, and it showed us what the breakdown was. So what's the current staffing profile at TSASK?

Mr. Selinger: — It would be the same as it was back then, but we are in the process of and plans for some further recruitment in the near future.

Ms. Mowat: — Oh, okay. So the inspectors that were hired to address the backlog were not reflected in this staffing profile? Because you just said there were fewer inspectors, so was that ... How does that work?

Mr. Selinger: — What is reflected in there was our current staffing, recognizing that it was an increase and a significant increase, that we added from previous years in just trying to maintain. Because we were looking at not only the little bit of a catch up, I guess you could say, as well as looking at succession and other kind of issues along the way. So as we stand today, we're still kind of within our plans of all those kind of human resource type issues that we were considering.

Ms. Mowat: — I think we're on the same page now as 7.5 was the increase. Is that correct?

Mr. Selinger: — To that, yes.

Ms. Mowat: — Okay.

Mr. Scott: — I'd just like to add that with respect to elevators, that we have been actively recruiting. We just recently added two elevator inspectors, and we've had a succession issue because our manager in that regard has retired. So there's a constant sort of recruitment in that area. And it's a difficult area to recruit in also, might I add; there's a great shortage of qualified people in that regard.

Ms. Mowat: — Thank you. On page 198 it says as described in section 4.1.1, "TSASK expects staff to inspect each elevating device about every 18 months." So you were referencing the fact that intervals are not necessarily required. Is this generally achieved?

Mr. Scott: — The point with the 18-month piece is that it's really an internal performance item for us. That's how we look at our staffing and whether or not we're appropriately staffed internally. It's not a requirement per se. It's not a legislated interval with respect to the equipment. It's what we apply internally as our target to utilize our personnel.

Ms. Mowat: — Thank you. And I see in the status update too, and I heard you talking about the fact that there isn't a legislative requirement. Is this true in other provinces as well, or do they have legislated intervals that are required in other provinces?

Mr. Scott: — We've looked into that at some depth. I think Chris could probably explain that better than I; he's more familiar with the particulars. But it's all over.

Mr. Selinger: — There are a few provinces we did see that, such as a place like Prince Edward Island. If I recall, they do have a legislative annual time frame, but then it quite varies to another province that really does their inspections more on ... They do two things, I guess. They spend more resources kind of auditing the maintenance contractors and just that they're out there doing that maintenance work. And then they're more complaint driven to drive when they do inspections and where they do inspections. So it's quite varied within the industry and best practice in other jurisdictions. Outside of Canada it's also quite varied in this area, and from our research there was really no time-based best practice to really fall back on.

Ms. Mowat: — Thank you. And can you speak to . . . It's good to hear about the significant differences that exist among provinces because I can imagine it's difficult to situate yourselves within that. Can you speak to what a risk-informed inspection plan would look like compared to the interval style of inspection plan?

Mr. Selinger: — So following some of our learnings that we even did and a kind of a bit of a philosophy to keep things, some similarities in what we do in the boiler and pressure vessel side, is that assessment done by the inspectors on that risk scoring that we do, that it considers the probability, the consequence, and again as well as that is the likelihood of detection, to give some credit and recognition where different maintenance intervals, whether, you know, it's a repair when broke or whether it's preventative maintenance and stuff like that, to recognize that.

And I don't want to kind of presuppose what exactly the policy will look like because, as we identified, our steps right now are really defining a little bit more, putting some more description behind how you rate a low versus a medium versus a high in any one of those scores, based upon the technical knowledge and expertise of our inspection staff, and really begin that kind of scoring and assessment to get a good picture of what the risk profile is within the province and with our nature of equipment.

What I do anticipate though is that, based on that information, we'll be able to make assessments based on type of equipment — so you know, passenger, freight elevators, you know, lifts for the handicapped, stuff like that, or physically disabled — and evaluate the nature of whether it's hydraulic, you know, traction, and the different types, and combine that kind of knowledge with where we typically see deficiencies and where, with that scoring . . . And from there, establish intervals that would recognize either increased or even potentially . . . well increased surveillance, I guess a decreased time frame, or even potentially if it's a lower risk item, that it might warrant and just show in support that it could even go to a longer inspection than maybe our 18-month practice shows in support. So that's the intent and the plan of what it is likely to look like.

Ms. Mowat: — Thank you. And just in terms of . . . Like I'm just thinking of a scenario where there is something's been identified as low risk, and if there is a backlog of inspections taking place, what the repercussions would be of not setting in place a timeline, a sort of a kill time, or you know, if it doesn't inspect it every few years, then when would it be inspected? Just flagging that as a potential risk of using this format.

Mr. Scott: — Well I think that you'll find that there will be an interval.

Ms. Mowat: — Okay.

Mr. Scott: — So I suspect that, you know, we're not going to lose anything in the system. The joy now is that we actually have a system we can rely on and will get better as we sift through it. And that's really the stage that we're at now. You have to have enough time with your system to actually have seen every piece of equipment, to correct the erroneous information that you have. And I suspect, as Chris has indicated, that there will be items that will be under a significantly higher level of surveillance based upon their nature or past history, or you know, who knows how

many factors. Others will be under perhaps a less aggressive timeline. But certainly the plan wouldn't let to be anything to, you know, to be lost in the system.

Ms. Mowat: — That's certainly comforting to hear. In terms of . . . I understand that TSASK gives a quarterly report to the ministry, then reports on a number of different factors in accordance with the agreement, and one of them being the total number of reported accidents. I'm wondering how many accidents generally take place every year.

Mr. Selinger: — So within our annual year, our fiscal year ends on June 30th. In that last reporting period there for that calendar year, we had four accidents that we reported in that sense, meeting that definition in our legislation, what an accident is. Additionally there were, as it was indicated earlier, 13 additional incidents that we did look into that might have had some equipment damage or might have had, you know, a kind of a fall on an escalator but did not result in any injury or something like that, that we still would have followed up on.

Ms. Mowat: — Thanks. I think that concludes my questions, Mr. Chair.

The Chair: — Thanks for the questions. And any other questions from members on this chapter?

Mr. McMorris: — I just had one. So regarding the, kind of looking at the ones that perhaps need more inspection, the ones that need less — prioritizing, I guess, as far as risk — when do you think that will be done? As you said, you're doing some work on it and, you know, kind of leapfrog over maybe where the recommendation is. What is the time frame for that?

Mr. Scott: — We've given a timeline that we expect to define the priority number assessment by the end of this year, by the end of 2018. Then we intend to assess the equipment during 2019 and apply treatments in 2020.

Mr. McMorris: — Okay. And just one last question. Just in the different elevators, I mean I remember years ago there used to be the certificate and it'd have the minister's name on it and they'd be changed every year. And now you have your signature, I guess, or whoseever's signature on it. And it perhaps then, I would say, probably gave the public maybe even a . . . Maybe I'll first ask the question. The signatures that had the minister's name on it that were put in those elevators annually didn't necessarily mean that they were inspected, but they were just certified?

Mr. Scott: — Licensed.

Mr. McMorris: — Licensed. Which I think probably really gave the public a false sense of security that . . . I mean I often thought, well every year it's being inspected because I see a different certificate or a different minister's name on it. Whereas I think the system, you know, that you're moving to, is probably, should probably give the general public more of a sense of security.

Mr. Scott: — From our standpoint from the business side, it's very attractive to have a licence with a year on it because the public will notice very quickly if that elevator hasn't been licensed. So it's an advantageous thing for us from the business side. And it's surprising — there's a number of jurisdictions

where there's no visible indication of the elevator either being either inspected or licensed.

The Chair: — Mr. Michelson.

Mr. Michelson: — I'm wondering about the 18-month interval. Like I find that, like that's just kind of an arbitrarily . . . Maybe it's a question to the auditor. Should there be something that has something more concrete than 18 months should be the interval that we can get around to inspect them? Or like I just, I find that a little odd to just arbitrarily set an 18-month.

Mr. Scott: — I don't think that it's not so much that it was arbitrarily set. I think that that was just the performance interval that's sort of been the case and, you know, that's what we're looking at now is, you know, what are we going to do with that.

The other side of it is that the elevator inspectors are a relatively small group. There's absolutely a relatively small number of elevators in the province also. And they all come from the industry and they know the equipment very well. So there's already some sort of risk-applied portion to how they inspect, in that they know what needs the attention and they know who they should be probably paying more visits to. So there's sort of an informal process that exists already.

[13:45]

So I think that it's not so much that there has been a lot of thought or time applied to that 18-month internal performance piece; I think that's just what was being done as a measurement internally in the past. And I think what we're trying to do right now is to bring some more rigour to that.

And as I said, I think that the end result is not going to be . . . I don't think we're going to come here and say, well it's now 15 months or 24 months or 30 months. I think we're going to say that, well there are varying intervals now. And there's going to be some equipment that's going to be looked at much more frequently. And there's going to be other things that, you know, if it's a handicapped lift on a church that is, you know, very seldom used or, you know, is only 3 or 4 feet off the ground, you know, do you have to go out and look at that every year? You know, maybe not; maybe you do. I don't know. That's the questions I think we need to answer.

Mr. Michelson: — Well it seems to be working, so thank you for your explanation.

The Chair: — Thanks for the report on all the actions, the commitments that were made here at the table. Good questions as well. I suspect we're ready to vote on some of these recommendations. I think you've detailed clearly that with respect to recommendations 1, 5 . . . 1, 3, 4, 5, and 6 that we concur and note compliance. They've been implemented. Would someone put forward that motion? Ms. Ross. So all in favour that we note that we concur and note compliance with recommendations 1, 3, 4, 5, and 6? All agreed?

Some Hon. Members: — Agreed.

The Chair: — All right. It's agreed. The other two recommendations, the one definitely has a fair amount of work

that's been gone on that we could note, probably concur and note progress. Would we deal with no. 7 in the same way or do you want to simply concur with that one?

Mr. McMorris: — I would say there's been progress.

The Chair: — On that one as well as far as defining some of the next steps. So with respect to recommendations 2 and 7, Mr. McMorris, would you care to move that we concur and note progress?

Mr. McMorris: — Concur and note progress.

The Chair: — Sure. All agreed?

Some Hon. Members: — Agreed.

The Chair: — All right. It's agreed that we concur and note progress for recommendations no. 2 and 7. And I think that's it for this chapter, so thanks to the officials that are here today and all those that work in TSASK for coming before us here today. And unless you have any final comments, we'll quickly recess. So thanks for being here, and we'll move along to chapter 19 of the volume 2, 2017 report.

[The committee recessed for a period of time.]

Summary of Implemented Recommendations

The Chair: — We'll move forward here with I guess our final consideration of the day, chapter 19, the summary of implemented recommendations, and I'll turn it over to the Provincial Auditor.

Ms. Ferguson: — Well really I think the name says it all. It is just a summary of implemented recommendations where we don't have another chapter for that entity in the report, and so we provide this chapter just so that we can close the loop on the recommendations and so that you as a committee member and the legislators and public know what actions that management has taken in this regard. I don't have any further comments but I'd be pleased to entertain any questions.

The Chair: — Any questions?

Mr. Michelson: — I like the advancement of the removing people that have left the system and getting them off the list. It seems to come out right very strong there, so thank you.

The Chair: — No other questions? Thank you very much. Would someone care to move that we conclude consideration of chapter 19? Ms. Lambert. All agreed?

Some Hon. Members: — Agreed.

The Chair: — So moved, and I think that's the conclusion of our business. Would someone care to move . . . I guess I should say happy birthday to Mr. Goudy. Safe travel back to your family here tonight. And otherwise if someone might move adjournment of the committee. Moved by the birthday boy, Mr. Goudy. All agreed? All right . . . [inaudible interjection] . . . No, we'll stop it there. So this committee stands adjourned until Wednesday, October 10th at 1 p.m.

[The committee adjourned at 13:51.]