



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr. Trent Wotherspoon, Chair
Regina Rosemont

Mr. Don McMorris, Deputy Chair
Indian Head-Milestone

Hon. Lori Carr
Estevan

Mr. Todd Goudy
Melfort

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

Mr. Warren Michelson
Moose Jaw North

Ms. Vicki Mowat
Saskatoon Fairview

Mr. Randy Weekes
Biggar-Sask Valley

[The committee met at 10:30.]

The Chair: — Well good morning, welcome all. Good morning, we'll convene the Standing Committee for Public Accounts. I'll introduce the members here today: Vice-Chair, Mr. McMorris; Ms. Lambert; Mr. Goudy; Mr. Michelson; and Ms. Mowat. Oh sorry about that, Mr. Weekes. Yes, Mr. Weekes.

We have the following items to table: PAC 59-28, Ministry of Finance: Government response to the Standing Committee on Public Accounts' second report of the 28th legislature; PAC 60-28, Provincial Auditor of Saskatchewan: Second quarter financial forecast for the period ending September 30th, 2018; PAC 61-28, Ministry of Finance: Report of public losses July 1st, 2018 to September 30th, 2018; PAC 62-28, Ministry of Health: Report of public losses July 1st, 2018 to September 30th, 2018; PAC 63-28, Ministry of Government Relations: Responses to questions raised at the October 10th, 2018 PAC meeting.

I'd like to advise the committee that pursuant to rule 142(2), the following report was committed to the committee: the Provincial Auditor of Saskatchewan, *Business and Financial Plan for the Year Ended March 31, 2020*.

I'd also at this time like to introduce and welcome our Provincial Auditor, Judy Ferguson, to the committee here today, as well to her officials, which our Provincial Auditor will introduce in a short while.

And I'd like to move ahead with the consideration of the Provincial Auditor's *Business and Financial Plan for the Year Ended March 31, 2020* and *Annual Report on Operations for the Year Ended March 31, 2018*.

We'll begin with the *Annual Report on Operations for the Year Ended March 31, 2018*. I'd now invite the Provincial Auditor, Judy Ferguson, to offer some remarks and to introduce officials.

***Annual Report on Operations for the
Year Ended March 31, 2018***

Ms. Ferguson: — Thank you very much, Chair, Deputy Chair, and members. With me this morning on my, let me see, my right-hand side is Ms. Angèle Borys. Angèle is our deputy provincial auditor responsible for the support services division and our chief operating officer. Behind her is Ms. Heather Tomlin. Heather's our office manager. They do the heavy lifting in terms of both of the documents that are before you this morning here, both the annual report on operations and business and financial plan.

As the Chair indicated, we'll start with comments on our annual report on operations. As the Chair indicated, it is for the March 31st, 2018 year. So the annual report on operations, we're hoping by providing you with this report, it doesn't only close that accountability loop, but it also provides you with some good information to help you in the consideration of our business and financial plan.

So the annual report on operations includes both the results of our financial performance and our operational performance. You'll note in this report there is a lot of different audit reports.

We are audited, just like we audit everybody else. Our office is subject to audit. You'll actually find that the annual report on operations contains seven different audit reports on various aspects of our operation. It contains audit reports on our financial aspects, but also on our performance too. So we're very pleased that each of those audit reports are unqualified, which means that they're a positive audit report, and the auditor, which is Virtus Group, is communicating to you that there's no matters of concern to raise to this committee.

From our financial performance side, you'll see that we've operated within our main appropriation, and that we returned our contingency appropriation in full last year.

From an operational side, you'll find that there's an audited schedule of our results of our performance, and it's grouped by our four strategic goals. Overall, we had a successful year in terms of achieving our targets and our goals for 9 out of 10 of our targets. And I'm just going to go through our operations by each of the strategic goals. So if you wanted to follow along, if you're online it should be starting on page 28. And so if you want to do that, that's great.

I'm just going to start with our first strategic goal. Our the strategic goal is to demonstrate focus on the most relevant audit areas. And we're pleased that the government has acted on 95 per cent of the recommendations that we have assessed as being relatively easy to implement. Those are called type 1. And they've implemented 97 per cent of recommendations that we've assessed as more difficult. So that's a very high level of acceptance, and so I think it reflects well really on, I think, the attitude of public officials in terms of being willing, and openness to move things forward and improve their practices.

We also want to highlight and really thank both this committee and the Standing Committee on Crown and Central Agencies in that they have accepted all of the recommendations that they've considered during this time frame. So we thank both of the committees for their support on that end.

The last aspect of measurement for us is really the survey results of the people that we audit, the organizations that we audit. And those survey results indicate express satisfaction with our responsiveness, our professionalism, and the timeliness and the content of our reports, and the recommendations.

So moving on to the second goal. The second goal is to sustain an engaged workforce that contributes to the office's success. You'll see that we survey our staff each and every year. We've got a high response rate in terms of that survey. It was 84 per cent last year, which in terms of staff surveys is excellent. And staff indicate that they are satisfied with our office.

Another dimension of that for us is the training component, and we've met our target of the 7 per cent in that. Training for us is critical in that we need highly skilled legislative auditors to provide the Assembly with quality audits. In addition we operate in an environment where both the accounting standards and the assurance standards are continually changing, so ongoing training is absolutely pivotal for us.

The third aspect is improve our delivery of reliable audits at a

reasonable cost. For that one there, we've tabled our reports to the Assembly within the time frames that we were aiming for and expecting to do so.

And also another dimension is how we do in our external reviews. We are a licensed office, which means that we're subject to practice inspection by CPA Saskatchewan [Chartered Professional Accountants of Saskatchewan]. The last inspection was in February 2018. We passed that inspection. There was no significant deficiencies identified.

We also subject ourselves to inspections by our colleagues across Canada. In this last period, the BC [British Columbia] audit office came in and examined both our financial files and some of our non-financial files, performance files. And again there was no significant deficiencies identified in those processes. So again, quite positive.

In terms of our very fourth goal, it's increase the awareness of the role of the office. This is one where we have not met our target. We have a target to improve the trend and, rather than that, we've actually seen that some of the awareness is trailing off.

When we last met with the committee, we were talking about an initiative that we were just going to be putting in play. That was actually entering into the world of social media. We did that in May of last year. And so really we're frankly, I think, in early stages of that. We don't have enough information for trends on that. We're not getting a lot of traffic in that regard.

We are, in this upcoming report, we're going to be changing how we're holding our press conference and some of the stuff around that, making the report available digitally, and also the press conference itself. We're actually going to have a conference-call type of thing so media from outside of Regina can participate in that.

So this is an area that we are talking actively to other audit offices to see what they are doing in that area. Anecdotally, I was at meetings in Toronto on the weekend and I was, you know, bouncing this off with the Auditor General of BC and PEI [Prince Edward Island]. And so then when I said, you know, we're at 25 per cent, we're concerned about that. She said, but that sounds pretty good. Angèle and I were just chatting this morning, and we're going to see if other offices are actually polling to see what their level of awareness is and where that stacks up to see, you know, how we're doing relative to our counterparts across Canada in this area. So for us it certainly is an area that we need to work on and do better.

So that concludes my presentation on the annual report on operations, and we'd be pleased to respond to any questions.

The Chair: — Thank you very much for the presentation, and of course for all the work. I'll open it up to committee members for questions. Ms. Mowat.

Ms. Mowat: — Thanks. And I want to thank the auditor and her entire team for putting this together and also for what appears to be actual results that are in line with what was planned.

So I do have a couple of questions as they relate to the annual report. On page 24 there is the schedule of actual time spent on

tasks. And it shows the actual time from 2016 to 2018, but the planned 2018-2019 as well. I'm wondering how these targets compare to auditors in other jurisdictions. I see that they're pretty standard across this time frame. I'm just wondering if that the allocation of time spent on different tasks is fairly consistent, or if you are aware of that information.

Ms. Ferguson: — We are, to some extent. First off, I think if you look in terms of our sick leave, we actually do extremely well in terms of the sick leave. If you think in terms of some of the audit work that our office has done in sick leave of even just provincial jurisdictions and such, you'll find that actually we're quite a bit lower in terms of the amount of sick leave that we have.

In terms of training hours, I think there's quite a bit of variance in terms of the training percentages across the piece. You have to keep in mind though that the size of the office is very extreme by an extreme amount. PEI has only a staff of eight, whereas OAG [Office of the Auditor General] of Canada probably is, I want to say, 4 to 600 staff. So you know, so as a result, the percentages can swing quite a bit in there. So in terms of the training percentage — Angèle's just flipping pages for me as we go here — but in terms of training percentage, we're pretty well average in terms of the training across the office there.

For the sick leave percentages, Stats Canada says the public sector is generally about 4.2, and we're sitting at 2 per cent. SaskGaming — the report that we had last report — their target is 5.5 per cent, and they were sitting around 8.3. So you can see from a sick leave perspective, we do extremely well on that. So sick leave and those types of things really drive your productivity of an organization. And frankly, from a productivity perspective, we're doing quite well.

[10:45]

So in terms of the support services, administrative aspect, we're sitting at 24 per cent and the percentages range from 23 all the way up to 39 actually. So quite a range on that. The training I've already spoke to. Yes, so for them they roll actually the support services and office admin, the stats, they are rolled together.

Ms. Mowat: — Okay, thank you. And that was going to be one of my follow-up questions was about the relative weight of administration versus audit. And it's certainly good to hear that your office is on the lower end of those targets as well.

Ms. Ferguson: — I would always take, you know, sort of that . . . Like always when you're looking at those stats from some of our counterparts, keep in mind the size of their office because one person makes a huge difference in that percentage, right? So the bigger offices have more flexibility in that regard in terms of the percentage differences.

Ms. Mowat: — Mmm hmm. And correct me if I'm wrong, but it would also seem to me that if you have a bigger office there may be more tendency for organizational requirements because you're organizing yourselves more, the larger you are.

Ms. Ferguson: — Yes, that could be true too. Yes, yes.

Ms. Mowat: — Okay. Between page 28 and 30, this represented the bulk of your presentation talking about these strategic goals

and priorities and tracking through them. So congratulations on meeting these targeted initiatives for the first four. I don't think I have any follow-up questions on those ones.

In regards to the fifth priority, you did spend some time talking about the challenges in increasing awareness of the role of the Office of the Provincial Auditor. And some of the early work that is done, I was going to ask whether you'd considered social media or what the status was on social media, just in light of the conference we attended that the keynote speaker was talking about ways to use social media to raise awareness about our various roles in public accountability here.

I guess in discussing the concept that 25 per cent might be actually a very good measure, and saying that it's a positive measure, it's maybe more awareness than folks have elsewhere. What do you think the consequences are of an uninformed public? If you've made a goal to inform the public, then I'm wondering about what you see as the goal here.

Ms. Ferguson: — I guess, as I indicated earlier, I think where we're at is that we think we need to do better because, you know, we're concerned that there's a lot of change in the media itself in terms of how they've organized, even what is media nowadays, you know. And so we're finding that we're going . . . you know, our communication area is trying to look at ways to do things differently in that regard.

We've got less media in Regina than we used to; it's more distributed across the province. And so we're trying to do more and to really get outreach on that. Even the individuals within the media, we find, have changed dramatically. It used to be that there wasn't as much turnover of people that followed sort of the office's activity, etc. Now what we're finding is that we're coaching, in essence, you know. We're having to explain to individuals like what is the role of the Provincial Auditor and what do we do, what don't we do, etc., too.

So I find that when I'm doing interviews now, a good . . . a portion of the interview frankly, is that coaching dimension. Because sometimes I'm finding that the questions that they're asking isn't really questions they should be asking of the auditor because they, you know, they don't understand our mandate. In some cases they don't have a good understanding of even how the government is organized or what even constitutes government. So you know, so I feel like we are very much in a coaching role in that dimension. And I think that's okay.

We've just got to realize that we've got to take the time to do that, you know, and to not make the assumption that the individuals asking the question know that right away too. Yes, so we need to do things differently, you know. We're trying to use our website a little bit differently. You know, Mindy is working on some frequently-asked-questions type of thing and posting those things on our website. Yes, so it definitely is an area we need to grow on and pay attention to.

Ms. Mowat: — Thank you. And certainly considering the changing role of mass media as you've talked about, and there's a new concept of citizen media, which is basically just driven by the individuals who consume it as well, which is kind of where we get to the social media and all the sharing of news articles.

I think it's also, you know, we can look at the last release of the auditor's report back in June. I think there was a couple of days of, you know, it kind of went through the couple of days media cycle, and then we didn't really see much else about it. And there's a lot of important information in there obviously about the conduct of business here. So I think that there is definitely some space to get into social media and to be able to keep moving this information forward.

I'm wondering what social media platforms the office is using.

Ms. Ferguson: — We're using Twitter and LinkedIn are the ones that we've selected. And we did that after consultation with the communication people right across Canada of the different Auditor General offices. We were able to leverage from there their lessons learned. What we find is, like some of the audit offices like BC and Nova Scotia are quite active in social media, and some are very inactive in social media too. But yes, those are the ones that we're focusing in on.

What we also do is we track the pickup of our reports. And you're absolutely right. After we table, there's a bit of a flurry. But then we are quite pleased in that there is media outlets that are picking it up later, most often not the Regina ones, you know. They're elsewhere, you know. For example, *The Globe and Mail* just recently two Saturdays ago, basically leveraged on some of the work that we had done at the Ministry of Energy and Resources on the oil and gas. And there was an article up in P.A. [Prince Albert] just recently too on mental health, you know. So this is why we're feeling like we need to make sure that we are catching the media outside of Regina too because we are seeing that they are picking up things. And so we want to make sure that they're well informed.

Ms. Mowat: — And what about Facebook? Was any consideration given to using Facebook? I know it's a pretty common platform, I know less with youth now, but I think there's a pretty solid chunk of people in Saskatchewan that are using it.

Ms. Ferguson: — We certainly did give consideration to Facebook. The advice that we received from our colleagues was don't use Facebook, frankly, because it's more of a personal platform as opposed to sort of the business platform. And yes, so we heeded their advice, so it's LinkedIn and Twitter.

Ms. Mowat: — Fair enough. We will move on. On page 32, talking about the financial performance and the comparisons of 2018 results to planned, there's some discussion about the decrease in salaries of 203,000 being related to the fact that the FTE [full-time equivalent] complement was lower than planned because of a higher than anticipated staff turnover. Just wondering if this has been remedied now.

Ms. Ferguson: — You'll hear in my next presentation I'll talk about staff turnover. So I'll just kind of bridge right into that piece. For the last three years, we've actually had higher than we want for unplanned staff turnover. So when I talk about unplanned staff turnover, we know that we have certain individuals in our organization that were at the retirement age. So we were anticipating those, that turnover too. So it's really that unplanned dimension, and it's primarily the individuals that are recently qualifying or have qualified for their CPA [chartered

professional accountant].

If you follow the HR [human resources] reports, you'll find that the skills that they have and the competencies that they have, frankly, are the ones that are in the high demand, you know. So they're looking for people with solid IT [information technology] skills — check mark. People that have strong financial and accounting skills — check mark. They also like auditing — check mark. So you know, so we're at a disadvantage in terms of, you know, we've got, it's . . . We need those individuals to have those skills to operate effectively in our organization. But they also are the high-demand skills on a number of fronts, and we have individuals with . . . One individual that has all of the ones, all together. So as a result, it's a higher turnover.

Our counterparts in terms of the private sector firms are facing the exact same thing that we are too in terms of that. So we're all looking at different ways to retain those individuals. We are quite successful in our ability to recruit them. We are successful in our ability to support them to get their CPA, but it's that retention piece that we are looking at different ways to do things.

So what are we doing? We're offering more flexible work arrangements. We're putting a greater emphasis on career planning for them so that they can see that, you know, if you stay, this is where it'll go next. This is approximately what you'll be making, you know. This is the type of work that you'll be doing. So spending more time on that dimension.

Also, you know, making sure that we have a better handle in terms of what they're expecting. This is where the employee surveys is important for us. So you know, so the feedback that we're getting is that they're satisfied and they're happy, but they still leave. So it's a bit perplexing. A good chunk of them are leaving to the public sector, so that part is good for us because we recognize we're a training office. The public sector needs good people, but frankly we want to keep more of them. Angèle, is there anything you want to add?

Ms. Mowat: — Thank you. I don't have any further questions on this report, Mr. Chair.

The Chair: — Well thank you very much, and of course thank you for all the work you take on. I have a couple of questions; I see that Mr. Michelson does as well.

Certainly you and your office always conduct your work with an incredibly high level of integrity. That relationship you have with stakeholders is very important and a high level of effectiveness as well in the work you undertake. And certainly that's demonstrated here, and we all know that because of that work and because of that effectiveness, there's a lot of value for money that's improved in protection for the public.

Just on the point around the relationship with media and understandings of role and understanding maybe their perspectives as well, and knowing that you're short on resources, short on time, but has there been a chance to bring together some of the media? For example, I think the press gallery has a bit of an association and a president, as well as there's the editorial boards and editors and the news directors across the province. Is there a chance to engage with those folks?

Ms. Ferguson: — Those are the areas that actually Mindy's working on and looking at exactly. Like what can we do differently, you know, can we get in front of the editorial boards and talk to them a bit more directly? And in some cases I think it's even just talk to them on the phone and stuff like that a bit more directly too. So yes, those are exactly the areas that she's pursuing.

The Chair: — No, I think that really sounds like an important body of work. Not to suggest to you what to do and not to suggest how they would, you know, relate to that invitation, but I would suspect that there'd be a real level of interest out of, say, the press gallery here at the legislature and their president as well as the editorial boards, the editors, the news directors in, you know, engaging in a bit of a dialogue on that front.

And then I guess just social media, I hadn't even been following the office. I pulled it up as we were talking about it here, the Twitter, and I think there's 29 followers in the last whatever period of time. So I appreciate that you identified that you maybe weren't achieving the level of connectedness there that you'd be hopeful to. And I know you're short on resources and have to prioritize, you know, that very important part of your work. And so if this is an important tool to communication, there may be some practical good advice out there with some of the people that this is sort of their body of work, that could come in and work and give some advice on how to grow that penetration and that connection.

So I'll just leave that there, but I do know there's good people across the province on the communication side that would have some, you know, I think some practical tips on how to utilize social media. And I know I'm continuing to try to improve my performance there as well.

Ms. Ferguson: — Thank you.

The Chair: — I'll flip it over to Mr. Michelson, I think had a question.

[11:00]

Mr. Michelson: — Yes, thanks, Mr. Chair. I think you're to be commended on looking after the expenses, because by the report, it's substantial as far as the savings that you've made within your office.

You had mentioned in your report that you go to other services to have a look at your operation to see if there's ways you can improve it, and I think that's good. You also mentioned that you go out of province. I think you mentioned British Columbia. Do you do that on a yearly basis or is it every . . .

Ms. Ferguson: — We participate in what we refer to as CCOLA [Canadian Council of Legislative Auditors] which is really the auditor generals across Canada. We network and we network on a number of different levels and a lot of that, frankly, is sharing practices and leveraging what each other is doing and, you know, finding out what works, what doesn't work.

We face a lot of common issues, not just from an audit perspective, but also from an administrative perspective. And so that leveraging has been fabulous. We also . . . The Office of the

Auditor General of Canada has an area they call the National Professional Practices Group which we draw on for audit expertise, you know, and a number of other types of advisory services. So again we're quite privileged in that we've got great relationships right across Canada and are able to, you know, really leveraging and get some synergy in terms of what other offices are doing. And it helps. It helps.

Mr. Michelson: — So I'm understanding from your response that this isn't an annual thing, but rather an ongoing thing as required or as communications dictate.

Ms. Ferguson: — Yes, exactly. It's not a one-off thing whatsoever. We meet formally a couple of times a year, but frankly, there's informal conversations and picking up the phone and chatting throughout the year at different levels within the office, not just at my level. We've got a number of different committees and study groups that our staff are involved in. And so yes, so it's happening at, you know, multiple levels across the office. And frankly it's great. You know, I think we've had tons of dividends from that participation.

Mr. Michelson: — Thank you. I also wanted to just comment on your attitude of coaching. I think that's a good way of looking at things. So thank you. That's all I've got, Mr. Chair.

The Chair: — Thank you, Mr. Michelson. Any other questions? If not, I'll ask somebody to move that we conclude consideration of the Office of the Provincial Auditor *Annual Report on Operations for the Year Ended March 31, 2018*, moved by Ms. Lambert. All agreed?

Some Hon. Members: — Agreed.

The Chair: — That's moved. It's carried.

***Business and Financial Plan for the
Year Ended March 31, 2020***

The Chair: — We'll move along here with the consideration of the Provincial Auditor *Business and Financial Plan for the Year Ended March 31, 2020*. And I'll flip it back to our Provincial Auditor.

Ms. Ferguson: — Thank you very much. So, you know, the operative words there are 2020. So now we're bouncing two years forward, okay? Just so that we, you know, don't forget about that.

So really with a business and financial plan, I think we are the only organization within the Government of Saskatchewan that is required by law to table a business and financial plan. We think it's great practice, by the way — just putting it out there, you know — that it is a legislative requirement for us and we think it's frankly leading edge legislative requirement. So we don't think it's a bad thing at all.

So you'll find that the business and financial plan contains the information that is requested under *The Provincial Auditor Act* along with additional information that we hope will help you understand our . . . what we're planning to do, but also our funding request which is really the cost of what we're planning to do.

What we are doing is, when we're preparing this report, we actually use the Canadian Public Sector Standards Board Statement of Recommended Practice. It's called SORP-2. And what that does is, it's a document for public performance reporting. And so we're using that as the basis to help us prepare this document.

I'm just going to just do a quick recap of the sections that are in this report so that people can understand what's in here. And then I'm going to spend more time on the funding request, which is section 2 of the report. For anybody that they happen to be watching along, this report is a public document. When it's tabled in the Assembly, at that point in time we post it on our website, and so that's at www.auditor.sk.ca.

So section 1 of the report, you'll find that that section really provides the reader with a description of our audit office. You know, it sets out the purpose of the office, including who we are, you know, what we do. It highlights the key accountability requirements and mechanisms that are included in *The Provincial Auditor Act* and the legislative framework for independence of the audit office, you know, and a number of the . . . aspect of that independence, frankly, it is built right in to *The Provincial Auditor Act*, which again is great practice. It highlights our responsibilities to the Legislative Assembly and the relationship between our office and this committee too, in terms of how we serve the committee.

Section 2 is our funding request, and as I indicated earlier, I'm going to spend a bit more time on that. So really it sets out the request for our resources for, in this case, March 31st to 2020. And it outlines the factors, the forces, and the trends that we use to make this request.

Section 3 is our annual work plan. So it really sets up what we're planning to do in that year, 2019-2020. And you'll find it actually starts with a glossary. Us being technical people, we want to make sure people understand what we're talking about. It includes our audited financial forecast and a schedule of planned costs to audit the government agencies.

You'll find that the audit report is on page 16. The auditor that audits this is the same auditor that audits our annual report and operations, and you'll see that he's rendered an unqualified opinion on that financial forecast. So that's really telling you that you can rely on the numbers that are in there and that they're properly supported . . . information there. It also includes information and trends on key information like salaries and training.

Section 4's got a whole of bunch of just varying information, so we call it other supporting information. And for the large part, it is information that the committee has requested of our office in the past, or has asked questions of our office in the past. So you know, so what we're trying to do is, you know, really answer your questions so that you have enough depth to understand again our funding request.

So I'm going to start . . . turn back to section 2 which is the funding request, and that starts on page 8 of our report. So consistent with *The Provincial Auditor Act*, you'll find that our funding request includes two appropriations, one that we call our main appropriation and then the second one is the appropriation

for unforeseen expenses. For our main appropriation, which is the (PA01) — and that's on page 9 — for 2019-2020, we are requesting 8.151 million. You'll find it's actually the same amount that we have requested for the last two years.

When determining this request, we carefully considered the government's current and anticipated fiscal situation for 2019-20, and it's focused on cost control. And then we also paused on our ability to achieve and fulfill our mandate. So we're thinking that we should be able to do it within that dollar value.

We have identified in the report a number of factors and assumptions that we've made when we've come up with this request, and you'll find that what we've estimated is that we're going to absorb at least \$119,000 of costs. Now 119 doesn't sound like very much, but when you think of the base as only 8 million, it is a fair bit for our office. So it's again, what we're doing is we're continuing to look for different ways to do things, you know, and frankly efficiencies too.

So I'm going to highlight the changes that we've identified, the key areas of change on page 10. So the impact of changes to the government agencies, we're estimating that'll increase our work plan costs by about \$95,000. So this is comprised of a few new government ministries that were created and agencies, along with a windup of a few funds, which were a little bit smaller than the agencies that were created, and a couple of agencies, along with some changes in the government's use of appointed auditors.

So using the government's recommended inflation rate of 1.8 per cent, we expect inflation to increase the costs of our goods and services by about \$21,000. And using the known information about premiums for benefit plans and WCB [Workers' Compensation Board], we expect our costs to increase a net amount of about \$3,000. So \$13,000 relate to increases for CPP [Canada Pension Plan], dental and extended health plan, and that's offset actually by decreases in premium rates for EI [employment insurance] and WCB and the discontinuance of the PST [provincial sales tax] on the disability income plan. So there's a bit of ins and outs there.

Just to remind you that as an office under *The Provincial Auditor Act*, the staff are to receive similar benefits as public sector employees. So we've got just parallel benefit programs in that regard.

So in addition when we developed that 2020 work plan, there's other aspects that we considered and laid out in our business and financial plan. I'm going to highlight a few of them, some that we've mentioned already this morning, you know, and some that we haven't.

You'll find that as an audit office, we use the public sector to help us. We contract their staff in terms of to help us meet our tabling guidelines and the workflow. So what we don't do is we don't staff for our peaks. Rather we use contracts to help us manage through those peaks.

In addition to that, we engage . . . We call them external experts or advisers. We engage them to help us have that specialized knowledge that we need in our performance work. And again we've made a decision not to keep that in house because we don't really have work for them 12 months a year for the areas. Rather

we contract that type of expertise for each of those engagements.

We are finding that the rates for both of those areas are increasing quite a bit. Our best guess is that we're actually expecting increases of about 16 per cent for this particular plan. So what we're doing to really manage those increases is, with respect to the contract of auditing staff, we're looking more to the mid-size and small firms because what we're finding is that it's kind of a win-win situation. They're looking for additional auditing experience for their staff, which our office can provide, and we're looking for staffing. So we're leveraging that type of an arrangement.

As I mentioned earlier, our office continues to face aggressive job markets for certain staff in our office, those newly qualified CPAs or the ones that are going to be qualifying. And that is creating turnover for our office. I indicated earlier some of our strategies in terms of how we're trying to manage that turnover.

What we're also doing is we're utilizing . . . You'll see that we've got a trade-off, even last year, but even this year we're anticipating there's a trade-off between staffing and the use of contracted staff to help manage through the turnover so that we are meeting our deadlines and that we have appropriate expertise to do our work.

[11:15]

I just want to emphasize that we have been very successful in recruiting, as an audit office, and successful in supporting staff to get through their CPA program. We are regarded really I think as an employer of choice, and we have really, you know, a good reputation in those areas. So as I indicated earlier, our trick is to try to keep some of those individuals a bit longer.

So I'm going to move on to the next appropriation which is the unforeseen appropriation, which is that (PA02). So *The Provincial Auditor Act* requires the inclusion of that second appropriation with the estimates presented each year. The purpose of that appropriation is to provide us with resources in order for us to respond to unforeseen circumstances. This includes unforeseen requests such as requests from your committee, costs to improve the timeliness of the work, or if there's unplanned salary and benefit increases.

So our office, when we determine the amount, we basically base it on one month of salaries and benefits, is how the amount is determined. The quid pro quo on the use of this money is that if we use it, we will be reporting back to you not only on how much we're using, but how we're using it and why we're using it. And you'll see as an indication that'll come through the quarterly financial reports that we're providing to the committee. And again, it'll be through the annual report on operations. So there's a number of touch points that your committee will have in terms of provision of information in there. And that hopefully will give you opportunities to ask questions, you know, in a timely way in that regard.

We don't keep the money. By law, we give it back at the . . . Anything that's unused is returned to the General Revenue Fund. So it's not that the office is building up this nice little nest egg of cash. We don't get to do that. So for this upcoming . . . for this business and financial plan, you'll see that that appropriation is

\$534,000. And as indicated before, it's really just one month of salary and benefit, is how we crunched it out.

So in summary, we respectfully ask your committee to support our request for the main appropriation and our unforeseen appropriation. And we'd be pleased to respond to any questions.

The Chair: — Thank you so much for the presentation and for the report and the request before us. I'll open it up for questions. Ms. Mowat.

Ms. Mowat: — Thank you. And thank you for a detailed presentation on the report as well. I'm looking at page 23, the schedule of planned costs to audit government agencies. Considering these planned costs for audits, can you speak to the decision-making process that leads to these allocations?

Ms. Ferguson: — I certainly can. So the planned costs actually encompass all types of work that we're doing, right? So basically they incorporate the costs of our annual audits, the annual financial related audits, our performance work, the new performance work that we are doing, and also the follow-up of past recommendations. So you'll see that there'll be, naturally, fluctuations in that regard.

I'd like to draw your attention to . . . You'll see on page 35 of our report, 35 and 36, we've got a rolling three-year plan for the areas of our performance work. And so those areas there, if there is performance work in year one, obviously for those groupings there, they'll have increased costs for new performance work. So those are sort of just some natural sort of ebbs and flows of those amounts.

Ms. Mowat: — Thank you. And that was going to be one of my questions as well, is how is the plan for performance work determined? How does all of that come about? And where did the recommendations come from?

Ms. Ferguson: — So do you mean, where do the selection of the projects come from? Okay. So basically what we do as an audit office, we do a lot of environmental scanning in terms of, you know, what are the key . . . When we look at the organizations themselves, we actually look at the risks that they've identified. Most of the organizations in today's world, they actually go through a process, you know, whether or not it's enterprise risk management or some other format where they're identifying risks.

We as an audit office, we actually look at the risks that the organizations are identifying themselves. We also, we read *Hansard*. We're probably one of the few offices that actually read *Hansard*. And there are smiles around the room. But we actually read *Hansards*. We look at the questions and the discussion that's in the committee and that the members are asking, you know, of each other and the responses to that.

We follow the media. We follow the, you know, the topics that are discussed in the media. We also listen to . . . Our office does receive information from what we frame as concerned citizens, and we listen to what people are talking about. We talk to our colleagues across Canada. So it's not just environmental scanning of what's happening in Saskatchewan, but it's looking as to what's happening across Canada as a whole.

We take all of that information and we try to make sure that we get coverage across government. Because the government spends most of its money on health and education, you'll see that our work is weighted more towards health and education. Just for the facts, there's, you know, that's a lot of what the government's business is. We also try to make sure . . . So we get coverage on health and education. We try to make sure we get coverage across the sectors. We also try to make sure we get coverage within the Crown corporations, the treasury board agencies, and the ministries, and look at that coverage over time.

You'll see that we're looking at program areas and we also look at functional areas. By program areas it may mean the delivery of mental health. Functional areas are things like procurement or maintenance of assets. So we're doing a mix on that.

And what we do is, we don't just sit in the office and talk about this. We actually take our ideas back out to the organizations and in terms of the timing in particular, you know, to see if it . . . you know, get reaction from the organization and get their input too. If they say no, that doesn't mean we necessarily will not do that audit. We'll listen as to why they say no, because we always want to make sure there's an accountability relationship as to what we're auditing. So if we've got the accountability relationship wrong, then we might not do the audit. But, you know, we have to explain to be prepared, and we do explain to them why we think it's an important area. And if there's something in that exchange that causes us to change our mind, then we'll look for something else.

Ms. Mowat: — Thank you. In terms of the potential areas of focus for financial audits, how does that process come about?

Ms. Ferguson: — So for financial audits, it's easier in that by law most of the organizations are required to have audited financial statements, and so in Saskatchewan we do that. When we look at audited financial statements, we actually, in conjunction with that, look at their effectiveness of financial-related controls and compliance with authorities at the same time. So that one's just a standard aspect. So that one doesn't really move around from one year to the next.

Ms. Mowat: — Thank you. I think this is the last question I have in here with all my tagged notes. On page 28 there's an actual and forecast of the training schedule, and you've already talked about the fact that the office trains employees to become CPAs. What other training . . . Can you give some examples of other training that the office provides?

Ms. Ferguson: — Most definitely. So once you become a CPA, that doesn't mean your training stops whatsoever. We work in an environment where the accounting standards and the assurance standards change all the time. Because we are a licensed office and as individual CPAs, we have actually an obligation as a CPA to have a certain amount of training per year. And so as an audit office, we have to make sure people are achieving that minimum number. So it's to keep abreast in terms of the accounting and the auditing standards.

In addition to that we have IT [information technology] personnel in the office, and we always want to make sure that they have . . . they're current, in terms of the IT environment — the risks that are facing the IT environment, also the different

platforms, the different applications, the risks that are presented from them and making sure they have an understanding of that and to enable us to do data analytics.

Then over and above that we need industry knowledge. We need to make sure that we have an understanding of the education sector. We need to make sure we have an understanding of the health sector. So we look for training opportunities in those types of areas also.

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

The Chair: — Thank you. Mr. Michelson.

Mr. Michelson: — Yes, thank you, Mr. Chair. Ms. Ferguson, just on the schedule of planned costs, there's the complete list of — that's on page 23 — complete list of agencies and the sectors that . . . And some of them obviously are up and a few of them are even down. But I was interested in the Saskatchewan Transportation Company that you listed \$10,000 as part of — I think it's in thousands, yes — for 2019 and another 8,000 in 2020. Is there some follow-up? Because that's actually been closed as far as the transportation company is concerned.

Ms. Ferguson: — Actually it still exists, right, operationally like. For bus-wise it's closed, right? But it's frankly in its wind-down mode, and it won't be wound down . . . They keep moving the date on that. So you'll see we actually had an overage in that one because we thought it was going to be wound down earlier.

So what are they doing? Well they've sold the buses now. They've sold the building now. There's some HR dimensions that they're dealing with and contractual obligations that they're dealing with. So it's in a wind-down aspect. So we work with the appointed auditor on that one there. So it's in that wind-down aspect.

Mr. Michelson: — So you're estimating that'll go right till 2020 then?

Ms. Ferguson: — Yes they are. Yes.

Mr. Michelson: — Thank you for the explanation.

The Chair: — Any other questions? Thanks again for the important work and the estimates before us. At this time I'd welcome a motion. There's two subvotes. I guess we could deal first . . . I'd invite a motion with respect to subvote (PA01).

Mr. McMorris: — I'll move a motion:

That the 2019-20 estimates for the Office of the Provincial Auditor, vote 28, Provincial Auditor, (PA01) be approved as submitted in the amount of \$7,922,000.

The Chair: — Moved by Mr. McMorris. All in favour?

Some Hon. Members: — Agreed.

The Chair: — That's carried. We'll move along to the second subvote, and I'd entertain a motion on that front.

Mr. McMorris: — I so move:

That the 2019-20 estimates for the Office of the Provincial Auditor, vote 28, unforeseen expenses, (PA02) be approved as submitted in the amount of \$534,000.

The Chair: — Moved by Mr. McMorris. All in favour?

Some Hon. Members: — Agreed.

The Chair: — And that's carried also. We have to submit these to the Speaker, so I'd welcome a motion:

That the 2019-20 estimates, as approved, be forwarded to the Speaker as Chair of the Board of Internal Economy pursuant to section 10.1(4) of *The Provincial Auditor Act*.

Mr. McMorris: — So I move:

That the 2019-20 estimates of the Office of the Provincial Auditor, as approved, be forwarded to the Speaker as Chair of the Board of Internal Economy pursuant to section 10.1(4) of *The Provincial Auditor Act*.

The Chair: — Moved by Mr. McMorris. All in favour?

Some Hon. Members: — Agreed.

The Chair: — That's carried as well. With work of the committee concluding, I thank once again our Provincial Auditor for her attendance, along with officials here today, all those in the office for those work and all those that interact and connect with your important work. Thank you for being here. Thanks for the presentation. Thanks to committee members, and I'd welcome a motion of adjournment. Moved by Mr. Weekes. All in favour?

Some Hon. Members: — Agreed.

The Chair: — This committee stands adjourned until the call of the Chair.

[The committee adjourned at 11:30.]