



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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Regina Douglas Park

Mr. Warren Michelson, Deputy Chair
Moose Jaw North

Mr. Fred Bradshaw
Carrot River Valley

Mr. Michael Chisholm
Cut Knife-Turtleford

Mr. Jeremy Harrison
Meadow Lake

Mr. John Nilson
Regina Lakeview

Mr. Jim Reiter
Rosetown-Elrose

[The committee met at 08:30.]

Advanced Education and Employment

The Chair: — Morning, everyone. It's 8:30 and our agenda suggests that today at 8:30 we will be dealing with the Department of Advanced Education and Employment, specifically chapter 2, the auditor's 2007 report, volume 3. And perhaps I could ask Ms. Young to introduce the officials that are here with us and then go to Mr. Montgomery for any further comments that he might have with respect to the auditor's report. And I'll go back to you, Ms. Young, for any opening comments you would like, and then be prepared to answer any questions the committee may have. So first introductions, then back to Mr. Montgomery.

Ms. Young: — Very good. Thank you very much, and good morning. To my left, I have Trina Vicq Fallows who is the acting executive director of corporate services. And behind me, I have Raman Visvanathan — sorry, Raman — who is the executive director of training institutions; Gwen Mowbray who is the acting executive director of human resources; Brady Salloum who is student financial assistance executive director; Linda Smith, executive director of policy; and joining us is Carmen Gilmore who is the intern in the Master of Public Administration that works in my office.

The Chair: — At this point then we'll go to Mr. Ed Montgomery of the Provincial Auditor's office for any additional comments that he may wish to make.

Mr. Montgomery: — Thank you, Mr. Chair. Good morning Mr. Chair, committee members. In April 2006, the government restructured the Department of Learning into two new departments, the Department of Learning and the Department of Advanced Education and Employment. This morning I plan to guide you through the recommendations for the Department of Advanced Education and Employment that are included in chapter 2 of our 2007 volume 3 report. In this chapter we report the results of our audits of the department and its special purpose funds. We also report on SIAST [Saskatchewan Institute of Applied Science and Technology], three regional colleges, and the Saskatchewan Apprenticeship and Trade Certification Commission.

We make three new recommendations concerning the department. First, the department needs a public performance plan. A public performance plan is a key document used to improve transparency and accountability. It sets out the goals and objectives that departments intend to accomplish over the medium to longer term. Without a public performance plan the department cannot adequately monitor performance. As a result the department cannot report its performance completely.

Second, the department needs to develop a human resource plan. A good human resource plan helps to ensure that the department has the right people in the right jobs at the right time. It should identify key human resource risks and gaps that exist in the current and future available resources. The plan should also set out strategies and implementation plans to address the human resource risks and gaps.

And third, the department needs to better control employees' pay. This year the government changed its payroll system for departments. During the year the department reviewed its payroll costs during its review of the monthly financial reports. However the department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. This weakness is reported for all significant departments and resulted from recent changes made to the government's payroll systems and procedures.

We did extended work at the department and we did not find any incorrect payroll payments in our testing for the Department of Advanced Education and Employment, but the risk of incorrect payments being made was there.

Finally I should like to point out that on pages 35 and 36 of our report, we include a status report on outstanding recommendations of this committee. Of the five outstanding recommendations, four relate to SIAST. I can't give you a progress report on that as we have not yet done a follow-up on that work. We have a follow-up audit planned for this year and we'll report SIAST progress on those four recommendations in our spring 2008 report. The department is making progress on the other outstanding recommendation. Thank you, that ends my opening comments.

The Chair: — Thank you very much. Ms. Young.

Ms. Young: — Good, thank you very much, Chair. With regard to the new recommendations if I can speak to each of them for just a moment. The ministry does certainly agree that public performance plans are key to accountability. While the former department did not have a complete performance plan for its first year of operation in '06-07, its annual report did describe the progress of the then new department during this first year. Its priorities relating to attracting, developing, and retaining skilled and educated workers to support the provincial economy were also outlined in budget materials and in other materials. A new performance plan for the new Ministry of Advanced Education, Employment and Labour is now under consideration.

The ministry also agrees that human resource planning is key to ensuring we have the right people in the right jobs at the right time. The '07-08 human resource plan for the former Department of Advanced Education and Employment was in fact approved last fall, and work is now under way for a human resource plan for '08-09 for the new ministry.

Regarding the payroll processing, the ministry does acknowledge that the Provincial Auditor's position on this issue is . . . it has concern, and that we certainly agree that accuracy and proper approval of payroll under The Financial Administration Act is very important. And we certainly understand that the auditor has made this comment across — as they have said — across several of the former departments.

The ministry is now working with the Public Service Commission, which provides payroll processing services for the ministry, to make improvements to its payroll processes and procedures, including the improved segregation of duties. In addition to the system-generated monthly financial and payroll

reports that are reviewed prior to paying employees, there is also a number of reports that are run to verify the accuracy of the payroll. The ministry believes that, with these improvements, employees' pay will be approved in accordance with the financial administration plan and will address the concerns of the auditor.

I think perhaps I will stop there and turn it back to you, Chair, for any questions the committee may have.

The Chair: — Thank you very much. Mr. Harrison.

Mr. Harrison: — Thank you, Mr. Chair. I only have one question actually with something that was cited in the auditor report. I don't know if it was addressed in any of the comments. But it has to do with the Saskatchewan Apprenticeship and Trade Certification Commission and particularly a service level agreement with the ITO [Information Technology Office]. And my understanding is that there had been a recommendation made, accepted by this committee, but that agreement has never been signed or hadn't been signed by the previous government anyway. I'm wondering if you could maybe comment on that please.

Ms. Young: — Certainly. We felt that we very much agreed that there needs to be a service level agreement. The order in which we thought was the correct order to proceed was to first get the service level agreement with the department — now ministry — and the ITO. That agreement was signed last October and so post that, we are now moving to the apprenticeship and trade commission agreement and that process is under way. It's just we felt that we needed to do the overall department one first and then move to that. So it is in progress.

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

Mr. Chisholm: — I just have one. This would be addressed to the auditor. I was pleased that on your no. 3 recommendation that on this particular department there were no irregularities reported. I guess my question is, in your review of all the other departments were there departments where there was irregularities noted as a result of the change?

Mr. Montgomery: — Yes. The key one I think was the Information Technology Office which I don't think is down for this two days. But for example there was a payment of a vacation payout and under the new system, you know, there's . . . there are edits but there's not sufficient edits to check this one. In essence the person entered hours — there's dollars and hours — and they entered the dollar number into the column in the entry thing and it multiplied it by the hourly rate, so actually the overpayment was somewhere in the range of \$120,000 on that particular transaction.

A Member: — It wouldn't be hard to find.

Mr. Montgomery: — No, I believe the employee informed the department the next day.

The Chair: — Any further questions? If not, thank you very much.

I'll just turn the committee's attention then to page 32 of the auditor's report and page 33, where we have the three recommendations that the auditor makes. And are those recommendations . . . is there consensus on those? Are we agreed?

Mr. Nilson: — Just in light of the reorganization of the department, do they make sense? Don't they have to be rewritten to actually reflect what's going on now?

Mr. Montgomery: — They used to have one when it was joined together and then when they split the two departments apart, the Department of Learning created its performance plan but the Department of Advanced Education and Employment did not. So they didn't actually have one.

Mr. Nilson: — I heard they said that they're back together again. And so they actually have the plans, and so . . .

Mr. Montgomery: — I heard they've developed a plan since. I think that's . . .

A Member: — It's under consideration, so it's in the process.

Mr. Montgomery: — Yes. I think that's the words they said, under consideration.

Mr. Wendel: — If I'm not mistaken, I think the Department of Labour, the old Department of Labour's been put into this department. Is that correct? So this probably should read, we recommend the Ministry of Advanced Education and Labour develop a public performance plan. And you could note progress that they're, you know, working on that. That's what I understood from the comments of the deputy.

Mr. Nilson: — I guess my question is, is develop the right word, given that some parts of them already have it, and some don't?

Mr. Wendel: — Oh I see that. I'm sorry.

Mr. Nilson: — You know, so this sounds like they're starting from zero, which they're not. And so, I mean, I think this recommendation made sense if this department had continued the way it was, but it doesn't make sense now. So something that . . . maybe even just the word, have, instead of . . . or that the new department use the previous ones and amend their public performance plan.

Mr. Michelson: — What are your comments?

Mr. Wendel: — If you want to say, recommend Advanced Education and Labour complete its public performance plan, that would be fine. Something like that.

Mr. Michelson: — Complete. Yes.

Mr. Wendel: — The way they've done it in the past with that committee is it stays the same, and then they note progress that they're nearly there. Or you can, you know, you can note the progress in the recommendation if you like. That's what's happened in the past.

The Chair: — Can I just ask then, with respect to that recommendation has there been progress in your view?

Mr. Wendel: — According to the deputy minister. You know, it's up to you as to whether you accept that as progress or not. That's up to the committee to decide. We haven't gone back to look and see.

Mr. Nilson: — But isn't the point though that Learning has a plan?

A Member: — Right. The Department of Learning.

Mr. Nilson: — Okay. Labour, do they have a plan?

Mr. Wendel: — It did.

A Member: — I think Labour does.

Mr. Nilson: — Okay. So you've got Learning and Labour but not Advanced Education. So you've got two thirds of them . . .

Mr. Montgomery: — But the Learning plan is now in the Ministry of Education.

Mr. Nilson: — Oh okay. Okay. Okay. So I think you can do it the way that Mr. Wendel suggests then because then it is building together on top of something else, but just change the department name.

Mr. Wendel: — Okay, if the committee's satisfied with that. If you want to say that they will recommend the Ministry of Advanced Education and Labour . . .

Mr. Nilson: — Develop.

Mr. Wendel: — Develop. And then you can note . . . If the committee wants to note progress, that's up to the committee.

The Chair: — Yes. I'm in your hands. The suggestion is that we make note of the fact or incorporate in our recommendation the fact that this is now a department that is differently constructed and named, and take that into account. That sounds reasonable.

I'm not clear . . . I'll leave it up to you to say whether you think there has been progress on compliance with respect to a performance plan. In either event I would accept a motion of concurrence in the recommendation as Mr. Nilson outlined it and leave it up to you to tell me in that motion whether you think there has been compliance. Mr. Paton.

Mr. Paton: — Mr. Chair, just a comment to begin with. I think previously we hadn't dismissed officials prior to going through these recommendations and I think it might be beneficial in the future to keep them around for clarification on issues like this.

But I'll just speak from my notes. My notes indicate that the department has drafted a performance plan. It hasn't gone through the full process of getting approval from the government and so on, but I believe they have drafted a plan for the department, or for the ministry.

The Chair: — Okay. So would someone then like to move, if you agree, that we concur with the recommendation, taking into account the new structure of the department, and note progress towards compliance on the first recommendation?

Mr. Michelson: — Yes.

The Chair: — Mr. Michelson. Is that agreed? That's agreed.

And then we turn to recommendation no. 2, "... that the Department of Advanced Education and Employment develop a human resource plan."

I guess again we would take into account the fact of the new name of the department and its new structure. Any comments as to whether there has been progress?

Mr. Wendel: — My understanding was . . . I believe the deputy minister said that she had a plan now.

A Member: — Yes, she said it was completed in October.

The Chair: — Okay. Then we'll make note of that. Would someone then move that we concur with the recommendation, again noting the new structure of the department, new name of the department, and note progress towards compliance? Would someone move that? Mr. Harrison.

Mr. Harrison: — I'll move that.

The Chair: — Is that agreed? That's agreed.

And then finally the third recommendation, "... that the Department . . . adequately review the payroll for accuracy prior to paying its employees . . ."

Again we'll take note of the fact that this department has a new name and is differently constructed. And progress. Mr. Paton, any comments on that?

Mr. Paton: — No. My only comment would be similar to what Mr. Montgomery said earlier, in that this issue will be before the committee probably many times during the next few meetings. It's being addressed globally by a group of individuals within the ministries and I believe the same solution is coming forward. We may see that there's been some minor differences in the circumstances. But having said that, I believe that appropriate changes have been made to ensure that these transactions are all reviewed and approved prior to payments.

Mr. Michelson: — I guess, Mr. Chairman, I don't know how we got to this point without having those stopgaps in place because we've been around a long time and like you said, it comes up in various departments. Is there a new threat or something that we're missing? Or . . .

Mr. Paton: — It's not what I would call a new threat. It says, the auditor pointed out, it's a changeover to a new payroll system. Many of the procedures that were in the old payroll system were more manual. Reports were being prepared and had to be verified, you know, by hand prior to the payments being made. What happened under the new payroll system, that was just introduced recently, was that many of these procedures

were automated and are now online.

My understanding is that many departments would review these reports on their computers online, verify that the numbers were indeed appropriate, and then would go ahead and process the payments, but they didn't document what they were doing. So in some cases the changes that were required is that they had to indicate the fact that they had indeed reviewed these online reports.

There's also some weaknesses in the reports that were being prepared. Not that they were inaccurate, but they could be more beneficial to the users. So there's changes being made to the reports as well.

Mr. Michelson: — To me this just is a common sense thing. We'd reviewed it before we'd hand them out.

Mr. Paton: — Agreed. And I think generally the departments or ministries were doing that. But in many cases the documentation, because of the online nature of the new system, it really wasn't documented, and the auditor had no evidence of what was happening in departments. And indeed there were some mistakes being made in the earlier stages.

The Chair: — This is the MIDAS [multi-informational database application system] system, so called?

Mr. Paton: — Yes, Mr. Chair.

The Chair: — Maybe you can tell us what MIDAS stands for. It's an acronym and that . . .

Mr. Paton: — Multi-informational database application system.

The Chair: — Okay.

Mr. Paton: — There was a small contest to come up with an acronym like that.

The Chair: — This acronym may come up again.

Mr. Paton: — I believe it will many times.

The Chair: — Right. Can we then say that there is some progress towards compliance, given the auditor's or the comptroller's comments? And then would someone move that we concur with the recommendation, taking into account the new structure, name of the department, and note progress towards compliance? Mr. Chisholm. So moved. Are we agreed?

Some Hon. Members: — Agreed.

The Chair: — Speaking of things being online, I would note for those who are following the proceedings that the 2007 report volume 3, and as are the other reports of the Provincial Auditor, are available online on the Internet at www.auditor.sk.ca. So people at home that want to follow this certainly can have access to the auditor's report, to the information that the committee members have.

We've got a few minutes, so let's take a five-minute break until

the officials from Northern Affairs get set up. Thank you.

[The committee recessed for a period of time.]

First Nations and Métis Relations

The Chair: — The next item before the committee is consideration of the First Nations and Métis Relations department, followed by the Department of Northern Affairs. When the auditor completed his report, he dealt with two separate departments, and I think we'll want to approach them in that way given that there are different officials from the auditor's department in each particular case.

So first of all with respect to First Nations and Métis Relations, I want to welcome Mr. Ron Crowe, the acting deputy minister. I wonder, Mr. Crowe, if you could introduce your officials. Then I'd like to go to the auditors for their comments and then back to you for any comments, general comments you might want to make with respect to his recommendations and then get into questions and answers.

Mr. Crowe: — Thank you, Mr. Chairman. To my right is John Reid who is our acting assistant deputy minister. We also have with us, on my left, Kerry Gray who is the acting director of finance and accountability and corporate services. We also have with us here Seonaid MacPherson who is the executive director of strategic initiatives; Jennifer Brass, executive assistant to the deputy minister; Susan Carani, director of lands and resources; and Mark La Rocque who is the acting director of strategic and planning policy; and Victoria Gubbels, director of Aboriginal employment development. And we have some visitors joining us from Northern Affairs as well, so we'll introduce them later.

The Chair: — Thank you very much. Then we'll want to go to Judy Ferguson, the Provincial Auditor's office, for her comments with respect to First Nations and Métis Relations.

Ms. Ferguson: — Thank you, Chair, members, and colleagues. I've got the privilege of presenting chapter 10, First Nations, Métis Relations. For the year ended March 31, 2007, we found that the ministry had adequate rules and procedures except for three matters which I'll discuss shortly. One of the three matters relates to monitoring First Nations, Métis Relations, and that impacts both the compliance with authorities too.

Our first concern does relate to the monitoring money that the ministry provides to the First Nations Trust. We've reported this concern since our 2005 report volume 1, chapter 8.

In 2003 the FSIN [Federation of Saskatchewan Indian Nations] set up the First Nations Trust. It's important to note the First Nations Trust is not a public agency and is not subject to audit by our office. Each year since 2003-04 the government has provided the trust with monies as required under the 2002 Gaming Framework Agreement. In 2006-07 the government provided First Nations Trust with \$28.3 million. The 2002 Gaming Framework Agreement specifies the purposes for which the monies must be spent. The monies are to be spent for the benefit of First Nations and Métis people in the broad areas listed on page 159 of the chapter.

We recommend that the ministry require the First Nations Trust

to submit each year, by an agreed upon date, an independent audit report on the following: whether money received by the trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the trust; and secondly, whether the money expended by the trust was for purposes required by the gaming framework agreement.

We also recommend that the ministry withhold, whole or in part, money due to the trust until the ministry receives the required audit reports or where an audit report notes matters of non-compliance, until the trust takes appropriate corrective action.

Moving on to the next area, it relates to the ministry's human resource plan. The ministry is a relatively small department but its staff deal with complex and sensitive matters. Effective human resource planning helps the ministry to have the right people in the right jobs when needed.

We first reported this matter in our 2006 report volume 3. We reported at that time that the ministry did not have a human resource plan. Since then the ministry has worked with the Public Service Commission to develop a plan, and while the ministry had made good progress, the plan was not yet complete. As a result, we recommend the Ministry of First Nations and Métis Relations human resource plan more clearly outline gaps in its current human resources and provide details on plans to implement strategies to meet its human resource needs.

The last area relates to the ministry's performance plan. Complete performance plans help agencies measure their progress so that they can assess and report on their progress towards achieving their results. In the 2006 volume 3, we reported that the ministry did not have a complete human resource ... a complete performance plan. Since that time the ministry has worked to fill some of the gaps. For example the 2007 and '08 plan included measures for three of its four objectives that it previously did not have measures for. Since it's not quite complete, we continue to recommend that the ministry complete the development of its performance plan, including the identification and measures and the selection of performance reports related to its goals and objectives.

So in summary, this chapter contains two new recommendations for the committee's considerations. They can be found on pages 161 which flows on to 162 and 163. That concludes my presentation, and I'd be pleased to respond to your questions.

The Chair: — Mr. Crowe.

Mr. Crowe: — Thank you, Mr. Chair, and thank you for the opportunity to appear before the committee today to discuss the recommendations contained in chapter 10 of the 2007 Provincial Auditor's report volume 3. The Ministry of First Nations and Métis Relations welcomes the Provincial Auditor's recommendations and has already made considerable progress related to these issues.

With respect to the first recommendation regarding the First

Nations Trust, we do have a number of provisions in place to make sure that the gaming funds provided to the trust are spent properly.

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

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

Significant improvements have been made within the trust and within the ministry, and we are continuing to work to meet all Provincial Auditor's concerns. I'm pleased to say that as of today all five of the required accountability reports for 2006-07 have been submitted by the trust. We are, however, concerned that the auditor of the trust was unable to provide a full and unqualified reports because not all the beneficiary First Nations submitted required reports within the audit period.

Ministry officials have met with First Nations Trust officials to discuss these issues and the trust has agreed to provide additional reporting on the beneficiary First Nations that were not able to provide compliance reports during the audit period. In addition the First Nations Trust is going to have its external auditor review the reports that came in since the close of the audit.

I'd like to mention that as well the First Nations Trust has recently launched a website that provides up-to-date information on which First Nations have reported and how they have used the funds. The website, by the way, is www.firstnationstrust.com — all one word — .com.

The trust has been working hard over the past couple of years to make changes and have had a positive impact on reporting and is committed to working in co-operation with us to resolve any outstanding issues.

With respect to the ministry's human resource plan, we also agree with the Provincial Auditor that we need to more clearly outline the gaps in current resources and provide details on plans to implement human resource strategies. We are currently working with the Public Service Commission, which provides us with human resource client services in these areas.

As you may know, the former Department of First Nations and Métis Relations was created just three years ago. After establishing itself and doing the necessary planning and research to produce and release a performance plan in 2006 and 2007, it was able to turn its attention to the human resource plan. And we have done a lot of work in this area and we've made much progress.

The scope of work has now increased as now we shift our efforts to a human resource plan that encompasses both the former Department of First Nations and Métis Relations and a former Department of Northern Affairs, which are now joined in operating as a single ministry. We welcome the opportunities this amalgamation brings forward, and we look forward to fully developing the more wide-ranging human resource plan for the new ministry that meets all the auditor's requirements.

As always, Mr. Chair, we welcome the review of the Provincial Auditor. His comments remind us of those areas where we've made improvements and those vulnerable areas in our ministry that need continued attention. I believe that summarizes the work we are undertaking in terms of the auditor's reports. Thank you, and I welcome your questions.

The Chair: — Thank you very much. Questions? Comments? Any questions? Mr. Michelson.

Mr. Michelson: — Mr. Chair, when I look at this and say — it reads, "... the Department needed to better monitor spending by the First Nations ..." and that was requested in the 2005, and it brings it up again. You know, is this progress and why is it taking so long to do this?

Mr. Crowe: — There has been considerable progress over the last couple of years. It is not . . . The First Nations Trust is taking tremendous gains, or making gains in trying to ensure that the information that we've received is adequate and in compliance with the reporting requirements that we have. They have taken internal measures to prevent payments from going out for those communities and those authorities that are not in compliance with the reporting requirements. And we believe that it's going to yield positive results to make sure that we have the results and the reporting in a reasonable time.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — You reported that since the actual audit deadline, there has been more reports submitted. Is there any reports for the 2000 . . . Or how far back does it go that there are no reports that have been submitted by some of the participants?

Mr. Gray: — The discussions with First Nations Trust management indicates that there's about, I believe the number is three bands who have not been reporting over the last couple of years but actually have asked the trust to hold the money and the money hasn't been paid out to the bands. They've been in the process of, I think in a couple of cases, setting up education trust funds and that those funds in at least one case is now in place. And so then the funds will go to that trust fund. But other than those three, I think all the other beneficiaries to my knowledge have reported.

Mr. Chisholm: — Thank you.

Mr. Bradshaw: — So I guess you can say that there's an improvement then that's an ongoing, an ongoing process.

Mr. Gray: — Yes, from the very first year we've worked hard to show improvement year over year. We would have liked to had a clean audit report the first year, but it was growing a new

ministry, growing a new organization, First Nations Trust.

You know, one of our concerns this last year was that when we looked at the ones who weren't able to report within the timeline, they were the same ones as the previous year. And when we met with the trust, we said, well we have a concern that this isn't being, this isn't going in your annual report and, you know, these could be the same ones year after year. They took immediate action to sort of agree that, yes, that was a concern. They addressed it on their website and asked their external auditor to review those reports, you know, as an addition to their normal audit procedures. So progress has been made and it continues to be made.

The Chair: — Any further questions or if there's any further comments from the auditor? We have two recommendations before us. The first recommendation is with respect to the First Nations Trust. What is the committee's wish? Is it to concur with the recommendation or do we note progress towards compliance as well? The second, that we would note progress? Or it's up to the committee as to how they want to word this for the Legislative Assembly, whether we concur with the recommendation or concur with the recommendation but also note for the Legislative Assembly that in our view, having listened to both the auditor and to the department, that progress has been made towards compliance.

Mr. Michelson: — I think we feel that progress has been made. A little reluctant that it hasn't been made faster.

The Chair: — Yes.

Mr. Michelson: — But hopefully as things go, you know, at least we're on the right track.

The Chair: — Okay. So someone, then, wants to make that motion?

Mr. Chisholm: — I'll make that motion.

The Chair: — Mr. Chisholm? Okay. That we concur with the recommendation and note progress towards compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. The second recommendation then is with respect to the department's human resource plan. Again, I think there were indications that progress has been made towards compliance and therefore if someone would like to move that we concur with the recommendation and note progress towards compliance. Moved by Mr. Harrison. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's then agreed. I think that concludes consideration of the Department of First Nations and Métis Relations, and I think rather seamlessly we're going to move into the Department of Northern Affairs, with your concurrence. And are there additional officials that you would like to introduce to us? And if you want to take that opportunity to do so, then we'll get Mr. Ahmad up here to, after your

introduction, to provide us with his comments. And good timing. Thank you very much.

Northern Affairs

The Chair: — So for those that are following the proceedings, we're now dealing with chapter 18 of the 2007 auditor's report volume 3, particularly Department of Northern Affairs. And again, Mr. Crowe, if I can ask you to let us know who's with you today, and then we'll go to Mr. Ahmad for his comments and then back to you.

Mr. Crowe: — Okay. Thank you, Mr. Chair. With me on my right is Mr. Richard Turkheim, who's the executive director of resource and industry development. He's in our Regina office. Also on my left is Anita Jones, who's the executive director of policy and program support, also in the Regina office. And with us as well is Tom Harrington, who's director of finance administration out of the La Ronge office.

The Chair: — Thank you very much. Mr. Ahmad.

Mr. Ahmad: — Thank you and good morning, Mr. Chair, members of the committee. Chapter 18 begins on page 335 of our 2007 report volume 3 and describes the result of our audit of the Department of Northern Affairs for the year ending March 31, 2007. Effective November 2007, most of the department's operations have been transferred to the Ministry of First Nations and Métis Relations.

The department's mandate was to promote the social and economic development of northern Saskatchewan communities by supporting regional development and development of businesses and industries, and coordinating government activities.

To help develop businesses in northern Saskatchewan, the department operates a program called Northern Development Fund. Under this program, the department makes loans with fixed terms and interest to eligible persons who either operate businesses in northern Saskatchewan or start a new business in that part of the province. For 2007, the department had an approved budget of \$2.5 million for loans under this program and made loans totalling \$1.4 million.

In this chapter we make four new recommendations and repeat two from our past reports. Most of the control deficiencies we report relate to the department's management of the loan program. In 2005 we recommended the department receive and analyze borrowers' financial operating information as required by the loan agreement. Without this information from all of its borrowers, the department cannot ensure that the loan program is meeting its goals.

In 2006 we recommended that the department follow its established procedures for approving loans and having all loan-required documents completed before disbursing loans under the NDF [Northern Development Fund] program. Your committee considered these matters in May 2006 and May 2007 respectively and agreed with our recommendations.

During the year the department hired an outside consultant to review controls over the loan program. After the year the

consultant completed his work and made recommendations for improvements. Management told us the department plans to implement all of the consultant's recommendations.

Our first new recommendation on page 340 asks the department to document and communicate to employees its processes to administer its loans and grant programs. Although the department has documented some of the policies, they are not complete. For example, the department needed to document and approve policies for follow-up of outstanding loans, documenting the follow-up performed, classifying accounts as active or inactive, and loan write-offs. Reviewing policies and procedures help ensure the employees have ready and available guidance when needed.

Our second recommendation on page 340 asks the department to ensure that employees who approve the loans do not have authority to record transactions relating to those loans. We made this recommendation because the department could not provide us information about employees who had specific access to the loans database. We noted two employees had full access to the database for all functions, and one of those employees approved loans and loan payments. As I mentioned earlier, management has informed the department plans to implement recommendation of the consultant that is hired to recommend improvements to its rules and procedures.

Our recommendation no. 3 and 4 on pages 341 and 342 relate to the department's payroll processes. Recommendation 3 asks the department to adequately review the payroll for accuracy prior to making payments to employees to ensure all employees' pay is approved in accordance with The Financial Administration Act. We have reported this matter for almost all departments.

Recommendation 4 asks the department to make an appropriate service agreement with its payroll services provider. In the past the Department of Industry and Resources provided the department with payroll services. The department had an agreement with the Department of Industry and Resources.

Presently the Department of Finance provides payroll services to the department; however the department does not have a written agreement with the Department of Finance. The department should do so. Such an agreement would clearly set out the roles and responsibilities of both parties. And that concludes my overview. Thank you.

The Chair: — Thank you very much. Mr. Crowe.

Mr. Crowe: — Thank you again, Mr. Chair. And once again, good morning to the committee members. I appreciate the opportunity to appear again before the committee this morning and look forward to discussing our ministry's response to the observations and recommendations related to Northern Affairs' operations as contained in chapter 18 of the 2007 Provincial Auditor's report volume 3.

The auditor's recommendations focus on Northern Affairs, concluding certain improvements to the protocols surrounding the operation of the division's Northern Development Fund. They also touch on certain general improvements to be made in such areas as better control over employee pay decisions and general servicing agreements related to the division's

operations. We welcome these recommendations.

I hope my overview remarks and subsequent discussion in this session can clearly convey the progress we have made and our commitment to undertake further actions to address the Provincial Auditor's recommendations. As we proceed this morning, we will point out additional steps we've taken to follow up on the auditor's recommendations, despite little more than seven weeks since the integration of the former departments of Northern Affairs and First Nations and Métis Relations.

Two of the auditor's overarching recommendations relate to the operation of the Northern Development Fund, NDF. We recognize that improvements to the management of the NDF loan fund is a continuous process. That process has begun. Improvements will continue to be pursued on a priority basis. To this end, management is committed to more vigorously implementing improvements to the delivery of the loan program. This will help ensure the fund is managed in a best practices environment.

This is a key underpinning principle of the various recommendations for improvement of the fund's operations as contained in the comprehensive review of NDF policies and procedures by the consulting firm Meyers Norris Penny in September 2007. For example, NDF loan monitoring requirements will be amended based in part on the Meyers Norris Penny report so that our protocols are commensurate with individual loan risks.

As noted in management's November 26, 2007 letter of response to the Provincial Auditor's recommendation, work to now construct a comprehensive policies and procedures manual surrounding the NDF loans program should be complete next month. Implementation of these new consolidated policies and procedures will commence immediately and thereafter with considerable initial emphasis on staff training and awareness enhancement regarding the improved policies and procedures. Improvements to the policies and procedures surrounding the delivery of the NDF's grant program, annually budgeted at approximately \$205,000, are also being addressed.

As I mentioned a moment ago, additional actions to respond to certain of the Provincial Auditor's recommendations have already been undertaken since the integration of the Northern Affairs into the Ministry of First Nations and Métis Relations less than two months ago. Effective January 4, for example, as per the auditor's recommendation to ensure appropriate segregation of duties, I have directed that officials' access to our Northern Development Fund's loans database be restricted to only our NDF program database coordinator, an officer who has no loan approval authority. This ensures that employees who approve NDF loans do not have the authority to record transactions or to otherwise make entries to the database.

I would like to now turn briefly to just a few further comments on two other areas of observation and recommendation by the Provincial Auditor. The ministry acknowledges the Provincial Auditor's position on payroll procedures and agrees that the accuracy and proper approval of payroll under The Financial Administration Act of 1993 is of utmost importance. We continue to make improvements to our payroll procedures. The

ministry now reviews and approves payroll prior to disbursement.

We will also continue to scrutinize payroll costs during its normal review of monthly financial reports reflecting, amongst other information, payroll and related charges.

Finally and with respect to the final area of observation and recommendation by the Provincial Auditor, I would note that the former Northern Affairs department had been working with the former Department of Finance since 2006-07 to create a mutually agreeable payroll services agreement. However, with the integration of Northern Affairs into the Ministry of First Nations and Métis Relations, the need to conclude such a service agreement is removed as FNMR. [First Nations and Métis Relations] already has signed a service agreement with the Public Service Commission for payroll services.

I believe this summarizes the work we have been undertaking and which we continue to undertake in response to the Provincial Auditor's findings and recommendations from his 2007 report. Thank you, and I'll welcome your questions, Mr. Chair.

The Chair: — Questions. Can I just ask you again with respect to the service agreement, what has taken place?

Mr. Turkheim: — Northern Affairs department is now a branch or division of the First Nations and Métis Relations ministry. Despite the fact that Northern Affairs department began work with the Department of Finance in the 2006-07 fiscal year towards establishing and negotiating the necessary services agreement and continued those negotiations into 2007-08, the fact that we're merged into FNMR means we now rely on their services agreement that they have.

The Chair: — So there is then a service agreement?

Mr. Turkheim: — Absolutely, yes.

The Chair: — Well that would be substantial progress. Mr. Michelson.

Mr. Michelson: — Yes. You mentioned that the proper segregation of duties is now taking place. How do you make sure that that's happening? What's the follow-up on that?

Mr. Crowe: — Quite simply, the access to the database has been removed other than just to be able to review it. They have no ability to enter entries or manipulate any of the information or data.

Mr. Michelson: — Good. Thanks.

The Chair: — Any further questions? Then let's turn to the recommendations. The first recommendation is on page 340, with respect to documenting and communicating to employees its processes to administer its loan and grants program. My sense is that there has been some compliance here.

Mr. Michelson: — Yes.

The Chair: — So Mr. Michelson is moving that we concur

with the recommendation and note progress towards compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay. The second recommendation has to do with the segregation of duties. Again we've had benefit of the comments from the department and the auditor. Again you would move then that you would concur with the recommendation and note progress towards compliance? Is that agreed? Okay.

The third recommendation deals with better control over employees' pay. It's now the second time this has been raised. It raises the question of whether we should be dealing with this on a specific departmental basis or whether we should be dealing with it on a cross-government basis.

Mr. Wendel: — Mr. Chair, if you want to agree with that for all departments that appear in here, that's entirely up to you. And then you won't have to consider them as we go along.

The Chair: — But you would think that compliance has been made, in your view.

Mr. Wendel: — Ministries are still responsible for this so we will still be looking to make sure they have changed in the future.

The Chair: — Okay.

Mr. Michelson: — Mr. Chair, may I assume that this is largely because of the change in the system?

Mr. Paton: — That's correct.

Mr. Michelson: — So I would think, yes, this would be just more or less a housekeeping as we progress.

The Chair: — But again, in this particular case we can say we concur with the recommendation and note there has been some progress towards compliance. So you would move that?

Mr. Michelson: — Yes. I would so move.

The Chair: — Is that agreed then? Mr. Paton.

Mr. Paton: — Mr. Chair, I'm just questioning some of the recommendations that the committee is making here where we're noting considerable progress towards compliance. And I'll even go back to recommendation no. 2. I thought I heard that the ministry had complied, as opposed to considerable progress. I'm just wondering if there's a distinction there.

The Chair: — That's something that we may see next year when the auditor further reviews this and we get a better sense as to whether there has been compliance. We're dealing with the comments of the auditor and . . .

Mr. Paton: — Yes, I understand that, but I think in this case what I heard is that the department or the ministry agreed with what the auditor had recommended and the committee agrees with that recommendations as well. But based on the comments

that the ministry's made, they've complied completely with what the auditor's requested.

Now I understand there'll be a follow-up audit to ensure that, but I think there's a difference between the two options that the committee has to make here — one that says they've made progress, which means they're working towards what the auditor is recommending, and we do see that in many cases. In this situation, even though we don't have verification from the auditor, I think the department's saying they have complied with what the auditor said. In the past I think the recommendations have been when the department or when the ministry complies with the recommendation, that that has been the recommendation of the committee.

The Chair: — Can I then ask, Mr. Ahmad, in your view, whether there has been compliance or they're still making progress towards compliance?

Mr. Ahmad: — Mr. Chair, we haven't, since our last audit, we haven't seen what they have done and what the progress has been. So I can't say.

The Chair: — Mr. Wendel.

Mr. Wendel: — In the past, when the committees made the recommendations and noted compliance or progress towards compliance, they did so based on the testimony they received from witnesses. So they didn't wait for us to go back and do a follow-up examination. If the committee felt satisfied that the officials that appeared here had complied, then the committee would note compliance. But it was a decision of the committee. You have to make that decision if you want to continue that process or if you want to move to something else; it's entirely up to the committee. So whether you note compliance or note progress to compliance, you have to make that decision.

The Chair: — Okay. Mr. Nilson.

Mr. Nilson: — Well we haven't heard sufficient information today to note compliance. And just give me . . . I'll give you an example, is we haven't heard where these employees are located, if they're located in the same office or one in one place and one in another place. And so I think I would prefer just to say that there's been progress and allow for further review. It's a special challenge for our whole civil service that when we have many small offices . . . And so you can meet the recommendations of Norris Meyers Penny or the auditor, but until you actually go and take a look at how they're doing things, I think we should be careful.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Further to those past comments, we've been told that there's been procedural changes that are hopefully going to solve the problem, and so I think that that is definitely to me is progress, but that doesn't indicate complete compliance until we have a look at this again. That would be my feeling.

The Chair: — Well if I could summarize, take the position that the committee certainly notes that there's been considerable progress and substantial progress but as to whether we would note compliance at this point, that's something that would have

to wait then for a further report, as I hear the committee members. And thank Mr. Paton for his comments.

Now I think we're on recommendation no. 3. Again, I guess we can note progress towards compliance in this particular case. Moved by Mr. Michelson. That's agreed.

And finally there seems to be no question with respect to recommendation 4. Having been subsumed by a department that has in fact a service agreement, it can be said that there is now a service agreement for this department with the Department of Finance, and so therefore I think it's appropriate to move a motion that we concur with the recommendation and note compliance. And I take it that Mr. Michelson has moved that. Yes?

Mr. Turkheim: — Just one correction. The service agreement that FNMR. has is with the Public Service Commission, as I understand it, not the Department of Finance.

The Chair: — That's not particularly germane or important to our . . . The notion is that there is a service agreement, whether it's with the Public Service Commission or Finance, that those agreements are in place. So we would note that. Thank you for clarifying that.

So again we would agree then in this particular case that the recommendation has been concurred with or that we concur with the recommendation, and we would note compliance. That's agreed?

An Hon. Member: — Agreed.

The Chair: — I think that then concludes our consideration of First Nations and Métis Relations and Northern Affairs. I want to thank you very much, Mr. Crowe, and your officials for being with us today. And thank you for your comments. Thank you very much.

Mr. Crowe: — Thank you very much.

[The committee recessed for a period of time.]

Community Resources

The Chair: — Good morning. With us today is the Department of Social Services, referred to in the auditor's report as the Department of Community Resources. We have in fact two chapters from two different reports. Firstly we have chapter 4 of the auditor's 2006 report, which deals specifically with his special investigation concerning the Oyate Safe House in Regina, and I'm suggesting that we deal with that one first.

But before we do that, I would like to have Mr. Fisher introduce the . . . Mr. Duncan Fisher, the deputy minister, to introduce the officials that have joined him here today. Then we'll go to Mr. Heffernan from the Provincial Auditor's office to give us his comments in terms of, first, the 2006 report and the special investigation. Then I would like the committee to deal with that and then we'll carry on with the 2007 report and the auditor's comments there.

So first to you, Mr. Fisher, for your introductions. Then we're

going to go to Mr. Heffernan for his comments.

Mr. Fisher: — Okay. Thank you, Mr. Chair. With me today on my right, Bob Wihlidal, assistant deputy minister of client services. In addition in attendance are: Shelley Whitehead, assistant deputy minister of policy; Darrell Jones, assistant deputy minister, housing and central operations; Lynn Tulloch who is executive director of our income assistance division; Gord Tweed who is associate executive director of the income assistance division; Andrea Brittin, executive director, child and family services division; Don Allen, executive director, finance and property management division; and finally, Lynn Allan, regional director for our southwest region.

The Chair: — Thank you very much. Then I'd like to go Mr. Heffernan for his comments with respect to the special investigation which is reported in the 2006 auditor's report and then go back to you for any comments that you might want to make on that specific topic, then deal with questions and the committee's disposition of their recommendation. So Mr. Heffernan.

Mr. Heffernan: — Thank you, Mr. Chair. The Oyate chapter starts on page 153 of our 2006 volume 3 report. Oyate is a community-based organization operating a safe house for children 12 to 15 years of age who are victims of sexual exploitation.

In March 2006 the Public Accounts Committee asked our office to carry out an immediate special investigation of Oyate, including any allegations of wrongdoing. In response to this request we examined Oyate's oversight practices, control processes, and compliance with the law during the years it operated. We also examined Social Services' practices to supervise Oyate's activities for the same period.

Our investigation of Oyate showed that its board of directors did not set clear direction for management and staff of the safe house or adequately monitor the safe house's performance. The board also did not set goals or objectives for the safe house or policies and procedures for how to achieve the plan results. As a result management and staff did not receive clear guidance on how to address the needs of the children in their care. Oyate's practices were also not adequate to safeguard money received from the ministry or ensure that it was used for the purposes intended by the ministry.

Finally, Oyate did not always comply with standards and policies established to ensure adequate care of children. We found there was inadequate planning and implementation of individualized programs for each child to ensure the child's safety, drug detoxification, and necessary return to school and reconnection with the family.

We made nine recommendations to improve Oyate's governance practices. Four of these recommendations related to improving board processes. The other five related to improving board performance and monitoring. We made four recommendations relating to the operations of the safe house. We also made two recommendations related to compliance with

the service agreement with the Ministry of Social Services in ensuring Oyate only spends public money for purposes intended by the ministry.

We found that Social Services did not use adequate practices to supervise Oyate's activities. Also the ministry did not follow all of its established processes to select a community-based organization to operate a safe house for children. It selected Oyate even though Oyate had no experience in the residential care of children.

The ministry did not do a risk assessment of Oyate to determine how closely it needed to supervise Oyate. Oyate is a high-risk agency and needs close supervision. The ministry did not take adequate corrective action when it became aware of significant problems at the safe house.

We made three recommendations related to the ministry's relationship with all community-based organizations. We recommended that it follow its processes to ensure the right community-based organization is chosen to deliver services. And once an agency is chosen, the ministry should adequately monitor the agency, and when problems arise, it should have processes to remedy the problems. Finally we recommended that the ministry ensure Oyate implements all the recommendations we made earlier in this chapter.

In conclusion we understand that the safe house is not yet operating. Oyate has made some progress in addressing our recommendations. However we're unable to conclude on the adequacy of those processes until Oyate operates as a residential care facility for a sufficient period of time. That concludes my remarks.

The Chair: — Mr. Fisher, any comments?

Mr. Fisher: — I would just say that the staff at Social Services have been working very hard with the staff and board of Oyate to address the concerns raised by the Provincial Auditor and the Children's Advocate, and I am quite pleased to say that much progress has been made.

The role and structure of the board has been both strengthened and clarified. Operating policies have been documented, and the staff have been trained on how those policies apply. A new staffing model has been designed, and hiring has taken place to bring that model to life. In addition Ranch Ehrlo was hired to mentor the board and the staff of Oyate as the agency prepares itself to reopen.

The Chair: — Questions. Mr. Chisholm.

Mr. Chisholm: — Yes. The one final recommendation as I understand in the summary was that the Oyate house will not reopen until such time as all the recommendations are adhered to. And I would just like the deputy minister's comment on that if that's . . .

Mr. Fisher: — We've stated that, on a number of occasions, that not only all of the recommendations made by the Provincial Auditor but all of the recommendations related to Oyate, the investigation of Oyate, done by the Children's Advocate will have to be addressed prior to reopening.

Mr. Chisholm: — Thank you. That's my question.

The Chair: — Any further comments or questions? Then I would turn the committee's attention then to the 2006 report, and there are 20 recommendations. Fifteen of those recommendations are directed at the Oyate organization, and five of them are directed at the department of, then called, Community Resources. Having read the auditor's report for 2007 and having heard the comments of the officials, it would appear that progress is being made towards concurring with the recommendations. And I wonder if we could have a motion to that effect. But I'm at the pleasure of the committee. Mr. Chisholm.

Mr. Chisholm: — Yes, Mr. Chair. I'd like to suggest that we do have someone actually read the recommendations 1 to 15 for those on the committee that weren't here, and that we even consider those as one recommendation if we're satisfied that there's been progress made on all fronts, that we could deal with that in one motion for that portion of it if that's acceptable.

The Chair: — Yes. We can do that.

Mr. Chisholm: — Okay.

The Chair: — Now do you want to deal with 1 through 15 as one recommendation, then 16 through 20, which deal with the department, as a separate motion?

Mr. Chisholm: — That would be my suggestion.

The Chair: — Okay. The recommendations start on page 166 of the auditor's 2006 report.

1. We recommend that the Board of Directors of Oyate . . . maintain a complete and approved set of minutes of all Board meetings.
2. We recommend that the Oyate Board adopt a code of conduct policy that is consistent with *The Non-profit Corporations Act*, and monitor compliance.
3. We recommend that the Oyate Board monitor board members' compliance with the conflict of interest policy.
4. We recommend that the Oyate Board define the scope of its authority and responsibilities.
5. We recommend that the Oyate Board define the authority, responsibilities, and performance standards for the Safe House Director.
6. We recommend that the Oyate Board approve a strategic plan for Oyate . . . Inc.
7. We recommend that the Oyate Board establish standards and procedures to guide the delivery of services to sexually exploited children.
8. We recommend that the Oyate Board provide governance training for its members.
9. We recommend that the Oyate Board periodically assess

the performance of the Safe House Director.

Then if I can turn your attention to page 168 for recommendations 10 and 11:

10. We recommend that Oyate accept only children who are eligible to receive its services.

11. We recommend that Oyate establish adequate processes to reduce the risk that children run away from the safe house.

The next page:

12. We recommend that Oyate properly account for its expenses in accordance with its service agreement with the Department of Community Resources.

Page 170 for recommendation no. 13:

13. We recommend that the Oyate Board follow its hiring policies.

Page 173:

14. We recommend that the Oyate Board comply with its service agreement with the Department of Community Resources (DCR) including:

documenting admission and follow-up conferences for each child in its care

documenting permission to provide services from DCR or parents/guardians

providing annual audited financial statements

providing other required financial and operational reports

And finally:

15. We recommend that Oyate spend public money only for purposes intended by the Department of Community Resources.

And so if someone wants to make an appropriate motion of either that we concur with the recommendations or we concur with the recommendations and note progress or . . .

Mr. Chisholm: — I would like to move that we concur with the recommendations and note progress.

The Chair: — Okay. Any discussion? Is that then agreed, that with respect to these 15 recommendations the committee concurs with the recommendations and notes progress towards compliance of these recommendations?

Then I would turn your attention to page 176 or recommendation 16:

We recommend that the Department of Community Resources follow its processes and document its basis for awarding contracts for services to community-based organizations.

Page 178, recommendation 17:

We recommend that the Department of Community Resources strengthen its processes to keep informed about any significant problems at community-based organizations (CBOs). The processes should include:

doing a risk assessment on all CBOs to determine the nature and extent of processes needed to monitor each CBO's performance

identifying objectives, performance measures, and targets for each CBO

reviewing each CBO's performance reports routinely

carrying out regular on-site assessments of high-risk CBOs

attending board of director's meetings of high-risk CBOs

On the following page, page 180, recommendation 18:

We recommend that the Department of Community Resources approve policies and procedures for delivering services in a residential setting.

And then on the next page, recommendation 19:

We recommend that the Department of Community Resources improve its processes to remedy any significant problems at community-based organizations (CBOs). These processes should include procedures to:

clearly define the problem

provide options for corrective action

promptly inform the CBO and the Deputy Minister, in writing, of the problem and corrective action required

give the CBO a deadline for fixing the problem

set predetermined remedies if the CBO does not fix the problem promptly

And finally, recommendation number 20:

We recommend that the Department of Community Resources ensure Oyate . . . Inc. implements recommendations 1-15 of this report.

And I wonder if I can have a motion? Mr. Chisholm.

Mr. Chisholm: — Do you want to give me the wording of the possibilities again?

The Chair: — Well the alternatives we have is, one, we concur with the recommendations. Another is that we concur with the recommendation and note progress. Another is that we concur with the recommendations and note compliance.

Mr. Chisholm: — I would suggest that the motion read that we concur with the recommendation of the auditor's office at this

point.

The Chair: — That we concur with the recommendation of the auditor.

Mr. Chisholm: — Right.

The Chair: — Okay.

Mr. Chisholm: — May I ask a question of the deputy minister?

The Chair: — Yes, you bet.

Mr. Chisholm: — Mr. Deputy Minister, would you . . . In your opinion has there been considerable progress made in these last six items that we are looking at at this point?

Mr. Fisher: — I would say yes. I would use as an example on page 178 when we talk about recommendation 17, that we strengthen our processes to keep informed. We have done an initial risk assessment of all of our CBOs. We are working towards implementing objectives and performance measures, and we have provided additional training for our staff in terms of our expectations around the reporting requirements and what needs to be done with those requirements. So I believe that the department has made a conscientious effort to move forward on the recommendations made by the Provincial Auditor.

Mr. Chisholm: — Thank you very much. In light of that information I would add that we note progress on . . .

The Chair: — Okay.

Mr. Chisholm: — My motion.

The Chair: — And I would note that the auditor also has noted that Community Resources has made some progress towards addressing the recommendations in the follow-up, in the 2007 report. So the motion then by Mr. Chisholm is that we concur with the recommendation and note progress towards compliance.

Is there any discussion on that? Are we agreed? That's agreed.

That then concludes consideration of the special investigation in the 2006 report. And I would turn our attention to chapter 5 of the 2007 report. And I assume that there's no change in officials but we would go to Mr. Heffernan then for his comments with respect to the 2007 report; provide you, Mr. Fisher, with an opportunity to make your comments, and then let's deal with questions from the committee.

Mr. Heffernan: — We had a little technology problem there for a second. We made six new recommendations which I will focus on in this presentation. We also repeat several recommendations that the Public Accounts Committee has agreed with at previous meetings. The ministry has made progress in implementing these recommendations but needs to do more.

The continuing recommendations relate to the ministry's need to follow its processes to protect children in care, follow its processes that ensure only eligible clients receive the correct

amount of social assistance, establish added processes to ensure only eligible clients receive the correct amount of the Saskatchewan employment supplement, strengthen agreement with community-based organizations by setting out their objectives, require community-based organizations to report on the adequacy of their processes, ensure all community-based organizations submit timely financial reports, complete its business continuity plan, and establish adequate security processes for its information systems.

Recommendation 1 relates to the transitional employment allowance which is designed to help move employable persons from social assistance into the workforce. We found that a significant number of client files did not have the proper documentation to ensure that clients were eligible to receive the allowance or that payments were not made at the proper rates. We recommend that the ministry follow its processes to ensure that only eligible clients receive the transitional employment allowance and that they receive the correct amount of the allowance.

Recommendation 2 notes that the ministry needs to improve its processes to ensure that only eligible recipients receive the correct amount of the Saskatchewan rental housing supplement. We found that a significant number of recipients either did not qualify for assistance or were paid incorrect amounts. We recommend that the ministry establish adequate processes to ensure that only eligible persons receive their rental housing assistance and that they receive the correct amount.

Recommendation 3 relates to our findings that the ministry did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. We recommend that the ministry adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved.

Recommendations 4 and 5 pertain to the ministry's supervision of community-based organizations that provide services on behalf of the ministry. To monitor whether the CBOs [community-based organization] are meeting the ministry's objectives, the ministry requires CBOs to submit periodic reports. We found that about half of the CBOs did not submit their reports on time. We recommend that the ministry perform timely reviews on performance information submitted by CBOs.

Also the ministry does not require CBOs to set performance measures and targets to enable them to report their progress in meeting the ministry's objectives. We recommend that the ministry work with CBOs to establish performance measures and targets that better allow it to assess the CBO's progress in meeting the ministry's operational objectives.

Recommendation 6 pertains to the agreements between the ministry and the Information Technology Office or ITO to make the ITO accountable for information technology services for the ministry. The agreement does not adequately identify security requirements of the ministry or the ITO nor does it identify disaster recovery requirements for the ministry's network. We recommend that the ministry have an adequate agreement with the ITO that includes network security and disaster recovery requirements.

On page 77 we note that inadequate segregation of duties allowed an employee to access the money and conceal the misuse of \$26,000 of public money.

We have completed a follow-up of Oyate's and the ministry's progress in implementing our recommendations. Both Oyate and the ministry have made progress in implementing our recommendations. However until Oyate opens for a period of time, we are unable to conclude that the processes implemented are adequate.

In 2004 we examined the adequacy of Sask Housing Corporation's capital asset plan. We found that the plan was adequate except it did not include how Housing expects to determine and measure how well it sustains the Housing portfolio over the long term. We followed up this year on Housing's progress. We found that at October 2007 Housing had not completely implemented our recommendation because it does not have adequate measures and targets for the condition of the Housing portfolio.

Finally, pages 80 to 82 provide an update of the recommendations previously made by this committee but are not yet implemented and are not discussed earlier in this chapter. That concludes my remarks, Mr. Chair.

The Chair: — Mr. Fisher.

Mr. Fisher: — I would simply say that the Provincial Auditor has pointed out that we have made significant progress with respect to a number of his observations, but he does go on to say that more would be done. We would agree with that comment. We would agree also that we have made progress, and we are actively moving forward on achieving full implementation of each of the recommendations.

The Chair: — Questions. Mr. Chisholm.

Mr. Chisholm: — Thank you, Mr. Chair. One question that I have is regarding something we've talked about in the past and that was the criminal record checks on people involved with dealing with vulnerable young people. I wonder if you could just comment on what's happening there and what the plan is as we progress.

Mr. Fisher: — We have a standard that, for children in foster care, a criminal record check needs to be done on each adult living in the home. We would obviously like to achieve 100 per cent of that standard or comply with that standard 100 per cent of the time, but complete compliance with that standard is often a challenge.

We are seeing instances where we have emergency placements of children with extended family members, and having a completed criminal record check prior to that emergency placement being done is sometimes not possible. We have foster parents, their own biological children turning 18 in the home and require a criminal record check. And oftentimes we've . . . the auditor has noted that that's not being done in a timely manner.

When we have examples like an elderly parent or an adult child moving back into the home, a criminal record check would be

required on those adults living in the home as well. And the auditor has noted that in some cases we have not had those record checks done in a timely fashion.

So to improve on our '06-07 performance . . . And I should note that we were disappointed when we saw the Provincial Auditor's finding for this year because, after several years of steady improvement in this area, we took a bit of a backward step here.

So we are doing the following couple of things to try to improve our compliance with criminal record checks. We are conducting a file review to ensure that they're complete. We have written to all caregivers in our system reminding them of their obligation to inform their caseworker that all adults living in the home must have a criminal record check done. And our plan is that we will send that notification out to caregivers twice each year to keep the standard fresh in everyone's mind so that we can improve on our compliance of this standard.

Mr. Chisholm: — A supplementary question to that. We've seen in some of the procedures that have been put in place that there's actually some financial consideration for not complying. Is there any suggestion that in order to increase this compliance that there would be . . . that payments would possibly be withheld or have you discussed that at all as to how we can actually make sure that that compliance does move in the right direction?

Mr. Fisher: — We have not initiated any discussions with, for example, the Foster Families Association about withholding payment should these criminal record checks not be done. We've, as I said, seen steady progress in this area for a number of years up until this year so we haven't felt that necessary. And we would prefer to try to improve compliance here without — I'll use the term — punishing the care providers.

We are struggling to maintain an appropriate complement of foster parents at this point in time and so we're trying to enhance our recruitment abilities and get as many foster parents interested in providing service as possible. And so we don't want to scare people off by doing something that would be seen as threatening. However if we can't get to a point in the short term, that may be something . . . to a point where we aren't seeing improvement, that is something that we might have to consider.

I guess the other point that I'd make is that the checks generally are getting done. It's the timeliness of them. So when a child — the biological child of the foster parent — turns 18, the policy says when they turn 18, you have to have the criminal record check. It doesn't say you can have it a month from now or six months from now. It means now. So we have to improve the time limits of the compliance and that's the real issue here.

Mr. Chisholm: — Okay. Thanks very much. And that leads to another question regarding the foster home situation. There was supposedly a fairly significant program in place, you know, within the last 24 months to try to increase the numbers of foster homes. Could you update us on how that has transpired and . . .

Mr. Fisher: — So you're correct in saying there has been a recruitment initiative under way for the past couple of years.

We believe that we are in need of recruiting approximately 100 to 150 new foster homes in the province and that's been our objective over the last number of years. I can report that as of March 2006 we had 751 foster homes actively working in our system, and that of October '07 we now have 803. So we have seen an increase.

I should also note that the increase of new homes coming into the system is slightly larger than that figure would suggest because every year we see ups and downs in the recruitment process with not only new homes coming on, but some foster parents who, for example, have been fostering for a number of years and have reached an age where they wish to retire. We lose some homes every year as well.

Mr. Chisholm: — Thank you. My next question is in regard to the measurement of income as it pertains to housing and the Saskatchewan assistance program, and exactly what procedure is used in that regard to determine when someone's income changes. Or maybe you could just review that.

Mr. Fisher: — Are you specifically referring to the auditor's question around the compliance on addressing needs and expenses in chapter 5?

Mr. Chisholm: — Yes. I was more specifically thinking about the low-rental housing and how those are monitored really.

Mr. Fisher: — Okay.

Mr. Chisholm: — Yes.

Mr. Fisher: — Okay. Well I'd ask Darrell Jones, who is our assistant deputy minister for housing, to provide some information on the social housing portfolio and how rents are set.

Mr. Chisholm: — Thank you.

Mr. Jones: — There's basically two types of housing that we provide. One is social housing and one is affordable housing. And with the affordable housing, the maximum income limit there is set at I believe 52,000. And with respect to social housing, it is assessed based on establishing the rent for the lowest-income clients on a priority basis against what their household income is. And so it's roughly between — on a sliding scale — between 25 to 29 per cent of their household income. There are certain exclusions from income at the outset so it actually does drive the rental payment somewhat below that ratio when considered against their full household income.

Mr. Chisholm: — I guess my question is, how is the family income monitored on a practical basis from year to year, from month to month, from quarter to quarter? Do the clients, is it their responsibility to provide the information, and just exactly how does that work?

Mr. Jones: — Under the social housing program, rents are reviewed and of course then their income is reviewed on an annual basis. If the rent needs to be adjusted during the course of that, the tenant has the opportunity to apply for an adjustment, and so for example if a tenant's income goes down during that time frame, a three-month adjustment can be made.

We set it for the three-month time horizon so that we can check during the course of that — that period. Should their income rise again, then we would adjust their rent accordingly in that three-month time frame.

Mr. Chisholm: — Okay. Thank you very much. My next question is more in regard to the community-based organizations. We certainly realize that . . . I believe it's mentioned that there's more than 250 that are operational at this time, that are receiving, that receive some assistance or support. I'm just wondering. This is an area that I think we certainly are interested in promoting and seeing that it does succeed because I think whether we be from large urban centres or rural areas, we know the importance that these people are contributing.

I'm just wondering if we have anything in planning that will go towards promoting our CBOs and helping them to comply and to be successful.

Mr. Fisher: — Well the auditor has identified a number of areas where we need to strengthen our supervision of CBOs, and we certainly have concurred with his recommendation. We would agree with your assessment as well that CBOs are a vital component of our service delivery system. We have a number of CBOs under contract, providing services in all of our divisions within the department. So we really couldn't do without the CBOs and the support they provide, for example, to families across the province.

We have done a number of things to try to strengthen our supervision, including we've implemented improved business processes. We've developed a new contract which we believe has strengthened our relationship with CBOs. We have developed a risk assessment tool which has been applied to monitor CBOs. Internally we have developed a new CBO policy manual, which we have instituted and trained all of our staff in its application. As part of that training we've tried to clarify roles and responsibility of people who work in the department with our CBOs, and we are piloting the use of outcome measures with some CBOs.

So we are working closely with them. I think it's probably important also to note that the government has indicated its desire to hold a CBO summit this year, and certainly issues like this will likely find their way on to the agenda for the CBO summit because one of its primary purposes will be to develop a strengthened relationship with our CBO partners across the province.

Mr. Chisholm: — Thank you very much. I think that's the extent of my questions.

The Chair: — Further questions?

Mr. Michelson: — Mr. Chair, should we be looking back at some of the outstanding recommendations that haven't been acted upon?

The Chair: — Yes, I guess we can.

Mr. Michelson: — What I'm looking back at, on page 80, that there's recommendations from 1997 that have only been partially done.

The Chair: — If there's any questions that you have for the department, for the auditor . . .

Mr. Michelson: — I guess when I look at something that goes back to 1997, like that's 10 years old. Is that something that should be taken out of the recommendations or is it something that should be followed or followed up on?

The Chair: — You may have to be specific for the department in terms of what part of the document you're referring to.

Mr. Michelson: — Oh, okay. Just reading from this: "When a system that captures the necessary information and consistently records case plans is in place, the Department of Community Resources should evaluate the effects of the case planning." That was in 1997. And then the status as of March 31, 2007, "The Department does not yet evaluate the effects of case planning. No progress made in the past year."

Mr. Fisher: — In response to that, we are not yet directly evaluating the effect of our case planning. We have introduced a new performance measure in 2007 to monitor the percentage of new social assistance cases who are no longer on social assistance within six months. So I would say that's an indirect measure of the effectiveness of services like case planning.

I should also probably mention that since the time that this recommendation was put into place, the employment function that once resided within the Department of Community Resources and Employment has been transferred to Advanced Education, Employment and Labour so we're no longer independently responsible for some of the recommendations that the Provincial Auditor made during some of these earlier reports, so that they've become more of an interdepartmental issue and so we are working with Advanced Education, Employment and Labour on some of these issues.

Mr. Michelson: — So where do we go with this? Like you're just working on it; it's in progress. Is that what you're saying?

Mr. Fisher: — Well depending on the recommendation that we're talking about, all of these are, I believe — if I can just flip through them quickly — I think all of them are partially implemented and we're continuing to work on them. I think what generally occurs is that when the auditor makes a recommendation — and maybe I should get Mr. Wendel or Mr. Heffernan to comment on this — but they would make this recommendation and they wouldn't necessarily go back every year and review it. That they would review it on a timely basis at a certain point in time. So some of these recommendations we have been working on and I don't know whether each of them has been reviewed in the current fiscal year or not.

The Chair: — Did you want to comment on that?

Mr. Wendel: — Sure, Mr. Chair. Mr. Fisher is correct. We don't go back and look at every recommendation every year, especially the ones that we think it's going to take departments a few years to put in place. And the one you're referring to was the '97 one. That would take a few years to put in place as to whether . . . Ten years is too long. That would be a matter for the committee to decide.

Other recommendations here like the criminal record checks, that's being essentially taken out of the hands of the department and put into the hands of the Public Service Commission, as we note. And we're going to go have a look at how the Public Service Commission is doing these criminal record checks as a future audit because they'll be doing them for all departments. That came out of the losses that occurred at Environment and at Social Services. There was some money misused and one of the recommendations that came out of that is there should be criminal record checks for people who handle public money. And there's been a process that's had to be put in place to deal with that.

The Chair: — Are there any further questions at this point? Then can we turn to recommendation no. 1 on page 69, the recommendation with respect to the transition employment assistance, ensuring that clients receive their correct amount. Community Resources tells us it plans to improve its processes to ensure payments are made at the proper rates. Do we have a motion in this regard or direction? Mr. Chisholm.

Mr. Chisholm: — I would move that we concur and note progress.

The Chair: — Mr. Chisholm moves that we concur with the recommendation and note progress towards compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Then recommendation no. 2 on the next page, that:

We recommend that the Department of Community Resources establish adequate processes to ensure that only eligible persons receive Saskatchewan Rental Housing Supplement assistance and that they receive the correct amount of . . . [the] supplement assistance.

And it's noted that Community Resources strengthened its verification procedures in March 2007, and that they will monitor the impact of this change during the course of this fiscal year.

Mr. Chisholm: — I would therefore move that we concur and note progress.

The Chair: — Mr. Chisholm has made that motion. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Then that's agreed. The third recommendation — we've got that MIDAS touch again all over, and I wonder how we might proceed. Mr. Paton, do you have a . . .

Mr. Paton: — Yes. Yes, Mr. Chair. As we've discussed early this morning, this is an issue that's similar for all ministries and is a direct result from moving from the previous payroll system to the new MIDAS payroll system. And as I've indicated to you my office did work closely with the Office of the Provincial Auditor to address the concern on a more collective basis.

And as a result procedures were developed that required that all ministries document the approval of all their payrolls. And this was being done on an online basis and basically resulted in the requirement to document that review.

But for some larger ministries, and I believe that Community Resources is one of those, review of those reports on an online basis is rather difficult. And as a result I believe that Community Resources is working with the Public Service Commission to get improved reports to assist them in that review. And while I had hoped that this one would basically be completely satisfied for all departments, I think there could be some outstanding issues. And as a result of that I think that the committee should consider concurring with the auditor's recommendation on this one and note progress. I think there is some outstanding work to be done on this issue.

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

The Chair: — Thank you very much. Any discussion? Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Right. Thank you, Mr. Chisholm. Then we turn to page 75, recommendations regarding community-based organization:

4. We recommend the Department of Community Resources perform timely reviews on all the performance information submitted by the community-based organizations.

5. We recommend the Department of Community Resources work with community-based organizations (CBOs) to establish performance measures and targets that better allow it to assess the CBOs' progress in achieving the Department's operational objectives.

Any comments on that?

Mr. Chisholm: — Mr. Chair, I would move that we concur with the recommendation on item number 4 and note progress.

The Chair: — Mr. Chisholm has moved that. Any discussion? We agree?

Some Hon. Members: — Agreed.

The Chair: — That's agreed and number 5. Mr. Chisholm.

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

The Chair: — Mr. Chisholm has made that motion. Is there any discussion? Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. Recommendation no. 6 on page 77. The recommendation is:

We recommend the Department of Community Resources have an adequate agreement with the Information Technology Office that includes network security and disaster recovery requirements.

And it's noted here that Community Resources has told us that it's started projects to review its security and disaster recovery requirements. Any motion on this? Mr. Chisholm.

Mr. Chisholm: — Mr. Chair, I would like to ask the deputy minister just for an update. This document is some number of months old and I'm just wondering if we could get an update on what's been happening there with the IT [information technology] Office.

Mr. Fisher: — Well as of April of this year we signed an agreement with ITO to become a partner with them. So they have assumed responsibility for our information technology service delivery. We're in the process of transition with them.

So during transition we've been assessing where we are in terms of what types of gaps may exist between policies that have been placed within Community Resources — or Social Services now — in terms of security issues and the standards that the ITO has set for government. And once that analysis is complete, we'll be working with the ITO and signing the memorandum of understanding with them around how we get from where we are today to the government standard that the ITO has established.

Mr. Chisholm: — Thank you. So, Mr. Chairman, I would recommend that on item no. 6, we concur with the recommendation and note progress.

The Chair: — You have heard the motion from Mr. Chisholm. Any discussion? Is that then agreed? That's agreed.

That concludes the recommendations that are before us. I would also note for the committee that it's also an opportunity . . . I was remiss not earlier reminding us that this is also an opportunity that if there are any questions arising from the public accounts that this would be a good time to do so. But if not, then I think we're concluded with our review of the Department of Community Resources, now Social Services.

And thank you very much, Mr. Fisher, and all of your officials for attending with us today and coming out a little bit early at our request. Thank you very much. I look forward to . . . No, I guess I can't say I will look forward to seeing you again in the Public Accounts Committee, but we do look forward to the opportunity to cross paths again. Thank you.

There's no further work for the committee at this point and we stand recessed until 1 o'clock. Thank you.

[The committee recessed for a period of time.]

Health

The Chair: — Good afternoon. With us today is the Department of Health for consideration of chapter 11 of the Provincial Auditor's report 2007 volume 3. And again, just to advise those who are following these proceedings that this

report is available on the Internet at www.auditor.sk.ca.

At the outset I would like to ask the deputy, Mr. Gren Smith-Windsor, to introduce all his officials that are here with him today. Then I'm going to ask Mr. Heffernan from the auditor's office to deal with his comments relevant to part A. There are six different subparts within this chapter — A, B, C, D, E, F — and if he could deal with his comments relative to part A, then we go back to you, Mr. Smith-Windsor, to respond and provide us with any comments you might have with respect to part A. Then I would like the committee to dispose of part A and then carry on the same process to part B if that's acceptable. That's the case. Then I'll turn it over to you, Mr. Smith-Windsor, to introduce the officials with you and then back to Mr. Heffernan.

Mr. Smith-Windsor: — Thank you very much, Mr. Chairman. I am serving as acting deputy minister as opposed to deputy minister, but I would like to introduce Louise Greenberg on my left — she is associate deputy minister — Lauren Donnelly, an assistant deputy minister on my right.

And in the back row Ted Warawa who is the executive director of the finance and administration branch, Kevin Wilson who is the executive director of the drug plan and extended benefits branch, Scott Livingstone who is the acting executive director of the health information solutions centre, Garth Herbert who is with the financial management. He's a financial management consultant with the finance and administration branch. Also I'd like to introduce Tyson Martin, an intern in the deputy minister's office, from the University of Regina. And those are the officials we have today, sir.

The Chair: — Mr. Heffernan.

Mr. Heffernan: — Thank you, Mr. Chair. In part A we make three new recommendations for the Ministry of Health. We also repeat five recommendations that the committee has concurred with at previous meetings. The previous recommendations relate to the need for the ministry to prepare a capital asset plan, to focus the work of the internal auditor on activities where the ministry is at greatest risk of loss of public money, to collect overpayments of \$4 million relating to reconsiderations of joint job evaluations, and the need for a business continuity plan and an adequate human resource plan.

Recommendation 1 on page 175 pertains to the ministry's need to supervise the performance of agencies that provide health services on its behalf. Health paid \$150 million to agencies for services such as medical education, northern health services, and addictions counselling. The ministry makes service agreements with these agencies. The service agreements require quarterly and annual reporting. We found that about 50 per cent of the agencies submitted the required reports late or not at all. Late reports result in the ministry not having timely information that could result in incorrect decisions.

Recommendation 2 relates to the ministry's need to strengthen its processes to monitor capital construction grants provided to private sector agencies. The ministry provided \$8 million to a private sector agency for an integrated community health centre. The lack of an adequate process increases the risk that the design and construction of the facility will not meet the

intended purposes.

Recommendation 3 pertains to the ministry's need to strengthen its processes to verify the accuracy of key payroll data for each pay period prior to paying employees.

Recommendation 4 on page 187 relates to the administrative services the Saskatchewan Association of Health Organizations, or SAHO, provides to the provincial employment strategy committee which was created under a collective bargaining agreement between the Canadian Union of Public Employees and SAHO.

SAHO paid about \$800,000 for the committee and holds about \$2 million of the committee's money in separate bank accounts. We found that SAHO did not review adequate support for cheques processed for the committee. This weakness has limited our ability to obtain assurance over the existence and accuracy of payments for the committee.

In recommendation 5 we recommend that SAHO make a service agreement with the committee for the services that SAHO provides.

In recommendation 6 we recommend that the North Sask Laundry & Support Services have processes to bill for all laundry services provided.

On page 188 we describe our follow-up of our 2006 audit of the adequacy of written information that Health and other health agencies publish about key infrastructure used to provide public services. Our audit resulted in three recommendations that this committee agreed with.

Our follow-up found that Health has set reporting guidelines for health agencies and has begun to collect the necessary data to address the recommendations. Progress has been made in all three recommendations, but the regional health authorities did not have the necessary information in time to report on their infrastructure for the year ended March 2007.

Finally, on pages 189 to 191 we provide an update on the recommendations previously made by this committee that are not yet implemented. That concludes my remarks on part A.

The Chair: — Mr. Smith-Windsor.

Mr. Smith-Windsor: — Thank you, Mr. Chairman. May I take this opportunity to say thank you to the Provincial Auditor. We appreciate the effort and the detail that he put into the auditor's report. The ministry takes the recommendation seriously and actively works towards correcting deficiencies. The ministry has a system of internal controls that is operating effectively and will continue to refine and enhance both our management systems and controls. Insofar as the recommendations are concerned, I'd just like to talk with the officials about how we respond specifically to the auditor's comments.

Mr. Chairman, this is my first time through this process, and I'd like to thank my officials for helping me through it and beg your understanding. What we would do is respond to questions. We've prepared our materials in a different format, and if you have specific questions pertaining to the auditor's comments,

we would be happy to reply to them.

The Chair: — Mr. Reiter.

Mr. Reiter: — A brief read of page 176, recommendation no. 2, processing of capital construction grants. The report refers to an \$8 million grant for an integrated community health centre in Saskatoon. Couple questions on that. What is that comprised of? I gather it's more than just a clinic. And also the 8 million in funding: what percentage of the total funding is that? What can you elaborate on that for us?

Ms. Greenberg: — The \$8 million is only part of the package. It's a \$12 million project. And the project we're referring to is called Station 20. And Station 20 has a number of things associated with it, including health. But alongside Station 20 they also have housing that's going to be provided through Sask Housing. There's also plans to have a grocery store, some type of co-op grocery store available. But where our funding is going is directed towards the health side. There's work being done with the University of Saskatchewan, with College of Dentistry and also College of Medicine, to provide services for those residents in that area. It'd be along the lines of community health. There's also discussions with the regional health authority.

Mr. Reiter: — Okay. So some of the funding is coming from other ministries as well then? From Housing and from Social Services and . . .

Ms. Greenberg: — The \$8 million is coming from the Ministry of Health. And the other funding would be raised by the third party — the CBO that is doing it — so Health is the only ministry that's providing the 8 million.

The housing would be a component of low-income housing that would come through Sask Housing Corporation. That's separate. It's just in the same location.

Mr. Reiter: — I see. The report from the auditor refers to processes that should be followed. With that not being the case, with no process in place, what type of due diligence was done on that project?

Ms. Greenberg: — We've got a number of processes in place. And it's true, the auditor's correct in saying that we didn't follow the same process for capital grants that we would do following capital construction that was owned or operated by the RHAs [regional health authority]. What we have been doing is that the ministry has been monitoring, though, the way the funds are being used. We have a working committee set up where there's been work having to be done in terms of what type of facility would be built, what type of things would be provided.

The money actually hasn't gone to the CBO yet. It hasn't been released. So the process is in place. There will be due diligence involved, but it's not part of the sort of 18-step capital process that we have sort of followed when we have worked with the regional health authorities.

Mr. Reiter: — What's the total cost of the project? What amount of funding would the CBO be putting in?

Ms. Greenberg: — It's estimated that the total cost of the project is, I believe, \$12 million, of which 8 million is coming from the Ministry of Health.

Mr. Reiter: — Okay. I guess it just concerns me a little bit. It seems that it's sort of a far-reaching project and I just wonder in my own mind whether all that funding should be coming out of the Ministry of Health, if it shouldn't be involving other ministries. So it's 8 million from Health and 4 million from the CBO.

Ms. Greenberg: — Mm-hmm.

Mr. Reiter: — Okay.

Ms. Greenberg: — I have some other information in terms of some of the other . . . The grocery store is really a co-op. It's Good Food co-operative. There's also the Westside Community Clinic, which is the community clinic that would be involved in this Station 20 project.

The Chair: — Okay. Mr. Harrison, then.

Mr. Harrison: — Okay.

The Chair: — Yes. I'm just wondering, like maybe we should just back up and see if there's any comments or questions with respect to the first recommendation and move through them progressively, just to save the Chair getting all confused here with it.

Are there any questions or comments that anyone wants to make with respect to the first recommendation? The issue was, I gather, obtaining information in a timely fashion as to whether the service agreements you had with outside agencies, whether they were providing information to you on a timely fashion. Do you have any comments on that?

Ms. Greenberg: — We are continuing to work with third parties to refine this process and I think we've come a long way in improving reporting and accountability for public funds. This year, in '07-08, it's been more fully implemented than in previous year '06-07. And we also believe that there's been and still continues to need to be significant education done to ensure that reporting and reviews and accountability are done in a timely manner.

The Chair: — Okay. Thank you. Any further questions on that matter? Mr. Nilson.

Mr. Nilson: — Does this reflect that some parts of the department have monthly or weekly reporting and other parts are not as, I guess, diligent about it? I guess what I'm thinking here, it seems to reflect that there's lack of information across the board. But my understanding is that you actually have a dashboard where board members on regional health authorities, the ministry, everybody gets information on a regular basis, maybe on a daily basis.

Ms. Greenberg: — I guess there's two ways. I was thinking about it, the CBOs, the non-RHA because it's sort of a different discussion like I have if we talk about the RHAs where actually we have accountability documents. We also have quarterly

dashboards and we also have annual reports. So that that is much more of a refined, sophisticated process that we've developed with our regional health authorities over time. With our CBOs, we actually have developed third party guidelines that we use within the department for strengthening and improving accountability requirements.

So I concur in terms of the issue with the RHAs and our accountability and our reporting processes. We have quite an intensive reporting process with our RHAs in terms of accountability performance and what we call our sort of our dashboard quarterly reports. It's quarterly on a yearly basis.

The Chair: — Questions on recommendation no. 1? No, okay, let's turn then to no. 2 that Mr. Reiter was on. Any further questions on this particular issue, these recommendations? Mr. Chisholm.

Mr. Chisholm: — Yes, I've just got a couple of quick questions. My understanding is that in a rural health authority if there's a new facility that goes through all the hoops and loops and finally gets approval, that the thumb rule is kind of 35 per cent local funding and 65 per cent from the government funding. And then in addition to that the local authority are charged with the cost of furnishings as well as the 35 per cent of construction cost, are responsible for that. Is this the same, approximately the same arrangement that's been set up with this particular facility or is it different?

Ms. Greenberg: — This arrangement with Station 20 is different, though I've never figured out, I guess, the 8 to the 12. It's three-quarters to one-quarter, so it would be 75/25 if you are using that rule. The arrangement with Station 20 is they do have to raise money because there is the issue of furnishing the Station 20. When you talk about capital construction which it is out in rural areas or even regional hospitals, there is a 65/35 split. When you deal with a province-wide facility such as the major hospitals in Saskatoon, Regina, plus you take the hospital in North Battleford and also in the North, government funds these at 100 per cent. There is the onus though, when we do fund at 100 per cent, that the facilities themselves still have to raise dollars through their foundations for equipment and furnishings.

Mr. Chisholm: — Thank you.

The Chair: — Mr. Harrison.

Mr. Harrison: — Thank you, Mr. Chair. Just to follow up on some of the questions of my colleagues here with regard to this project, of the \$4 million or so that's the responsibility of the CBO, about what percentage of that \$4 million has been raised already?

Ms. Greenberg: — I'd have to find out more information on you and get back to the committee on that. I don't have the numbers with me.

Mr. Harrison: — Are you aware whether the CBO has been actively fundraising or looking to solicit funds?

Ms. Greenberg: — I am aware that they've been working on fundraising, but I can't remark on how successful the fundraising has been and sort of what companies have made

commitments to that, I guess, on a public basis.

Mr. Harrison: — Have they made any limitations as to who they're attempting to raise money from — whether it be from corporate sector or any others — who they're limiting, who they're asking?

Ms. Greenberg: — Yes, I sort of . . . I don't carry this file, so I'm just going straight from memory. So we could get back to you, to this committee, with sort of fuller details on Station 20 if you'd like to have more information on it.

Mr. Harrison: — Yes, I'd appreciate that. Thank you.

Ms. Greenberg: — Actually I could add some information on that, that we do have a steering committee that includes a wide range of people both from the government and the health region and from people that are involved from the co-ops. So it's a rather large group that have been working on it. So there's been some rigour that has been brought to the planning process.

Mr. Harrison: — One further follow-up question. Are there any other facilities that have received a large proportion of their funding from the government that are operating these sorts of co-op grocery stores as a part of their operations?

Ms. Greenberg: — I'm not aware of it, but the grocery store is really separate from the \$8 million that we'd be providing. Our money is supposed to be directed towards health. But I'm not aware of any other facility in the province that have sort of the same sort of project that's been built.

Mr. Harrison: — So are there controls then on how that \$8 million would be allocated to ensure that it went just to the health component as opposed to, I suppose, a commercial operation like a grocery store?

Ms. Greenberg: — Before any money is released — because right now the money, we have the money within the regional health authority — all the documents, everything, it has to be agreement on anything that's being done before any dollars would transfer to this non-profit corporation. So we'd have to be sure that the money was going where it's supposed to be going and plus then we agree with the . . . Everything from building design to the type of services that would be offered, there has to be agreement on that.

Mr. Harrison: — Thank you.

The Chair: — Mr. Michelson.

Mr. Michelson: — This \$8 million is contingent on them raising the 4?

Ms. Greenberg: — Yes.

Mr. Michelson: — Okay. That's all I've got.

The Chair: — Any further questions on this particular recommendation? Then let's proceed to the next item. There's no new recommendations with respect to verification of pharmacists' services.

Mr. Michelson: — Mr. Chairman, there is something we can . . . In the auditor's report:

We continue to recommend that the Department of Health implement a process to verify that residents received the prescription drugs the pharmacists claimed for payment.

Can you address that? Has that been done?

The Chair: — Can you just give us your name for the Hansard people?

Mr. Wilson: — Sure. It's Kevin Wilson, executive director of drug plan, extended benefits branch.

The Chair: — Thank you.

Mr. Wilson: — We don't have a negative service verification letter that's routinely sent out at the current time. What we've started to do is look at a process where we can potentially look to implement that. So it means basically an IT change to come up with a way to sort of randomly choose an appropriate sample. So we're working on the computer side, I guess, of things and along with the statistical to try and do that in a meaningful way.

Mr. Michelson: — I realize it's not listed as a recommendation as such, but I noticed that when I read the report that we continue to recommend that. And I wanted some clarification on that.

Mr. Wilson: — The system does have routine sort of parameters built into it to minimize the potential for that as far as payment and verification of health card numbers and prices and things like that too.

Mr. Michelson: — All right. Thank you.

The Chair: — At this point, having dealt with this in some detail — recommendation no. 3 — under other items, maybe we'll skip that one and then carry on to the next recommendation or anything before that that's of interest to the committee that you may want to ask questions about. No? Then I'm going to keep going through here to page 187 where there is a recommendation with respect to the provincial employment strategy committee. Any discussion? Mr. Reiter.

Mr. Reiter: — Just in the preamble . . . sorry, Mr. Chair, there was a big jump and there's an item on page 181 under human resources plan. Can I deal with that?

The Chair: — Yes. By all means, yes.

Mr. Reiter: — On page 181 of the plan going on to the next, to 182, it talks about a human resources plan. I'm just wondering, I guess, where that's at and to what scope is that dealing with? Are you looking at a plan . . . Is that dealing with the nursing shortage? If so, to what extent? How long has that been in place? Is it being developed more further as it's mentioned in the audit report?

Ms. Donnelly: — The beginning of the development of a more public health workforce plan came following the September 2004 first ministers' agreement that all jurisdictions would

develop and publish a health workforce action plan and report on four specific employee categories, nursing being one of them — nursing, pharmacy, I believe medical technology, and physicians. Saskatchewan was one of the first — I believe it was the first — and there's only been maybe two subsequent to that to actually publish a health workforce action plan. That was published in December '05. And that was after extensive consultation with the health sector and stakeholders in the health sector including nurses.

There have been a number of initiatives subsequent to that. They're generally around a three-pillared approach — train, recruit, and retain — and the initiatives within that. There have to date been a number of nursing seats and physician seats added and a commitment to additional nursing seats on the training side, plus additional bursaries on the training side. There have been relocation grants for nurses and for allied professionals to repatriate them back to Saskatchewan.

And on the retention side, we've committed \$6 million over three years to support retention pilots submitted by regions or professional groups in the health system.

So the three pillars have been train, recruit, retain. It was launched in December '05. I would say there's still significant work to do to both monitor and evaluate and to continue to re-craft the recruitment and retention program as we get feedback from the initiatives that we've put in place to date.

Mr. Reiter: — No more comments.

The Chair: — Any further comments? I'm proceeding along to the question of approval of payments with respect to the provincial employment strategy committee. Are there any questions on that?

Can I just ask then, the auditor is saying that, one, you don't have the kind of documentation that's really required to support the payments to the committee and then goes on to say that there needs to be a service agreement for the services that SAHO provides in this respect. Do you have any comments on that?

Mr. Herbert: — Garth Herbert. And with respect to this, SAHO has now obtained all the documents to support the payments, and they've reviewed these documents, so they are available for the Provincial Auditor when they're out. So they've complied with this and got the information.

The Chair: — Okay. And do they also have a service agreement with the committee for the services that SAHO provides?

Mr. Herbert: — As of October 15 they have a service agreement.

The Chair: — Okay. Any further comments, questions on this? Then the next item is the North Sask Laundry & Support Services Ltd., and there is a recommendation that the North Sask Laundry & Support Services have processes to bill for all laundry services. Any comments on that?

Mr. Herbert: — They are currently working on the process to

develop that reconciliation.

The Chair: — Okay. Mr. Chisholm.

Mr. Chisholm: — Just a question on the North Sask Laundry. Does that mean that they didn't have a process to bill before or . . .

Mr. Herbert: — They didn't have a process to reconcile their billing with laundry receipt and shipping. So they're working on a reconciliation is, I believe, what the issue was, not that they weren't billing.

Mr. Chisholm: — Right. Thank you.

The Chair: — If you don't have that, someone could be taken to the cleaners. I think that concludes the section A. I wonder at this point . . . Yes, Mr. Reiter.

Mr. Reiter: — If I could just back up to . . .

The Chair: — Yes, you bet.

Mr. Reiter: — Table 2 on page 172, the expenditures. I'm just wondering where advertising by the ministry falls in — I assume it's under other — and what process advertising follows.

Ms. Greenberg: — It's under our communication branch. The budget would be under communication branch. That would be the only location for advertising. There is some communication dollars that are located in other branches. If it's about bringing attention, promoting a certain program or service, you know, that might be considered advertising dollars. But our communication branch is the lead.

Mr. Reiter: — So all advertising decisions come through the communications branch then?

Ms. Greenberg: — In working with the deputy's office and also working with Executive Council.

Mr. Reiter: — Okay. Thank you.

The Chair: — Can I just then take us back to recommendation no. 1 and the committee's disposition of that recommendation? Listening to the officials, it appears that progress is being made on that particular item. Mr. Reiter.

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

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. Then the next item is no. 2, " . . . that the Department of Health establish processes to monitor capital construction grants provided to private sector agencies." Mr. Reiter.

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

The Chair: — Okay. Any comments? Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Then item no. 3. Having dealt with this one now a number of different times, why doesn't someone make a motion that we concur with the recommendation, note progress has been made towards compliance, and we note this for all other departments covered by the auditor's report?

Mr. Michelson: — Mr. Chair, I would make that motion. We concur with that, then apply to all departments that processes . . .

The Chair: — Which then saves us having to deal with it rather repetitiously. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed.

Mr. Chisholm: — The alternative, Mr. Chairman, is we act as if there isn't such a thing as no. 3 because it always seems to be no. 3.

The Chair: — Well I wouldn't want to . . . There we go. We got it covered.

Then turning to page 187, the recommendations with respect to SAHO, it appears that progress has been made in terms of SAHO having adequate support for making payments. Can I have a motion in that respect? Mr. Reiter.

Mr. Reiter: — I'll move we concur and note progress towards compliance.

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

Mr. Harrison: — Mr. Chair, maybe I misunderstood the testimony, but I thought that compliance had been . . . this recommendation had been complied with.

The Chair: — With respect to 4, my sense is that progress is being made, but with no. 5, that in fact there was compliance. I could be wrong on that.

Mr. Smith-Windsor: — That's correct.

The Chair: — No. 5, I did note Mr. Herbert's comments and that there was in fact full compliance, so I don't know if we've dealt yet with a motion for no. 4. Did we deal with that? We dealt with that. Then no. 5, does someone want to make a motion on that? Mr. Harrison, do you want to do that? You had your hand up.

Mr. Harrison: — Sure.

The Chair: — You're going to move that we concur with the recommendation and note compliance?

Mr. Harrison: — So moved.

The Chair: — Okay. Moved by Mr. Harrison. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay, agreed. Then with respect to North Sask Laundry & Support Services, again I would, pursuant to the official's comments, that progress is being made in this respect. Mr. Chisholm.

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

The Chair: — Okay. So we're concurring with the recommendation, note that progress is being made. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And I think that concludes part A unless there is any questions that members have with respect to outstanding recommendations and where we are in terms of implementation, some of the previous auditor's recommendations, questions that that arises. If not, I mean there's nothing to prevent us from going back to this if something comes up subsequently.

Then let's turn to part B and go back to Mr. Heffernan and your comments, Mr. Heffernan, on part B and then give the deputy and his people an opportunity to respond.

Mr. Heffernan: — Okay. Thank you, Mr. Chair. Part B of this chapter sets out six financial and economic measures that can be used to assess the financial sustainability of the health system. We present this information to promote and inform debate about health issues based in Saskatchewan. These issues pertain to the affordability of programs and services and the maintenance of health care infrastructure including buildings and equipment.

Three of the indicators relate to spending on health in the total government context. The other three relate specifically to spending by the regional health authorities as they incur most of the health costs. In the interest of time, I will focus my comments on the first three indicators.

Our first graph shows total health spending. As you can see, the government has increased health spending by 88 per cent from 1.84 billion in 1998 to 3.46 billion in 2007.

This next graph shows increase in spending over time for the three largest health programs. Those are acute care, supportive care, and doctors' payments. The acute care costs have been increasing at a significantly faster rate than the other programs. Acute care costs have increased by approximately 106 per cent for the past 10 years.

This graph shows total health spending as a percentage of the provincial gross domestic product. This comparison shows that while a significant increase incurred in the period 1998 to 2001, since 2002 health spending as a percentage of GDP [gross domestic product] has been relatively stable. If this recent trend continues, the economy may be able to support the increasing levels of health spending.

This graph shows total health spending as a percentage of the government's total spending. This measure shows the impact that health spending has on the spending required to deliver other government programs. The graph allows us to assess the financial demands health spending places on the government's total spending. As you can see, health spending has increased from 31.7 per cent to 37.2 per cent of the government's total spending since 1998. This trend shows a decrease in sustainability as increasing demands for health care spending may reduce the government's ability to maintain required spending in other vital programs.

This next graph shows health spending is growing faster than the province's GDP and inflation or CPI [Consumer Price Index]. Health care costs have increased 88 per cent from 1998 to 2007, while inflation has increased by 22.4 per cent and GDP by 56 per cent. Because Saskatchewan's economy is vulnerable to changes in commodity prices, interest rates, and the weather, the increases in health spending may be unsustainable in the long term. That concludes my remarks, Mr. Chair.

The Chair: — Any comments?

Mr. Smith-Windsor: — The Ministry of Health believes that the information provided in the Provincial Auditor's report is not a measure of system performance, either financial or programmatic. Rather they are measure of the size of the particular industry and neutral as to performance.

Health care spending as a share of gross domestic product is an important indicator. Health care share of GDP indicates growth in both the demand for health care services and the supply of these services in Saskatchewan. As health grows as a share of GDP, the public is consuming more health care, and the government is spending more to provide these services relative to other goods and services in the economy. Health care spending has grown in Saskatchewan and all jurisdictions with higher incomes. This spending has produced some substantial gains in life expectancy and reduction in major causes of death. There are significant benefits to those jurisdictions gained by this spending.

Further not all sectors grow at the rate of the gross domestic product nor should they. When income rises, people spend increasing shares of their income on health care services. Growing income is associated with higher levels of health spending in all countries. In terms of general risk, it is important to point out that the growth of health care spending has occurred in the context of an improved overall fiscal position.

In the Provincial Auditor's 2007 annual report on operations, the auditor notes the province's fiscal position is in good shape. This leads to the conclusion that the general exposure to increasing health care costs is being managed.

It is also useful to discuss the issue of health care spending crowding out other priorities in a more substantive way. Crowding out implies that other sectors have been reduced to accommodate the other growth. However the government evaluates its potential investment every year and decides in which sector to invest. In times of growing government revenues, incremental investment choices can be made for one

sector without negatively impacting others. If there are specific questions, we would try to identify them.

The Chair: — I just have one on graph 2, the highest cost health program spending, and note that the rate of increase in acute services seems to be greater than that of supportive care and medical services and education. Any thoughts on that, why that particular trend line might be more steep than the others?

Mr. Smith-Windsor: — As the population ages, sir, seniors use more health services, more acute care services. And acute care services are more expensive than long-term care services.

The Chair: — Wouldn't that be the same for supportive care services or . . . No?

Mr. Smith-Windsor: — Not at the same rate, sir. Not with diagnostic services and medical costs and drug costs and institutional care.

The Chair: — Okay. Mr. Chisholm.

Mr. Chisholm: — Yes. Just a quick question. Where do prescription drugs fit in in those categories? Is that acute care or supportive care or wherever it happens to fit? Where do prescription drugs fit in to the expenditure side?

Ms. Donnelly: — When we report through estimates, prescription drug formulary is drugs prescribed and taken over the counter. But each other sector has a component of drug costs in them as well.

Mr. Chisholm: — So there's some in each . . .

Ms. Donnelly: — There's some in each. Plus there's a community drug cost, that's our prescription drug formulary, that's separate entirely from the costs in each.

Mr. Chisholm: — Okay.

The Chair: — Mr. Nilson.

Mr. Nilson: — I have a question for the auditor. These are your assessments of the different areas of that particular graph. Would it be from the, you know, the people within the Provincial Auditor's department as opposed to how health regions or the department would set that up? So that's, you know . . . You have to make some judgment decisions. Would that be correct?

Mr. Heffernan: — Absolutely, yes.

Mr. Nilson: — Yes. I'm used to some of these kinds of comparisons across jurisdictions for all the . . . comparing Canadian provinces, and there's quite a good book written here in Regina by some health economists who said, well we're going to do this for Saskatchewan. And they thought, well it would be so simple once we get Saskatchewan done that we can do every other province. And I think the result of their work is that they're never going to do this again because it's an almost an impossible task.

So I guess my comment is, I commend you for trying to do this

but it's not an easy task. And every single week that you do it, you probably come up with a slightly different mix because of all the judgments that have to be made. The other comment I would make is that 10 years may not be the right comparisons in this whole field. You might want to go back to '66 with the introduction of medicare and look at all the ups and downs.

The Chair: — Any further questions on this part? There are no recommendations as such; it's members information. No? If not, then let's proceed to part C, regional health authorities. And, Mr. Heffernan.

Mr. Heffernan: — Thank you, Mr. Chair. Part C describes the results of the audits of 12 regional health authorities. Boards of directors of the authorities need to improve how they safeguard public resources and ensure adequate accountability to the Assembly. We make four new recommendations.

Recommendation 1 relates to the Mamawetan Churchill River's need to follow its established processes that require management to approve all employee time cards that indicate the hours worked. Managers often did not approve the time cards until several months after the RHA paid the employees. This lack of timely approval could result in losses of public money due to the RHA paying employees for work not done.

Recommendation 2 relates to Cypress RHA's need to improve its processes so that staff are paid only for work done. The RHA did not require supervisors to approve time sheets. This could result in inaccurate time cards and inappropriate payments.

In recommendation 3 we recommend that Sun Country establish information technology processes based on a threat and a risk assessment. These processes would help to ensure vital information is protected, accurate, complete, authorized, and stable, and available. Previously we've made this recommendation for other regional health authorities, and the Public Accounts Committee has agreed to this recommendation, but those RHAs have not yet implemented it completely.

Recommendation 4 pertains to Keewatin Yatthé's need to secure its computer room. The RHA does not physically prevent unauthorized access to its computer room. It leaves doors open to prevent equipment from overheating. Without appropriately securing its computer room the RHA risks the unauthorized disclosure of confidence and information, reliance on incomplete or inaccurate information, and the loss of vital information.

On page 213 we note that Kelsey Trail RHA found that an employee of a health care agency it contracted to provide services with misused approximately \$24,000 of public money. Inadequate segregation of duties allowed an employee at the health care agency to collect money, write cheques, alter journal entries and bank deposits, and pocket the collected money. The RHA discovered the problem through its monitoring procedures. The RHA has referred the matter to the local police.

Finally on pages 214 and 215, we provide an update on recommendations previously made by this committee that are not yet implemented. That concludes my remarks.

The Chair: — Thank you. Mr. Smith-Windsor, any comments?

Mr. Smith-Windsor: — No comments. Just if there are questions, sir.

The Chair: — Can I just then ask you on recommendation no. 1 — the recommendation with respect to the Mamawetan Churchill River Regional Health Authority and following its processes to control its bank accounts and making payments to employees and vendors — any comments whether there's any progress being made on this?

Ms. Greenberg: — Progress has been made. Mamawetan is following all the processes required to control bank accounts when making payments to employees and vendors. Mamawetan is being much more diligent to ensure that the managers follow the approved policies in a correct and timely manner.

The Chair: — Okay. Well is it progress or is it full compliance?

Ms. Greenberg: — I'd like to feel it's full compliance and progress. But it's full compliance.

The Chair: — Then the second recommendation with respect to the Cypress Regional Health Authority in controlling its bank accounts and making payments.

Ms. Greenberg: — Progress is being made on this and Cypress is working on processes to address this recommendation.

The Chair: — Okay. And the recommendation respecting the Sun Country Regional Health Authority and establishing information technology policies and procedures based on a threat-and-risk analysis.

Ms. Greenberg: — We're making progress. The reporting to the chief information officer, we have a forum, a chief information officer forum. There has been two sub-committees established — a privacy working group and a security working group to work with the regions and health authorities — and they're actively developing a set of recommended policy and procedures based on industry best practices for privacy and security. So in progress.

The Chair: — And no. 4, Keewatin Yatthé Regional Health Authority securing its computer room.

Ms. Greenberg: — That issue has been addressed. Keewatin has installed a lock on the server room and there's been improvements made to the room regarding ventilation. And also we've done some work to ensure that there's no overheating. Keys to the service room are only given to authorized personnel and this will prevent any steps for unauthorized access.

The Chair: — So we could say compliance.

Ms. Greenberg: — Compliance.

The Chair: — Okay. Can we then deal with the recommendations, no. 1, since here that there has been compliance or at least making progress towards that? Someone want to make a motion that . . .

Mr. Michelson: — I will so move that it's in compliance.

The Chair: — Mr. Michelson moves and notes there has been compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And then recommendation no. 2, indication that progress is being made. Mr. Reiter moved that we concur with the recommendation and note progress towards compliance. Is that agreed? Okay. And no. 3, again there's an indication that progress is being made. Someone want to move that? Mr. Reiter, thank you very much. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And no. 4 appears that there is full compliance. Were they using this room to store snow shovels or what . . .

Ms. Greenberg: — Not that I'm aware of.

The Chair: — Well you wonder, you know, if the door is open like that all the time. Does someone want to move that we concur with the recommendation and note compliance? So moved by Mr. Reiter. Is that agreed? Agreed, okay. Any questions or comments with respect to any outstanding recommendations? No, okay. Then let's move on to part D and we're joined by Jane Knox of the auditor's office, and Ms. Knox if you could give us your comments on part D.

Ms. Knox: — Good afternoon, Mr. Chairperson, members of the committee, and colleagues. Part D of chapter 11 appears on page 217 of the Provincial Auditor's 2007 report, volume 3.

A 2002 study of 29 Canadian hospitals found that about 11 per cent of patients get infections and up to 7.5 per cent receive serious injuries or die unexpectedly while in hospital. An infection can be fatal for a very ill patient. Controlling hospital-acquired infections is one way to prevent deaths in hospitals. The type of bacteria that appear in hospitals can be difficult to control. They may not respond to the usual antibiotics. Across the country, staff shortages in hospitals may mean that staff take short cuts or receive less training.

In Canada there is no uniform system for reporting infections in hospitals and few hospitals make this information public. We do not know the total cost of infections in the health system, however we know that infections cause complications and increase the length of stay in hospitals. The result is increased suffering and higher costs which are estimated at an average of \$15,000 for each infection. The key is to identify specific risks and prevent infections before they arise in hospitals.

We audited the risk to patients and staff of getting infected while in hospital. Our objective was to assess the adequacy of Sunrise Regional Health Authority's processes to manage hospital-acquired infections. We found that Sunrise had processes related to two major types of infections. First, infections that originate in the community and then spread within the hospital. For example some people are carriers for antibiotic-resistant infections and when they are admitted to hospital, they become a risk to others. Sunrise has quite an interesting electronic alert that advises staff if persons who are

carriers are admitted to their hospital.

Secondly, infections that are caused in the hospital and primarily affect one person. We used four main criteria to assess how Sunrise managed hospital-acquired infections. These criteria came from several sources: legislation, federal guidelines, standards for infection control from the Canadian Council on Health Services Accreditation, and recent research.

Our findings showed that when an infection occurred in the hospital, Sunrise had identified practices and monitored whether staff used those practices. However, Sunrise did not have a plan to guide the prevention of infections and did not use its data to analyze, report, or review the rate of infections and their causes.

Mr. Chairman, our recommendations focused on these key findings. They are before you on pages 223, 225, and 230. On page 223:

We recommend that the Sunrise Regional Health Authority develop a regional infection control plan to guide the prevention of hospital-acquired infections.

On page 225:

We recommend that the Sunrise Regional Health Authority provide guidance to help staff fully identify, investigate, analyze, and report hospital-acquired infections.

On page 230:

We recommend that the Sunrise Regional Health Authority focus its actions to prevent and manage hospital-acquired infections by reporting and monitoring:

the rates and causes of hospital-acquired infections [and]

progress toward targets by type of infection

Thank you, Mr. Chair.

The Chair: — Any comments?

Ms. Donnelly: — Sunrise Regional Health Authority replied to the auditor on November 6, 2007, responding to each of the recommendations. They've been quite active, and they've outlined that in a response to the auditor. In addition to that, the department at the beginning of this fiscal year launched a province-wide assessment of infection control practices.

Patients, individuals, clients move across the system from the community to hospitals to long-term care now. In the past, organizations individually tracked infections. We're looking at a system to monitor infections across, community-based and institutions. So we've started under our chief medical officer of health — and Dr. Shauna Hudson is actually acting on his behalf — to take the provincial leadership on this initiative in infection control practices in the province. They've already done a survey of infection control practices in other Canadian provinces and have initiated a needs assessment, sort of gap assessment, across our organization. So I wanted to update the committee to let them know that the region has responded.

We do find regions have different levels and capacity in the system to respond and manage infection control, so we are as a province looking at what is that range, and when we have the needs assessment done, bringing everybody up to a standard best practice. So that's in progress.

We have put some additional resources in two regions to help spearhead that in the north and the south province — along with Dr. Shauna Hudson — infection control practitioners. And we would expect to have a work plan, a needs assessment and work plan, for addressing it in the next few months.

The Chair: — Go ahead, Mr. Reiter.

Mr. Reiter: — Question is for the Provincial Auditor. I'm just wondering, the ministry's just mentioned that they're looking at it on a province-wide basis now, but I noticed that the report only deals with Sunrise. My question for you is how that was done. Now was this sort of a spot audit on the one RHA or did something . . . I understand, I think there's independent auditors audit each individual RHA as well. Was that something that was flagged by them? I guess I'm wondering how you keyed on Sunrise.

And also I note that they have two hospitals. Was this sort of a compilation of both hospitals, or was it one specific one?

Ms. Knox: — Thank you. We audit on the basis of risk, so we look across the province at the information available about infection and infection control practices. We identified that there were a number of regional health authorities that already had extensive projects under way with regard to infection control, and we also looked at areas where we had other audits under way. So we try not to overburden individual RHAs. And on the basis of that analysis, we selected Sunrise. And we appreciated very much their co-operation with our audit.

Your second question escapes me. I'm sorry.

Mr. Reiter: — The two hospitals.

Ms. Knox: — Yes, two hospitals. Thank you. Yes. We did audit in both of the two major hospitals. They do have acute care beds in some integrated facilities as well. We did not go there. We looked at their two major hospitals.

The Chair: — I wonder, Ms. Donnelly, you're indicating that Sunrise sent a letter to the Provincial Auditor noting, sort of, their follow-up on the auditor's recommendation. Can you give us any details of that or . . .

Ms. Donnelly: — Certainly. I can give you more of what's in the reply. So with respect to the recommendation that Sunrise "... develop a regional infection control plan to guide the prevention of hospital-acquired infections," the organization has identified infection prevention and control as a priority. And they've adopted the recommended organizational practices of the Canadian Council on Health Services Accreditation. It's a national accrediting body that defines, sort of, some minimum standards that you need in place.

They've reviewed their accreditation report from November

'06. They reviewed their regional steering committee and revised the memberships to include all service areas and affiliates. Affiliates are normally long-term care facilities — some of them, not all of them, but they can be. We have the odd affiliate hospital out there as well.

So they're embarking on the development of a regional plan. And they anticipate that it'll be in place prior to September 1, '08. So with respect to the auditor's first recommendation to have a regional plan, they have started work on it and plan to have it in place.

Recommendation no. 2, that the authority "... provide guidance to help staff fully ... investigate, analyze, and report ..." The region over the past six months has increased its staff resources designated to infection prevention and control. They've purchased and installed appropriate software to facilitate region-wide consistent tracking, monitoring, and reporting of infections. They are a pilot test site for the Canadian Council on Health Services Accreditation standards on sterile processing of equipment. And under the leadership of the regional infection prevention and control committee, they will embark upon a review of their policies and procedures using the accreditation assessment and the assessment by provincial audit team to make improvements. And they've stepped up on their educational initiatives. So that was how they addressed recommendation number 2.

With respect to no. 3, that the authority:

... focus its actions to prevent ... hospital-acquired ... reporting and monitoring:

[by monitoring] the rates and causes of hospital-acquired infections

[and demonstrating] progress toward targets ...

Again they're relying on, they've purchased a software system. I mean the system gives you the data, but then you have to act on the data as well. So they've organized a patient safety report to be provided to the board of directors on a quarterly basis, with infection rates as a component of that.

So Sunrise has said this is all in response to the provincial audit and the accreditation report. And they shouldn't be considered to be an exhaustive list but some specific actions as a province, and this will feed into our bigger assessment across regions with respect to where each of them are at and what some of the best practices are and adopt those initiatives of Sunrise that would be helpful in other regions as well.

The Chair: — Thank you. Mr. Nilson.

Mr. Nilson: — Is there a legislative requirement to publicly report the infection rates at each institution? Is there a requirement to report it somewhere, if not publicly?

Ms. Donnelly: — Under The Public Health Act, there are specific antibiotic-resistant organisms or classification of organisms that require reporting to the chief medical officer of health. So there's that particular requirement.

Mr. Nilson: — Yes, and I guess I just raise that question because I know in a number of jurisdictions — and I see you've got the British references here — where people have many choices of which facilities to go to, that there's a movement to publicize in the newspaper where the highest infection rates are at different institutions. And I assume we're not going that direction. But this kind of reporting is a first step towards that in some ways, and so I assume we're not going that way.

Ms. Donnelly: — We would complete the needs assessment. I think our strategy would be to set a target, a low target of, you know, of zero or a very low target of infections and assist regions in achieving that versus having patients have to choose which ... Often patients don't have as much of a choice here on which facility they attend to receive a service.

Ms. Knox: — Mr. Chairperson, the intention of recommendation on page 230 is not public reporting but that internally the regional health authority should know what infections are being caused by the hospital and should be able to then identify the cause of those infections and address them.

Ms. Donnelly: — And the region agrees, and we agree.

The Chair: — Any further questions or comments on this part to deal then with the recommendations? So no. 1, developing a regional infection control plan. It appears that some progress is being made in that.

Mr. Michelson: — I think we can concur with that in progress.

The Chair: — Mr. Michelson moved that we concur with the recommendation and note progress towards compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Then recommendation no. 2, again there's some indication of progress and Mr. Reiter has moved that we concur with the recommendation, note progress towards compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And no. 3 on page 230. Again I get some indication that progress has been made here and if someone would move that, that we concur with the recommendation and note progress towards compliance. And I note Mr. Michelson has raised his hand. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. Then we should move on to part E and we'll go back to, I think, Mr. Heffernan for this particular part.

Mr. Heffernan: — Thank you, Mr. Chair. Part E starts on page 233. Food safety is a significant issue for residents of Saskatchewan. One of the ways people contract food-borne illnesses is by eating at public eating establishments such as restaurants. Public health inspectors monitor public eating establishments to protect public safety. The Public Health Act assigns responsibility for inspections of public eating

establishments to the regional health authorities.

Our audit objective was to determine whether Sun Country complied with the provisions of the following legislative and related authorities for the year ended March 31, 2007. The authorities are The Public Health Act, 1994, certain sections thereof; The Public Eating Establishments Regulations, The Public Health Officers Regulations, and the public health inspection work guide.

In our opinion Sun Country has complied in all significant respects with the provisions of the aforementioned legislative and related authorities for the year ended March 31, 2007 except Sun Country has not met the target time frames for follow-up inspections.

The public health inspection work guide sets out required time frames for follow-up inspections when regional health authorities find that an eating establishment has not complied with food safety legislation or related authorities. The time frames vary according to the severity of the food safety concerns found.

Sun Country completed 426 inspections during the year ended March 31, 2007 on the region's 350 public eating establishments with an overall inspection rate of 91 per cent. We noted several instances where Sun Country did not meet their target time frames for follow-up inspections. In 30 of its inspections, Sun Country found a moderate hazard rating. Sun Country did not meet the guideline requirement to follow up within six months for six of the thirty moderate hazard rated establishments. This increased the risk that the region's residents could contract food-borne illnesses. So we recommend that Sun Country comply with the time frames required by the public health inspection work guide for re-inspections of eating establishments. That concludes my remarks.

The Chair: — Mr. Smith-Windsor, Ms. Donnelly . . .

Ms. Donnelly: — So the Sun Country Health Region replied to the auditor's report on November 28, 2007. There were six facility inspections. Of the group that received a moderate hazard rating, there were six that were past the six month re-inspection guideline, and those six facility inspections have now been conducted — the six that did not meet the guideline. The region has also modified their in-house data management system to generate time frame reminders for their public health inspectors — because there was a manual process essentially before — and now they have an automated process to generate reminders so that sort of time frame lapse doesn't occur again into the future.

The Chair: — Mr. Reiter.

Mr. Reiter: — Mr. Chairman, the 30 establishments with the moderate hazard rating, I wonder if I could get a list of those so I know not to go there for supper tonight?

The Chair: — . . . Estevan, right? And area. But there's nothing to suggest that it's any worse or better in any other part of the province. Okay. Any further questions or comments on this? So I would note that some progress has been made here and if we could have a recommendation then or a motion in that

regard.

Mr. Nilson: — I guess when I listened to this — and maybe the Provincial Auditor can respond — is the overwhelming point here is that we've got a very good food inspection system. And you went through all the different pieces, and the only thing that was out of whack was a paper-based system that's now been fixed. And I don't think it should be interpreted in any way as a negative about how inspections are done in Saskatchewan. And in fact I suspect we have way better probably than most places as it relates to this.

Mr. Heffernan: — Yes, we were actually quite impressed with the system they have to keep track of all the eating establishments they have and make sure that the inspections are done. What they generally find with moderate hazard ratings are things like the cold food isn't kept at the cold enough temperature; the warm food isn't kept at the warm enough temperature; an area may not be clean enough — that sort of thing. But they're usually kinds of things that are easily remedied and usually are followed up pretty quickly.

Mr. Nilson: — So I just made that comment because I think we should just say that as far as this report, they've complied with it.

The Chair: — I know the Provincial Auditor tells me that his staff do go out for lunch from time to time, so there's some sense here that there's confidence in the system. Mr. Chisholm.

Mr. Chisholm: — Just a comment. What is the procedure when a new establishment takes over? Like there's obviously some turnover in the restaurant business. When a new person comes in and starts operating, is there licensing requirements that would automatically then see that that new establishment is on the inspector's list and that the procedures are followed?

Ms. Donnelly: — There are public eating establishment regulations. I can't speak to the specific processes, but I can get you that information.

Mr. Chisholm: — Okay.

Ms. Donnelly: — And I would add that during the 2006 fall session of the legislature, we did make amendments to The Public Health Act. It's The Public Health Act that governs the safety of restaurant environment, authorizing disclosure of public health inspections at restaurants. Regulations that will permit that are now over being drafted. So, you know, in addition to the stringency within which public eating establishments are overseen, there will be greater transparency and disclosure of inspection reports once those regulations are in place.

Mr. Chisholm: — Okay. Thank you.

The Chair: — Are there any further questions? Mr. Reiter? No. Then I would entertain a motion from Mr. Reiter.

Mr. Reiter: — With what Mr. Nilson had said, I think that we do have a very good system, and I'd concur with the recommendation and note compliance.

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. Then let's turn to part F. And we're going to be joined by Jeff Kress from the Provincial Auditor's office. Mr. Kress, your comments please.

Mr. Kress: — Thank you, Mr. Chair. This afternoon I'm going to be discussing our audit findings for the health information solutions centre. It's in part F of our report. It can be found on page 239. Throughout the report I'm going to describe the health information solutions centre also as HISC.

HISC is a branch of the Department of Health. It's a service provider to a number of government agencies, including regional health authorities, Saskatchewan Cancer Agency, and Saskatchewan Association of Health Organizations. As at March 31, 2007, HISC managed to maintain applications for about 35 systems. For example, HISC managed systems for pharmacies, immunizations, and to track chronic diseases.

HISC was an important audit to do because weaknesses at HISC could result in a loss or disclosure of information. Also systems may not be available when needed. Our audit objective was to assess whether the health information solutions centre of the Department of Health had adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the period March 1, 2007 to August 31, 2007. Our approach was consistent with other security audits we performed in the past.

Our criteria was fourfold. The first was to show management commitment to security, for example, control such as roles and responsibilities being clearly defined and policies and procedures being implemented. Our second criteria was to protect client systems and data from unauthorized access, for example, both physical and logical controls — controls such as locking doors and ensuring the passwords are in place; ensuring client systems and data centre are available for operation; for example, control such as performing backgrounds and having disaster recovery plans in place that would be available when needed. And last is ensuring integrity. And integrity is important to make sure that changes to systems and data will only be made in an appropriate manner.

Our overall finding was that the health information solutions centre of the Department of Health did not have adequate controls to protect the confidentiality, integrity, or availability of systems and data for the period from March 1 to August 31, 2007.

I plan to briefly walk through each one of our recommendations and following slides. Our first three recommendations can be found on page 245 of the report. Our first recommendation is that the health information solutions centre of the Department of Health approve and implement its draft security policies and procedures. We found at the time that existing policies and procedures were out of date and awareness of the policies and procedures needed to be improved.

Our second recommendation was that the health information solutions centre of the Department of Health should monitor the security of systems and data by reviewing regular reports on the

adequacy of its controls. We found that management needed to receive additional information to effectively monitor its systems and data.

Our third recommendation was that the health information solutions centre of the Department of Health meet its service level commitments to its clients related to firewall management and disaster recovery. Now HISC has agreements with the regional health authorities, Saskatchewan Cancer Agency, and Saskatchewan Association of Health Organizations. These agreements outline the services that are to be provided. For example the agreements will set out specific requirements for the type of firewall monitoring that needs to be performed. Also the agreements set out specific requirements for disaster recovery such as annual testing and updating of the plant. We found that HISC was not meeting these requirements.

Recommendation no. 4 can be found on page 246 of our report. We recommend that the health information solutions centre of the Department of Health follow its procedures for controlling user access to systems and data. We found that HISC needed to improve its management of user access. For example HISC needed to ensure password standards were followed.

Our fifth recommendation can be found on page 247 of the report. We recommend that the health information solutions centre protect systems and data from security threats by adequately configuring, updating, and monitoring its computers and network equipment.

We found weaknesses related to key computers, firewalls, and other network equipment. This may allow inappropriate users to see data or to obtain access to systems.

And our last recommendation can be found on page 248. We recommend the health information solutions centre of the Department of Health have an approved and tested disaster recovery plan for systems and data. HISC does not have a current approved and tested disaster recovery plan. If there was a significant disaster, it's not known how long it would take to recover. That concludes my remarks.

Mr. Livingstone: — I'm Scott Livingstone. I'm the acting executive director with the health information solutions centre. So just in general comment, I think from a department perspective we're in agreement and welcome the auditor's comments. Many of these things identified through the recommendations by the Provincial Auditor were known to HISC. As the Provincial Auditor has already pointed out, we did have in circulation a draft copy of our new security policies at the time of the audit. Those policies weren't reviewed at the time because they were draft, but they have now been reviewed internally and are simply awaiting SHIN [Saskatchewan Health Information Network] board approval before we can move forward with implementation.

These policies will address many of the recommendations as well as concerns raised by the Provincial Auditor. Again, we are actively working on many of these things and have addressed some of them directly. And I'd be happy to address any questions specifically to the recommendations of the auditor.

The Chair: — Questions? Does anybody have any questions?

Can I then ask you with these first three recommendations which is to show management commitment to security and deal with the security policies reviewing regular reports on the adequacy of its controls, meeting service level commitments related to firewall management and disaster recovery, can you report that progress is being made then in terms of these three recommendations? Or would you say that there is in fact full compliance?

Mr. Livingstone: — I would say that there's a mixture of both. If you would like, I could go through each of the three recommendations individually and address them directly.

The Chair: — Yes. If you would.

Mr. Livingstone: — Absolutely. With respect to recommendation no. 1, as I'd mentioned previously, the draft policies which address the issues identified by the auditor have been reviewed and approved internally by the department.

These policies, as also mentioned in the auditor report, affect some of the amalgamations that have recently occurred within HISC, including the amalgamations of our two data centres. So we actually had two different data centres and have created one now, and also two different branches with two different set of policies and now have amalgamated that into one. So this is one of the issues that we were trying to address with the more universal set of policies. These policies, being a single set shared by both Saskatchewan Health as well as the Saskatchewan Health Information Network, these new policies will be approved by the SHIN board early February. And we will be moving towards implementation of the policies immediately afterward.

With respect then to recommendation no. 2, the monitoring of security systems and regular reports with respect to the adequacy of controls, we acknowledged within our 2007 and 2008 work plan that the management reporting process around reviewing the security of systems was a requirement. And we have moved forward with setting up a quality assurance committee within the branch to review these policies and regularly update them and are working towards implementing the policies in 2008-2009.

We currently do have information coming to the management team, as the Provincial Auditor already mentioned, with respect to logging in inappropriately, inappropriate access to the system, or attempts to inappropriately access. The report speaks specifically to expanding that report to including more information to the management team, which is what we're actually doing. We're actually looking right now at an automated system to do this and we're hoping to go to procurement within the next few weeks. So that one I would identify as more progress towards as opposed to compliance.

Last, with respect to the first three, the third recommendation specifically with respect to the firewall and logging, at the time the auditor did the review we had a firewall system that was turned off with one of our clients — it was community pharmacies. It wasn't a security risk with respect to why we did it. It was related to performance. The system was working. We have now fully, we've turned it back on and have addressed the performance issues for those community pharmacies. And the

firewalls are fully turned on and we are meeting those service level requirements on the firewall side.

With respect to the disaster recovery issue with respect to our data centre, I would like to address that one in particular. The issue around compliance around disaster recovery speaks to a total loss of our data centre whether that be through a fire or a flood. So through the report you will notice that the auditor has mentioned that we can bring up individual systems and we do have backups. Right now we actually have two different backups on our systems and we can bring up individual systems if they go down. The disaster recovery aspect of the report speaks to the total loss of the data centre physically.

This is a risk. The industry information puts this risk of occurring at around 1 per cent. So this would be if the data centre, a plane hit the data centre and it was completely destroyed — and we're aware of that risk. We're currently working on a business impact analysis at what the costs and the options are available to us to have an interim solution and then a longer-term solution to completely replace that data centre. We are trying to marry that disaster recovery plan with both the department's business continuity plan as well as the regional health authority business continuity plans because it is very intimately related to our business continuity processes within the department.

The Chair: — Recommendation no. 4.

Mr. Livingstone: — I'll just keep going. So with respect to recommendation no. 4, this was specific to user access accounts and system. Again these policies are outlined in our new draft policies but with respect to the user accounts, we have cleaned up the user accounts. We did start some work in 2006 towards improving account management, looking at errors and omissions. Again we're looking at, we're using our quality assurance committee to document as well as review current accounts and practices and policies around that. We have now cleaned up all 200 user accounts that the Provincial Auditor had identified that did not have expiry dates and those have been completely cleaned up.

The Chair: — And no. 5.

Mr. Livingstone: — So no. 5, again going back to the security policies. These standards have been identified within the new security policies, and in a function of implementing those new security policies our configuration standards for the new data centre will be set and enforced.

The Chair: — And finally no. 6. I'm not sure whether we've dealt with that or not but . . .

Mr. Livingstone: — We just touched a bit on this already. With respect to business continuity, Saskatchewan's health and emergency measures officer has been providing leadership for the department with respect to our business continuity plan. This activity will help us at HISC to help provide a harmonized process to respond to either a workplace disaster or in fact a total data centre loss. As I mentioned before, we're currently working with our emergency measures officer as well as the regional health authorities to more closely align both the ministry's as well as the regional health authorities' business

continuity plans.

The Chair: — Are there any other questions for the department or for the auditor on this section? Mr. Michelson.

Mr. Michelson: — With the recommendation no. 1, has the auditor seen the draft that they're talking about implementing?

Mr. Livingstone: — The auditor physically have seen it but the auditor didn't . . . Because they were in draft form, the auditor did not do a formal review of the security policies at the time the audit was done.

Mr. Michelson: — How can they recommend the implementation of the draft?

Mr. Livingstone: — Pardon me?

Mr. Michelson: — I don't understand the implementation, if they're recommending the implementation of the draft if they haven't seen it as such.

Mr. Livingstone: — Did I say the Provincial Auditor was recommending implementation?

Mr. Michelson: — Well this is the recommendation, that " . . . the Health Information Solutions Centre of the Department of Health approve and implement its draft . . . "

Mr. Livingstone: — The department has, we have internal in the department approved our policies. I mean, we've received some favourable comments from the auditor although they didn't get the opportunity to formally review it. The department has approved them. They just haven't been approved by the SHIN board.

Mr. Michelson: — Okay.

Mr. Livingstone: — But just to go on about the policies, they do meet ISO [International Organization for Standardization] standards, which are an international standard for security policies and we feel that they not only address the current auditor's recommendations but perhaps go beyond that hopefully into the future.

Mr. Michelson: — I guess that's what I was getting at, is the depth of the draft. What is in it? What would make it a recommendation if it's just a draft at this point?

Mr. Livingstone: — Well the policies were drafted at the time of the review. The policies are being ready to be approved so they're not in draft form any more.

Mr. Michelson: — Okay.

The Chair: — Is there any further comments or questions with respect to recommendation no. 1? It would note that progress is being made. I wonder if someone could then move that we concur with the recommendation and note progress towards compliance. So moved by Mr. Chisholm. Any discussion? Are we agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Similarly with no. 2, again we would note that progress is being made. Could someone move that we concur with the recommendation and note progress towards compliance? Mr. Reiter, so moved. Are we agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. No. 3, again it would appear that progress is being made. I wonder if someone could move that we concur with the recommendation and note progress towards compliance. Mr. Bradshaw. Thank you very much. It's been moved. Are we agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Then no. 4, it appears too that progress is being made. Can we have a motion to that effect that . . . moved by Mr. Chisholm that we concur with the recommendation and note progress towards compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And no. 5, that similarly progress has been noted. Can we have a motion to note that . . . Mr. Reiter, that we concur with the recommendation and note progress towards compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And no. 6 too, can we have a motion then that we concur with the recommendation and note progress towards compliance? Mr. Bradshaw. Thank you very much. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Thank you very much. Are there any other items that the members want to pursue with respect to Department of Health, either from the auditor's report or from the public accounts at this time? If not, then thank you very much, Mr. Smith-Windsor, and all your staff for being with us today and assisting the committee in its deliberations. And good luck in all the work that you have to do. Thank you very much.

Mr. Smith-Windsor: — Thank you, sir.

The Chair: — The committee then will recess until 3:15 when we will resume with an appearance by the Department of Finance. Thank you.

[The committee recessed for a period of time.]

Finance

The Chair: — Welcome back. We're joined by Mr. Doug Matthies, the deputy minister, Department of Finance. We are convening to deal with volume 2 of the 2007 *Report of the Provincial Auditor*, understanding the finances of government. And again for those that are following this at home, this report too is available on the Internet at www.auditor.sk.ca.

Mr. Matthies, if you might introduce your officials, and then we're going to go to Judy Ferguson from the auditor's office to give us her perspective on this particular volume, and then come back to you for comments prior to any question you might have. But if you could first introduce your officials.

Mr. Matthies: — Thank you very much, Mr. Chairman. With me on my right today is Joanne Brockman. Joanne is the executive director of the economic and fiscal policy branch of the Ministry of Finance. On my left is Terry Paton, who is the Provincial Comptroller with the Ministry of Finance.

The Chair: — Okay. Now we'll go to Ms. Ferguson for her comments.

Ms. Ferguson: — Thank you very much. Mr. Chair, committee members, and government officials, thank you for the opportunity to provide you with an overview of volume 2. I'm going to use a PowerPoint presentation. You can follow that, or else you can actually follow along through actually the report itself. I'll refer to the pages.

I'm not going to take you through the entire report, but rather I'm going to focus on a few key graphs and explain our one new recommendation for the committee's consideration.

So just moving along, the government's summary financial statements provide the complete financial picture and key financial information on the financial activities of the entire government. In this report, using those financial statements, we focus on the government's financial condition at March 31, 2007.

First we measure the government's ability to meet its existing program commitments and creditor requirements without increasing its net debt. That is, is the government living within its means? We refer to this as sustainability.

Second we measure the government's flexibility to meet its commitments by increasing its revenues or borrowing more money. We refer to this as flexibility.

Third we measure the government's dependency on monies from the federal government to pay for existing provincial programs. In simple terms this indicator measures the extent to which a government can manage its affairs without having to rely on others. We refer to this as vulnerability.

In 2007 the government raised 574 million more in revenue than it spent. While both revenues and expenses continued to increase, spending increased more than revenues. As a result the 2007 annual surplus was smaller than that of the two previous years — 679 million annual surplus in 2006 and 844 million for 2005.

The net debt as a percentage of GDP decreased from 18 per cent in 2006 to 16 per cent in 2007. This improved ratio is due to the net amount that the government owes, called net debt, being at its 17-year low at 7.3 billion and continued growth in the provincial economy as measured by the gross domestic product.

Interest costs as percentage of revenues declined slightly from the prior year from 9 cents per dollar of revenue to 8 cents per

dollar of revenue.

However, even with the government's improved financial conditions, financial risks remain. Net debt of 7.3 billion remains large for our population of 1 million people. Interest costs are the government's fourth largest expense. The government relies heavily on revenues that are tied to the state of the provincial economy and changes based on factors beyond its control. Our provincial economy is exposed to changes in the value of the Canadian dollar, commodity prices such as oil, potash, grains, and cattle, and interest rates. Furthermore the government has limited control over the amount of federal government transfers it receives.

The government continues to be under pressure to spend more in some areas, particularly health and education. Also it remains exposed to high costs for crop insurance programs in the event of low commodity prices or bad weather.

Our report contains almost 30 graphs of trends and interprovincial data. I want to highlight six of those graphs. If I could ask you to . . . If you don't want to refer to the overhead, just turn to page 7 of the report, graph 1, entitled annual surplus or deficit.

Annual surplus or deficit shows the extent to which a government spends less or more than it raises in one fiscal year. An annual surplus means the government has lived within its means, whereas an annual deficit means it has not. This graph shows the government has lived within its means for the last three years, after three years of living beyond its means.

If you don't want to use the overhead, you could turn to page 9 of our report, graph 3, net debt as a percentage of GDP. Net debt as a percentage of the provincial GDP measures the level of financial demands placed on the economy by a government's spending or revenue-raising practices. It provides an indicator of how much debt a government can afford to carry.

The thinking behind this indicator is that a person with \$50,000 per year income can afford to carry more debt than a person with \$30,000 a year for income. Thereby the larger the economy, the more debt a government can afford to carry. Higher ratios mean a government is placing a growing debt burden on taxpayers, and it will need more future revenue to repay the debt. Higher ratios can adversely impact the interest rate at which a government can borrow, that is higher credit ratings and lowering or decreasing ratios are better.

The graph shows that the net debt was 49 per cent of the provincial economy in 1993. This net debt was not sustainable. As a result, the government had fewer borrowing sources, paid higher interest rates, and needed large amounts of money from the federal government to pay for provincial government programs.

The graph shows that since that time, net debt as a percentage of GDP has gradually dropped. In 2007 the net debt as a percentage of GDP has decreased to 16 per cent. The government since 1993 has improved its ability to carry its debt and afford its existing programs with the money it raises from the provincial economy.

If you look on actually page 8 of the report, graph 2, you'll see that the steady growth in Saskatchewan's economy has assisted the government in increasing its net debt and improving this ratio.

Also, again this is on page 9 if you're following the report, graph 4 shows net debt as a percentage of GDP by province. This graph shows a cross-section of cross-Canada comparison of net debt to GDP at March 31, 2006. So it's a one-year lag here. 2006 is actually the most recent information that was available at the point of time that we prepared the report due to the availability of the other provinces' summary financial statements. As you can see by this graph, Saskatchewan compares favourably with most other provinces for this ratio.

Again if you're following in the report, it's on page 11, graph 5, own-source revenue as a percentage of GDP. Own-source revenue as a percentage of GDP shows how much revenue from the provincial economy a government raises through taxation and user fees. Higher ratios or increases in ratios mean a government is placing higher demands on its provincial economy. Its demands are outpacing growth in the economy. This can make future increases in taxes or user fees difficult. This graph shows that since 1993 the revenue raised by the government as a percentage of GDP from sources within the province has remained fairly constant. That suggests that the pace of increases in government revenues has matched the increases in the size of the provincial economy.

Again if you're following in the report, page 13, graph 7, interest cost as a percentage of revenue. The amount of interest cost as a percentage of total revenue, sometimes called the interest bite, shows the extent to which a government must use revenue to pay for interest costs rather than to pay for services. In simple terms the ratio shows how much of every dollar of the government's revenue is needed to pay interest. A lower ratio of interest costs as a percentage of revenue means a government uses less of its revenue to pay for interest costs.

The graph shows that in 1993, 24 cents of every dollar went to paying interest costs. Since 1993 that has improved 8 cents of every dollar. This improvement is a result of larger revenues, lower interest rates, and a smaller net debt. In 1993 the government spent more on interest costs than it did on education. In 2007 interest costs remain significant. Interest costs at 783 million in 2007, as I indicated earlier, are the government's fourth largest expenditure after Health, Education, and Social Services. In 2007 its interest costs were about 45 per cent of its spending on Education.

Now for the final graph on page 18, federal transfers as a percentage of own-source revenue. Federal government transfers as a percentage of own-source revenue show the extent to which a government is dependent on money from the federal government to pay for existing provincial programs. A government showing increasing trends is becoming increasingly dependent on the federal government to operate. That is, changes in the level of federal government transfers would have a greater impact on the government's ability to deliver expected services.

The graph shows that since '93 the federal government transfers as a percentage of own-source revenue has decreased. Increases

in the government's taxes, user fees and non-renewable resource revenue, called own-source revenue, have helped the government to become less reliant on money from the federal government. Note the increase from 2004 to 2005 was mainly due to a 500 million increase in equalization revenue, most of which was a one-time revenue.

As previously indicated, our reports show other graphs which have trend lines and intergovernmental comparisons. We encourage you to have a look at them for they should help you understand the financial condition of the province.

Now I'd actually like to turn and talk about two aspects of the government's public reporting practices as they relate to the summary financial statements: the government's quarterly reporting of financial performance, and financial discussion and analysis. You'll find this information on page 19 and 20 of our report.

For a number of years the government has appropriately provided the public with its budget and performance plan summary. It is based on the financial activities of the entire government. The summary budget not only helps legislators and the public understand the financial implications of the government's plans for the upcoming year, but provides context to assess the affordability of planned services as set out in the estimates.

In our 2005 report volume 2 we encouraged the government to expand its reporting of projected results compared to summary financial budget. The government compares projected results to the summary financial budget in the mid-year report, but it does not publish this information for the first and third quarters. Publishing periodic comparisons of actual and projected results for the entire government would help legislators and the public assess the government's progress in achieving its summary financial budget.

We make one new recommendation on page 20 of our report for the committee's consideration:

We recommend that the Government publish actual and projected results compared to its financial plan for the entire Government in each quarter.

That being the first, the second, and the third.

Our 2006 report volume 2 explains the importance of governments publishing financial discussion and analysis along with their audited summary financial statements. It notes that since June 2004 the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants recommends governments include financial statements discussion and analysis with their summary financial statements. Providing financial statements discussion and analysis helps legislators and the public to understand a government's financial position and results, leading to more informed decisions and judgments. It also assists the government to show its accountability for resources entrusted to it.

In our 2006 report we recommended that the government publish financial statement discussion and analysis along with its audited summary financial statements. In June 2007 this

committee agreed with this recommendation. We continue to make this recommendation.

So in summary, in addition to the recommendations, our report contains three key messages. First, the government's financial condition has continued to improve. Second, the government has built its financial resilience by prudently reducing debt. Third, we encourage continued careful management of government revenues and spending because significant risks to the government's financial condition continue. Saskatchewan's net debt is \$7.3 billion. Its interest costs are 783 million on that debt, and it's the fourth largest expense of the government. As well the provincial economy remains vulnerable to the risks of changes in the Canadian dollar, low commodity prices, higher interest rates, and adverse weather.

That concludes my presentation. We'll be pleased to respond to questions.

The Chair: — Mr. Matthies, any comments?

Mr. Matthies: — Thank you, Mr. Chairman. I think we would first of all like to acknowledge the work of the Provincial Auditor. The analysis that they have provided is based on information they've largely derived from the public accounts.

I think there's sort of two major areas that I would speak to just as an information type of conversation. First of all if I could I would update members of the committee in regards to the last item that Judy spoke to, which was the recommendation to incorporate management discussion and analysis into the public accounts documents. As Judy indicated, that recommendation was accepted by the Public Accounts Committee in June of this year, and the Ministry of Finance is working to incorporate information into our '07-08 Public Accounts report so that we will provide additional information in terms of improved accountability to the public in our public accounts documents.

The second area that I'd like to speak to is the recommendation that Judy referred to which is on page 20 of the report. This recommendation, I would actually break it down into a couple different components. The first component is a recommendation to incorporate actual results in our quarterly reports. And then I would say that the second part of the recommendation is to do that on the summary financial statement basis as opposed to the General Revenue Fund reporting basis.

In terms of incorporating the actual results on the quarterly reports, what I would indicate is that the ministry is very interested in exploring the implications of moving in this direction. We think that when we look across the country right now, there are five provinces that currently do this and five that do not. We have had some discussions with ministries around government in terms of what the implications would be in terms of the logistical aspects of pulling this information together, in terms of what our timelines would be, and whether there would be any implications in terms of the timeliness of publishing our quarterly reports. So we are undertaking analysis and some review efforts in terms of being able to move forward in providing actual information with the quarterly projections.

And just to make sure that that's clear, Judy has identified, I think, that in the quarterly reports we do now, we provide a

projection for the year, and the recommendation is that you also provide what the actual revenues and expenses to that point in time has been, not just what you're projecting for the full year. So that would be the incremental piece of information that the auditor is requesting or suggesting that we move towards. And we think that there's some important work to do in understanding our ability to move in that direction.

The second side of the recommendation continues to focus the discussion around summary financial statements versus the government's approach to use the General Revenue Fund as the main point of attention, if I can describe it that way, in terms of explaining the financial position of the government. The government has, for I guess all time so far, used the General Revenue Fund as its primary point of focus.

The General Revenue Fund captures all of our tax revenues, all of the resource revenues that we take in from oil, potash, etc., and uses those funds to pay for the services provided to the public — whether it be health care, education, or whatever; interest costs on the debt, on the government debt — and has taken the view, the government has taken the view that the activities of the Crown corporations are essentially self-sustaining. So there is no subsidy that goes into SaskTel, for example, or SaskPower through the taxpayer system that those operations are self-sustaining.

So as we move forward in looking at this notion of enhancing the accountability of the public's dollars, our desire would be to move forward in concert with the focus on the General Revenue Fund.

The Provincial Auditor and the Ministry of Finance have had many years of discussion, I think, in terms of the focus on summary versus General Revenue Fund. And, I think, at this point we would say that that discussion will continue. Thank you, Mr. Chair.

The Chair: — Question. Mr. Harrison.

Mr. Harrison: — Yes. Thank you, Mr. Chair. I have a short question for the deputy minister, and then I will be moving a motion as well.

My question is with regard to sustainability. Particularly in light of the one-time nature of the natural resource revenue that the province has been receiving over the past number of years, whether at the rate of growth in spending that we saw in the last budget utilizing those funds is sustainable over the long term?

Mr. Matthies: — Mr. Chairman, it's a very challenging question for government. As the Provincial Auditor very deftly identified, a significant portion of the revenues from the province are based on things that are not within the control of government — the price of oil, the price of potash, interest rates, the Canadian dollar, all of those factors — and they particularly come home to roost in Saskatchewan perhaps more so than any other province in the country.

Approximately 70 per cent of our provincial GDP is tied to exports. And so those external factors in the world have a more profound impact in terms of our own revenues than in any other province. And as we have seen in the last few years, and the Provincial Auditor's information identifies, just over in the last

five years oil revenue, to use that as an example, has gone from just over 500 million to over \$1.3 billion in five years.

But that what we've seen in the past is where we've had prolonged up periods. You know, what goes up can go down I guess is what I'm saying. And the trick is to understand what is the reliable, predictable amount of revenue that we can count on into the future and then for government to try and determine how to match its spending plans against that fairly volatile level of revenue. So I think that becomes the challenge for government — to try and assess what those revenues will be against that volatility and then what is the manageable level of spending against that.

Mr. Harrison: — Well thank you very much. In light of the comments that you had made with respect to the recommendation, I'd like to move a motion:

That the recommendation of the auditor be replaced with an independent recommendation, and that recommendation would read:

The Ministry of Finance be directed to review the implications of reporting actual results with the projected results for the General Revenue Fund on a quarterly basis.

And maybe ask for comment from the deputy minister on that as well.

The Chair: — Mr. Nilson.

Mr. Nilson: — Can we ask more questions before we get into that kind of a discussion? Yes. Okay. This last discussion is quite interesting, and I think there are a couple of the graphs in here that are of assistance.

One of the graphs relates to the federal government transfers which I guess is on graph 11 on page 18. That would be the last one that was referred to. Has the department . . . Or can you make an estimate of what the graph would look like if we had received the proper amount of equalization from the middle '90s to now à la Tom Courchene or many of the other writers?

My assumption is that it would be more of an equal line for revenue across those years and that the \$7.3 billion in debt would be reduced by probably half. Has anybody done a calculation of that in the department?

Mr. Matthies: — Mr. Chairman, I certainly don't have any of that information with me here today. What I would indicate is that had we been receiving equalization in accordance with some of the writings of Professor Courchene, we would have expected to have seen larger equalization payments over a number of years.

The amount that has sort of been in the public domain over the last two years is in the neighbourhood of \$800 million. And certainly had the province had access to those dollars, then it is likely that we would be in a different financial position today. I wouldn't speculate in terms of whether some of that additional money would have been invested through further highways or infrastructure spending or program spending or been applied to the debt. But those would have been decisions that would have

been of the purview of the government of the day.

Mr. Nilson: — So that that issue is in that graph basically — 11 — it shows that the transfer issues and the steep reduction that took place in the middle '90s, you know, has affected the overall percentage. So I understand that.

The other graph that's interesting is on page 27, graph F. And the question really being asked there is enterprise services, in other words, the Crown utilities primarily. Presently the revenues and expenses are relatively equal. Now from the Finance department's perspective, I assume that's basically where you like to have them, in the sense that how much they're spending to actually provide the service is fairly equivalent to the amount that the public is paying for those services. And that compares to what was happening where there was a major gap back in '92 and that some of the reconciliation of the debt does relate to that particular graph where Crown services are being handled in a straightforward way.

Do you have any other comment? Maybe it's actually the Provincial Auditor's graph. So I don't think there was a comment really about that. But I assume that that's what it was supposed to show is that this is the way to run a service corporation.

Ms. Ferguson: — You're quite correct. Basically it shows that over the period '93 to 2007, that over that time frame, yes, you know, you are in a situation where that group of organizations — the enterprise companies, which are some of the Crown corporations, not all of them though — have actually . . . their revenues have actually exceeded the expenses. Yes.

Mr. Nilson: — Well except I think the point was that they were being used for taxation purposes back in '92 or . . . because money was being transferred there to cover other expenses.

Okay. Now as far as the information here, it does show the credit rating as it stands right now. I assume the same risks to the credit rating exist as the risks that the Provincial Auditor has identified around volatility. Or are there other risks that you would want to tell us about?

Mr. Matthies: — Mr. Chairman, maybe I'll make comments in the three areas that the member has sort of just spoken to. Just a further comment in terms of the federal transfer pieces, and the member referred back to the early '80s, I think, and sort of the trend going from the '90s down in terms of the federal transfers.

Certainly — and I don't profess to be the expert on equalization, although I have some knowledge of the file — but certainly as you look over the years of equalization, there have been periodic changes, and there was a fundamental change in the calculation of the equalization amounts in the early '80s. And so what we saw was to that point about 70 per cent of the resource revenues of the province were retained by the province. Post that period of time, it was when we saw what Professor Courchene had described as the confiscatory equalization, where that amount had dropped off to in some years actually being negative. So the trend that you referenced on page 18 ties back to larger policy changes of the federal government.

The second area that you spoke to was the graph on page 27. And I think perhaps the only comment that I would make here is the discussion around enterprise services here. You know, we would see that as supporting the perspective of the Ministry of Finance, that the activities of the Crown corporations are self sustaining. And so I would make that comment.

The third area that you spoke to is the credit rating agencies and their assessment of the province, and do they look at factors beyond just what has been identified by the Provincial Auditor? What I would say — and obviously I can't speak first-hand for them — but as the ministry meets with each of the credit rating agencies, a couple of times a year typically, we go through not only the state of the economy and the trends, but they are also very interested in things like what is the government's intentions for the future? And so they are interested in spending plans. They are interested in tax competitiveness as a means of attracting or building investment into the economy. And so those are some of the additional things that they consider when they come up with their rating assessments.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Yes. I would have a question just in regarding to a couple of numbers that were thrown out regarding the debt and the interest, annual interest cost. In my mind it works out to around 10 per cent — unless I'm missing something — \$740-some million of interest expense on \$7.3 billion worth of debt. Would we in fact be paying an average of 10 per cent on our government debt? Or am I missing something there?

Mr. Matthies: — Mr. Chairman, I might ask Fred to respond first in terms of their numbers because I think their numbers are based on a summary financial statement basis. And then I'll maybe offer a comment on the GRF [General Revenue Fund] basis, if that's fair.

Mr. Wendel: — Thank you, Mr. Chair. The interest costs are based on the total debt of the government. And what you're referring to is the net debt. The net debt is the total debt less the financial assets, the cash-on-hand investments, that you could use to set off against the debt. So we'd be measuring the government's financial position based on net debt. So when you look to see, you can't just use that 10 per cent of net debt. You'd have to go to the total bonded debenture debt and pension debt. And that would appear on page 32.

Mr. Matthies: — Mr. Chairman, if I would just make a further comment then. In terms of the management of the public funds, the ministry focuses its efforts on the General Revenue Fund. And so just to put some other numbers out there to give context perhaps to the member, in the fiscal year ended March 31, our cost of servicing the public debt was 538 million absent the Crown pieces, and that 538 million would relate to the government debt at the end of March of 7.3 billion approximately. So it wouldn't be 10 per cent of the . . . Anyway so that's the context in terms of what our servicing cost is against the debt of the government.

Mr. Chisholm: — I just have a comment . . .

Mr. Matthies: — Debt being defined as the bonds and

debentures as Fred I think had described as well.

Mr. Chisholm: — Right. I just have a comment and maybe the deputy could comment on my comment. It seems to me that some of the success that we're seeing in the province in the last number of months and year is due to our competitive situation that we've been able to promote, which includes reductions in personal and corporate tax, I think, a competitive royalty structure, a number of those things that are working in our favour. If we want to continue this growth, it seems to me that we have to become even more competitive, or we will level off to the point that we're no longer the attraction in town. And I'm concerned that our increasing level of expenditures is going to prohibit our being able to be more competitive. I'm just wondering if you could comment on that at all.

Mr. Matthies: — Certainly, Mr. Chairman. I think the member raises a couple of very different points there. The first one certainly is the competitive piece, and as the member's indicated, in recent years Saskatchewan has made adjustments to personal tax, to business tax. We're moving to eliminate corporate capital tax. It'll be fully eliminated this coming July. Royalties for the potash industry were changed a few years ago. We've also seen changes to enhanced oil recovery pieces so that there's been a number of measures that were designed to stimulate investment and business growth. Those have been, as was indicated, very helpful in terms of building the growth.

One of the things that the ministry is reviewing as part of the current budget exercise that we're in the midst of is to get an assessment of how do we stand against other provinces in terms of where we are today with some our tax levels. What we've seen is that provinces all tend to look over each other shoulders. And so when there's one jurisdiction that makes a tax move, then it's often followed by other jurisdictions. So part of our budget-making efforts are to reassess on an annual basis where we stand now and so that work is under way.

The other question related to that is the level of expense. And certainly the challenge comes back to what is the affordable level of expense that we can bear given where we think revenues may be. Some of the incentive type of things that government has done over time take a while to recover from. So for example when we introduced changes to the business taxes, it was done so with the knowledge that we're going to lose revenue initially, but then you will get that back over time through further investment.

Similarly with the potash changes. We have now seen about \$3 billion worth of potash investments announced, either announced and/or completed in the last couple of years, and that's good news for us. But it also means that in the short term we expect that we may see some reduction in potash royalties because the companies are able to recover part of their capital cost and that factors into the royalty pieces. So there becomes sort of a short-term pain, long-term gain aspect of some of these economic incentives.

And then that has to be balanced in terms of the expenditure plans of the government. As you work your way through that short-term pain, what's the level of expenditure that's affordable. And so that goes into the budget-making exercise as well.

Mr. Chisholm: — Thank you very much.

The Chair: — Any further questions? Can I just ask, in terms of our reporting at this point . . . We have a budget. The budget contains both a General Revenue Fund and a summary financial report. First quarter, we do a report on the General Revenue Fund.

Mr. Matthies: — That's correct.

The Chair: — And we do . . . project whatever actual . . . no actual just projected?

Mr. Matthies: — Just projected, that's correct

The Chair: — Just projected. And mid-year, the second quarter we do GRF and summary financial.

Mr. Matthies: — Projected. That's correct.

The Chair: — And also projected. And third quarter, we go back to GRF and then of course fourth quarter would be public accounts which is GRF and actuals for GRF and summary financial statement?

Mr. Matthies: — That's correct.

The Chair: — Okay.

Mr. Matthies: — The third quarter is the GRF only, and projections.

The Chair: — And there we have actuals and projected?

Mr. Matthies: — No. The only time that we've been publicly reporting actuals is on the annual public accounts documents.

The Chair: — Okay.

Mr. Matthies: — During the quarterly reporting they've been focused on projections to . . .

The Chair: — But projections that include your actual . . .

Mr. Matthies: — That's correct. Yes.

The Chair: — You know, figures to a certain date, I guess, and your projections for the full year . . .

Mr. Matthies: — That's correct.

The Chair: — For the remainder of the year.

Mr. Matthies: — What the auditor is recommending, and what we would like to do a little more homework on, is in addition to the projection the auditor is suggesting we should show what has been the actual spending to that date. When you look at the quarterly reports that we present today, you can't see those amounts. You just see the projection.

The Chair: — So it's not information that you don't have already. It's a question of, I guess, disaggregating that from your projections as to the actual and the projection.

Mr. Matthies: — The effort that would be involved, we need to do some homework to understand. For example when we do the year-end reporting, it's on a full accrual basis and we make sure we've got all the right payables and receivables established. Government has not to this point . . . I guess I would say that we need to do some work to be sure that if we're going to include actuals on a quarterly basis that we have the systems in place and the processes in place to make sure we capture all accrual-type pieces. The focus has been, you know, what is the projections for the year, and so we've been less worried about the quarterly cut-offs. And so we think we've got some homework to do, Mr. Chairman, to be able to bring that information together.

The Chair: — Okay. So if we were to go to reporting the actual results with the projected results for the General Revenue Fund only on a quarterly basis — and I assume the second quarter, mid-year would be one of those — and if that were the direction of the committee of the Legislative Assembly, without doing the summary financial statements at mid-year we would have less information being made available to the public.

Mr. Matthies: — Mr. Chairman, I think the expectation is that there will be more information that would become available. We would provide the actuals to date and continue to provide the projections. So the recommendation is to move us towards further disclosures and increased accountability in reporting.

The Chair: — But just to be clear, the second quarter, mid-year, provides not only projections with respect to General Revenue Fund but also performance vis-à-vis the summary financial statements?

Mr. Matthies: — Currently that is the case, Mr. Chairman. It does not provide the actuals, but it does provide the projections for both the General Revenue Fund and the summary financial statement basis.

The Chair: — That's all the questions I have. Any further questions?

So we have a recommendation or a motion by Mr. Harrison which is to . . . in place of dealing with the auditor's recommendation, is to adopt an independent recommendation.

Mr. Harrison: — That's right.

The Chair: — And the motion by Mr. Harrison is:

That the Minister of Finance be directed to review the implications of reporting actual results with the projected results for the General Revenue Fund on a quarterly basis.

So that's the motion. Now the question I have on that motion, what . . . If you were to proceed in that direction, what would happen to the mid-year financial statement in terms of also providing an overview on a summary financial basis?

Mr. Matthies: — Mr. Chairman, we would not anticipate retreating from any of the disclosures and reporting that we're doing today. What we would anticipate is that we would be enhancing it to include the actual information for the GRF each

quarter.

The Chair: — So mid-year financial report which includes a summary overview would continue?

Mr. Matthies: — That's correct.

The Chair: — Okay. The difference between this motion and what the auditor is reporting is the auditor is making a recommendation that the government publish that. The motion suggests that the Ministry of Finance be directed to review the implication to that. And I assume from that then at some point you'll come back to us and . . .

Mr. Matthies: — Mr. Chairman, I would expect that we would take that direction and obviously act on it. Complete the review and analysis and then at some point . . .

The Chair: — Yes.

Mr. Matthies: — We would be in a position to advise the minister and you would either see that through improved reporting into the future or we'll be back here with Fred's recommendation again I suspect. It'll be one or the other.

The Chair: — Was there any discussion on the motion as moved by Mr. Harrison? Are we agreed with the motion? Agreed. Okay, then that's carried. Thank you.

Are there any further questions, discussions for the Ministry of Finance and deputy minister who are here? Yes, Mr. Bradshaw.

Mr. Bradshaw: — I have a question. I guess I'm going to this page 32 on this chart and it comes in the unfunded pension liability. Being new to this committee, could you explain how it seems to keep on growing all the time?

Mr. Matthies: — Okay. Mr. Chairman, the unfunded pension liabilities relate to primarily two — but there are more, but primarily two — what I would describe as sort of the old pension plans. These were plans that were formula-driven so that people's retirement benefits would be a function of years of service and salaries and that sort of thing. And since the government instituted these plans back in I think somewhere in the 1930s, the government had not been funding the employer share of the pension obligations but had been taking an approach that would be well we'll pay as we go; as people retire, we'll make the cash available and we'll make the payments.

In the, I think it was the late '70s the government of the day made a decision that that was not a very sustainable way to operate into the future. And so a decision was made to change to the current pension programs which are a money purchase plan, very similar to an RRSP [registered retirement savings plan], and the government now funds its portion of the pension payments. So there are monies that are deducted from the employees' cheque that go into the pensions for the new plans. And the government's portion of its contributions goes into the PEBA [Public Employees Benefits Agency] accounts as well for those plans. So current employees in these new plans are fully funded.

These unfunded obligations relate to employees who have been with the government sort of predating the new plan. And so what happens over time is as their years of service continue to mount and as they perhaps progress through higher levels of responsibility in government, their salaries go up and therefore their pension entitlement is increasing over time. So that's a portion of the increase.

And then there's also a discounting or interest factor in terms of all of the members of the plan that are in there. So this increase in time is because we have people who are with us today that have been with us for a very long time and their entitlements are continuing to increase.

We have done analysis on the pension obligations, and at some point in the few years into the future this number will start to come down because what will happen is these senior employees will be retiring. And we see retirements every year. But at some point in the future we'll be at the spot where we'll kind of reached the tipping point, if I can describe it that way, and there will be more folks retiring and so the amounts will start to come down. But we're not at that point yet.

Mr. Bradshaw: — Okay. I guess that answers it.

The Chair: — If there's no more questions then thank you very much, Mr. Matthies, and your officials for joining with us today. And we look forward to seeing you again. Although for officials, the feeling is never mutual. Since we're somewhat ahead of schedule, I wonder if we can have a motion to adjourn.

Mr. Bradshaw: — Oh, I can do that.

The Chair: — Okay. Thank you, Mr. Bradshaw. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. It's carried. Thank you. Unanimous. And we stand adjourned until 9 a.m. tomorrow morning.

[The committee adjourned at 16:07.]