



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Regina Rosemont

Mr. Glen Hart, Deputy Chair
Last Mountain-Touchwood

Ms. Pat Atkinson
Saskatoon Nutana

Mr. Dan D'Autremont
Cannington

Mr. Rod Gantefoer
Melfort

Mr. Warren Michelson
Moose Jaw North

Mr. Lyle Stewart
Thunder Creek

[The committee met at 10:00.]

The Chair: — Good morning, committee members and guests and representatives from the auditor's office and comptroller's office. Thank you for joining us here this morning. Our primary business here this morning will be the Provincial Auditor's report 2010, volume 1 report, specifically chapters 7 and 11 — Highways and Infrastructure and then secondly, Social Services.

Just to table one document here today, I'd like to table PAC 25/26. Ministry of Finance reporting of public losses for the period from July 1st, 2010 to September 30th, 2010, dated October 29th, 2010. And as well at this point in time, I'd like to advise the committee pursuant to rule 141(2), the 2009-2010 Public Accounts volume 2 was deemed referred to the committee on October 7th, 2010. And of course this report, this document was distributed to committee members in October.

Highways and Infrastructure

The Chair: — Moving along here this morning, I'd like to welcome the many individuals that will be tuning in from home watching proceedings here this morning, observing our discussions here today. I'd like to point them in the direction of the auditor's website so they can reference the reports that we're discussing here today. That would be located at www.auditor.sk.ca.

I'd like to welcome committee members that are here this morning, starting with Mr. Hart as Vice-Chair, Mr. Gantefoer, Mr. D'Autremont, Mr. Stewart, Mr. Michelson, and Ms. Atkinson. I'd like to welcome our acting auditor, Mr. Atkinson. And I might have him at this point in time introduce his officials that are here with him today.

Mr. Atkinson: — Yes. Thank you very much. With me this morning are Trevor St. John. Trevor is a principal in our office, and he'll be making the presentation on Highways and Infrastructure. Also with us this morning is Judy Ferguson. Judy is a deputy in our office. And as usual we have Kim Lowe sitting back here. Kim is our liaison for this committee and makes sure that we coordinate our activities with the Clerk. Thank you very much.

The Chair: — Thank you very much, Mr. Atkinson. And I see we have Mr. Paton and Mr. Bayda from the provincial comptroller's office. Welcome to both of you this morning. And we have officials here, our deputy minister for Highways and Infrastructure. I welcome you, and I would ask you to introduce your officials here today, Mr. Deputy Minister.

Mr. Stamatinos: — Yes. I'm George Stamatinos. I'm the assistant deputy minister for policy and programs division with the ministry. I'm sitting in for our deputy minister, Rob Penny who is away on a well-earned vacation. And I would like to introduce at this time my colleagues that are accompanying me this morning. I have to my right, Ted Stobbs. He's our assistant deputy minister of operations division. To my left I have Ron Gerbrandt. He's our executive director of engineering standards branch.

The Chair: — Thank you very much, and welcome to all three of you here this morning. I will now invite the Provincial Auditor's office to make presentation as it relates to chapter 7. And then of course we'll have a response from the ministry and subsequent questions. So, auditor's office.

Mr. St. John: — Good morning, Chair, committee members and officials. Each year the Ministry of Highways and Infrastructure spends over \$100 million on keeping our highways in good repair. By doing the right preventative maintenance at the right time, it reduces long-term costs and minimizes the risk of preventable pavement damage and failure of the highways.

In chapter 7, pages 81 to 95, we report the results of our audit of the adequacy of the ministry's processes to maintain the provincial highways with asphalt, concrete pavements, and granular pavements. Because the ministry uses different processes to maintain other types of road surfaces such as thin membrane highways or ice roads, our office did not examine those processes in this audit. We may do so in a future audit. Please turn to exhibit 2 on the bottom of page 85 as it provides a good summary of our audit findings.

To have adequate processes to maintain highways, the ministry needed to have processes to obtain reliable information on the highway system, processes to develop a maintenance plan, processes to carry out maintenance effectively, and processes to monitor performance. As reflected in the exhibit, while the ministry's processes in the first area were adequate, its processes in the three remaining areas need improvement. As a result this chapter contains four recommendations. I will briefly explain each recommendation.

First, while the ministry had well-documented processes to develop work plans, that is, setting out the types of maintenance activities it plans to do to achieve a targeted level of highway surface condition, it had not set out the level of service from the highway system that is acceptable over the medium and long term. Without setting levels of service for highways, it is unclear if the ministry maintains our highways to an acceptable level.

We make our first recommendation on page 89. We recommend that the Ministry of Highways and Infrastructure set long-term service-level objectives such as long-term surface-condition factors.

Second, because of the long expected life of highways, it is critical to consider maintenance over the longer term. The ministry did not use long-term service objectives when determining its priorities. Managing without long-term service level objectives to guide the prioritization of maintenance activities increases the risk that the ministry may not select the right maintenance activity at the right time.

We make our second recommendation on page 90. We recommend that the Ministry of Highways and Infrastructure use service-level objectives to determine its annual and longer-term maintenance priorities.

Third, the accuracy and reliability of the ministry's estimates of

the cost of future maintenance activities are key to developing a realistic maintenance work plan. We found senior management did not review these costs or the process to develop them. Lack of review of these costs or processes increased the risk of inaccurate or unreliable estimates.

We make our third recommendation on page 91. We recommend that senior management of the Ministry of Highways and Infrastructure assess the reasonableness of maintenance costs used to develop its maintenance plan.

You may notice in our summary table on page 85, that we have a “met except” under criteria 3, even though we do not make a recommendation under criteria 3 on pages 91 and 92. This is due to the pervasive effect of the first recommendation of setting long-term service level objectives over the entire maintenance process.

Finally in the last area, the ministry had good processes to track and monitor actual costs, including comparisons to budget, and to report these costs to management and senior management. However senior management did not receive reports on the results of maintenance activities. Senior management needs information on both the costs and the results of maintenance activities to make informed decisions about the long-term health of the highway system.

We make our final recommendation on page 94. We recommend senior management of the Ministry of Highways and Infrastructure receive a report on the results of the maintenance activities at the end of the maintenance season.

This concludes my presentation of this chapter. I would be pleased to answer any questions at the end.

The Chair: — Thank you very much. I’d invite a response from the ministry.

Mr. Stamatinos: — Thank you, Mr. Chair. We have a prepared statement, and we’d have a response to the Provincial Auditor’s recommendations.

This year the Provincial Auditor assessed the adequacy of the ministry’s processes for the year ending March 31, 2009 to maintain the provincial highway system. While much attention is often paid to the ministry’s investments in new capital, like new interchanges and twinning, maintaining existing transportation assets is arguably the most important thing we do. Because of the importance of this task, the ministry values the input and advice of the Provincial Auditor’s office. The auditor found that the ministry had adequate processes in place to maintain the provincial highway system, but did make some recommendations to improve these processes.

Specifically the auditor recommended that the ministry set long-term service level objectives such as long-term surface condition factors; the ministry use service level objectives to determine its annual and longer term maintenance priorities. Senior management assessed the reasonableness of maintenance costs used to develop its maintenance plan, and senior management received a report on the results of the maintenance activities at the end of the maintenance season as required.

I would like to use this opportunity to tell the committee how the ministry is responding to these recommendations. Regarding the recommendation that senior management receive a report on the results of maintenance activities, the ministry is committed to follow its processes for a reporting to senior management on the results of maintenance activities at the end of the maintenance season. The reports will commence at the end of the current 2010-11 fiscal year, including reasons for non-accomplished work activities, and outline potential continuous process improvement opportunities for the delivery of various ministry work activities.

Regarding the recommendation that senior management assess the reasonableness of maintenance costs used to develop its maintenance plans for the 2011-12 fiscal year, the minister has implemented a formal process to address this. Formal approvals of ministry maintenance costs have been signed off at the appropriate management levels to ensure consistency and reasonableness. These costs are currently being used to develop surface preservation programs for the upcoming 2011-12 fiscal year.

The remaining recommendations are being addressed through the development of a new ministry-wide preservation strategy policy intended to guide long-term strategic preservation investment policy. The policy’s intended to focus on asset management principles that include sustainable transportation infrastructure investment integrated within provincial and ministry goals. The policy will address the recommendation that the ministry set long-term service level objectives. The new policy will involve an annual process that documents condition-based needs across various transportation network hierarchies and different road surface classifications. Road classification will consider different levels of service and preservation investment, based on provincial priorities and transportation objectives.

The new preservation strategy policy will incorporate road safety and road condition targets based on sustainable long-term objectives that are scalable to address anticipated annual budget fluctuations. The new policy will position the ministry to develop annual and longer term action plans for preservation investments consistent with the service level objectives and priorities for the transportation system. The ministry is targeting March 31st, 2011 for completion of the new policy. Subject to approvals, the ministry will be in a position to implement the new policy in the 2012-13 fiscal year.

The new policy will also address the auditor’s recommendation that the ministry use service level objectives to determine its annual and longer term maintenance priorities. With the establishment of the preservation strategy policy, the ministry will develop more effective service level objectives across various transportation network hierarchies and different road surface classifications.

Establishing long-term maintenance targets across the various classifications of the provincial road network will allow the ministry to establish annual and longer term maintenance priorities that align with current and future overall transportation system objectives and priorities. Guided by the new preservation strategy policy, the ministry can establish more effective programs to meet annual and longer term

network condition targets better aligned and integrated with the current and future transportation system.

The Ministry of Highways and Infrastructure takes the stewardship of its provincial transportation assets very seriously. We value the advice and input we receive from the Provincial Auditor's office on how the effectiveness of our preservation program areas can be improved through enhanced policy development, policy guidance, execution, and reporting. Combined with our own internal focus on continuous improvement, the ministry believes this input will ultimately lead to better public service to the people of the province. The ministry will endeavour to undertake the above-noted work to address the recommendations contained in the Provincial Auditor's report.

Thank you, and I will be pleased to respond to any questions that the committee may have.

The Chair: — Thank you very much. I notice Ms. Atkinson has questions.

Ms. Atkinson: — I do. Thank you.

In exhibit 1, the Provincial Auditor lays out a five-year schematic on costs associated with preservation, or I guess as the ministry refers to it as maintenance activities as treatments. They refer to it as treatments.

I'm wondering if we know what we were able to receive in terms of routine and light treatments, medium treatments, heavy treatments in each of those years. How many kilometres of road by the three main groups either received a routine, a light treatment? How many kilometres received a medium treatment, and how many kilometres received heavy treatments? Does the ministry break that down, those three categories for each of those years?

[10:15]

Mr. Stamatinos: — Thank you, Ms. Atkinson. I'm going to ask Ted Stobbs our ADM [assistant deputy minister] of operations to respond to that.

Ms. Atkinson: — Sure.

Mr. Stobbs: — Yes. We do take or we do keep track of the amount of light and routine and light treatments that we do, as well medium and heavy treatments that we do. The typical split, I believe, is about one-third heavy and two-thirds that fall into the other two categories.

Routine is a treatment that reacts just to the emergency situations that we have. So it's not really planned work. It's reacting to things that fall apart on us, especially in a TMS [thin membrane surface] system during the year. The amount of money that you see in that table is really directed to the pavements only. So there's very little routine that goes on our pavements. Typically they hold together very well, so it would be a very small portion of our overall budget, our pavement budget that goes to routine.

Unfortunately I don't have the number of kilometres that we

have each year, but I can certainly get that back to you because it is something that we do track.

Ms. Atkinson: — Thank you. I think what I'm interested in knowing is basically, I guess I'd refer to it as value for money. You know, how many kilometres are we able to resurface in those five years? I know the costs have escalated fairly dramatically, and I'd be interested in knowing whether, with escalating costs, we are still keeping ahead of the game, so to speak. And so I would be interested in that for those, I guess for medium treatment and heavy treatment in particular.

I'm also interested in knowing who does this work. Who does the crack sealing and filling? Is that done by the ministry? Who does the light seal and microsurfacing? And who does the overlay? I presume the overlay is done by the private sector, but I'd be interested in that information as well.

Mr. Stobbs: — For the heavy treatments, which is the repaving or resurfacing, that's all contracted out. When we look at medium treatments, that includes our microsurfacing, our seal coating, our rut filling. That's also contracted out on about a 60 or 70 per cent basis. So some of it's completed by our own forces, but some of it is also completed by private contractors.

The light treatments like crack filling is again a mixture of contracted works and our own crew work and is split, you know — if I can just throw out — a 50/50 kind of thing. If you really need the exacting number, I would have to go back and get that, but it would be in that ballpark kind of thing.

Ms. Atkinson: — Mr. Chair, I'd appreciate going back for those five years, sort of, the splits — that would be useful — and the number of kilometres. I think that would be useful. I think what I'm interested in, as a member of this committee, is trying to understand the escalating costs associated with roadwork in the province of Saskatchewan, and whether we're still being able, with those escalating costs, are we able to keep up with the number of kilometres we were doing in the past? Have we been able to surpass the number of kilometres? I'd be interested in that.

The Chair: — Just to clarify here, I've heard a commitment to provide information back to . . . Can we make sure that comes back to all committee members of this committee?

And I believe, just to make sure we're on the same page, what's been requested here then is in each of these categories to be split by percentage of what's done internally and then what's been contracted out from a percentage perspective for each of the respective years in question that are charted out here. And then secondly, the volume or the kilometres for each of those respective years that have been laid out here as well for each of those different categories 1 through 3.

What's a reasonable timeline for your ministry to provide that information back to committee members?

Mr. Stobbs: — We can get this back in the next couple of weeks.

The Chair: — Thank you. So that can be supplied through the Clerk's office, and the Clerk's office will distribute that through

the committee members.

Further questions from committee members? Ms. Atkinson.

Ms. Atkinson: — In terms of long-term service levels, I think I can understand why this has been somewhat problematic to try and do because you're subject to year-to-year budgets and whatnot, and the budget you anticipate you might be getting isn't necessarily the budget you get at the end of the day.

And I'm just wondering, can you describe for the committee — you said you're going to try and do this, meet the auditor's request — can you explain to the committee how you plan on achieving the recommendations of the auditor?

Mr. Stamatinos: — Certainly. I could just give you a quick synopsis of the plan. I'm assuming you're referring, Ms. Atkinson, to the new preservation strategy policy. It's actually being done, essentially, in three parts. The first part is the identification of what we call the hierarchical system, defining the various components of the provincial highway system that needs to be addressed separately and apart, based on the needs of our economy. And that particular phase of the project has been completed, and we have an approved hierarchy which defines each of the component pieces, whether it's the national highway system or what we call the principal system.

And it's really based on the work that we've done 15 years ago actually, to develop what we call a rural road classification system. So we've used that work as a basis for the development of the new hierarchical system. And that again, that's in place and established, and it certainly has been communicated within our ministry so people understand what we're trying to do.

The second piece is really looking to . . . and this is the piece that involves really understanding people's needs, whether it be the general public or the trucking industry — the users of the system — what their expectations for the systems are and how that fits into the needs of our economy in terms of providing the best benefit, in terms of economic return from investments in preservation activities.

And we've just started that process, Ms. Atkinson. It's going to take a bit of time. We've just started to consult right now, internal to our own ministry, to better understand what those might be. We've done some interviews with our own staff, and at some point we'll probably have a plan to move more broadly and talk to some of our association groups in the province. So that's the second stage.

The third stage, once we've identified what folks are . . . really see the need in terms of the quality of the service being provided on the system. Once that's in place, we will correlate that work with the condition that we've actually observed on the system. So we'll take those same people, we'll drive them over the highways basically. We will correlate the condition with the folks' — what's the word? — response to the condition of the system. So we have that in place.

And the third piece will be to really use our, integrate our current asset management system, which is fair to say is probably world-class. And I believe the auditor's own words are that we certainly have the right data gathering capabilities in

place to gather that information. We'll correlate and integrate the work in terms of the economic benefit of level of service with the actual asset management system that we currently have in place in the ministry.

Ms. Atkinson: — Thank you.

The Chair: — So the message here today is that this work has just been started as it relates to the hierarchical pieces of ranking these projects. The different stages here, as it goes through studying the people's needs and then in through the consultation and through the correlation then with the conditions and the integration, what sort of a timeline do you have on these stages?

Mr. Stamatinos: — Right now we're in the process, Mr. Chair, of doing the internal work in terms of engaging our own staff. That's their business; getting certainly their sense of what a system may need to look like, what it needs to consider. We're just in the process of doing that. And we've done, I think, the first set of workshops. And we'll be commencing second set of workshops shortly.

Once that work is completed . . . So that would be some time in the new year. Then the correlation with the actual gathering of information from the folks who have been asked to actually drive the system with us, give us their perception, the association groups will start in the new year.

And once we have that in place, of course — that would probably, I'm guessing around May, June would be around that time period — we'll start the actual work on actually correlating our current asset management system with what we've observed from dealing with . . . from our consultation, both externally and internally. And again I will note that we plan on implementing the system fully by 2012-13 fiscal year.

The Chair: — Thank you. Ms. Atkinson.

Ms. Atkinson: — A question on trucks. I used to worry about trucks when I was the minister way back when. But what's happening with the volumes of trucks, large trucks on our roads these days? Is it continuing to grow? Do we have any sense of that?

Mr. Stamatinos: — It would be fair to say that there certainly has been a shift in the type of vehicle being used. The growth is fairly steady. It's around, depending on the system, whether it's a national highway system, we're probably pushing around that 20 per cent, 25 per cent range. But there's certainly has been a shift towards what we call the eight-axle configuration — the B-train, super-B trains that you will be familiar with, Ms. Atkinson.

Other than that, there tends more a shift now, more growth north-south. We've noticed some of that occurring. East-west is fairly steady. And we see certainly some more activity, modest growth, probably going through the Saskatoon-P.A. [Prince Albert] corridor as well as we start to twin it of course.

Ms. Atkinson: — I was just curious to know whether or not there's been a shift by wholesalers or whatever, off of road onto rail. Because it looks as though the rail system, when I looked

at CP [Canadian Pacific] and CN [Canadian National], it looks as though their movement of goods is growing. And I was wondering if that was having any impact on the number of trucks on our system. Answer? Do you have an answer?

Mr. Stamatinos: — Certainly. Just a comment. We certainly are continuing to engage community groups in their interest in forming short-line railways. And that work is still continuing in many parts of the province. And that certainly has helped some of that, easing some of that pressure certainly on the rural system. As I mentioned, there is like I said, modest, modest growth in the rest of the system in terms of the number of trucks. And of course our economy is largely based on bulk movements. Whether it be grain, potash, most of those commodities are railed currently and will probably continue to be railed into the foreseeable future.

Ms. Atkinson: — Thank you.

The Chair: — Thank you, Ms. Atkinson. Further questions? Mr. Stewart.

Mr. Stewart: — Thank you, Mr. Chair. Now to the auditor's office: the recommendations regarding surface preservation, is this a new standard of recommendations that Highways is being asked to comply with? Because I don't recall recommendations like this before in my years on this committee.

Ms. Ferguson: — I wouldn't say it's a new standard. I really think it just reflects that our audit office hasn't looked at this area beforehand. And I don't think it's really unlike other areas that you do planning, where you're actually trying to figure out what the objective, what your end objective is going to be.

So in this case, the end objective would be phrased in terms of service level objectives. What we're dealing with here is obviously the nature of the assets are very long-term nature of the assets. So as a result, you end up with long-term, service level objectives. So I don't think it's really a new area in terms of expectations, but just rather new in terms of that our audit office has not looked at this area in depth for very many years.

Mr. Stewart: — So if I may, so I take from that that this is a new recommendation basically, not one that we've seen before, particularly in the '06 or previous years?

Ms. Ferguson: — Yes. From that respect, yes, because it's a new area that our office has looked at.

[10:30]

Mr. Stewart: — Thank you.

The Chair: — Then maybe it's fair to, just by way of comment to committee members, is to point out that when we're looking at auditor's recommendations, those are always new recommendations that we're looking at in the reports. Of course there's previous recommendations from previous years of which if there's any outstanding, unresolved recommendations, those are tracked and we certainly have the ability as a committee to continue to . . . And we should be focusing our resources as well and making sure that those recommendations have been resolved. Mr. Stewart.

Mr. Stewart: — Further to that then, by way of clarification, this is not . . . Was it a previously proposed recommendation?

Ms. Ferguson: — No.

Mr. Stewart: — Thank you.

The Chair: — Any further questions at this point? Or I might seek a motion on the first two, deal with those two. I think they're connected, the maintenance and the service level agreements. Mr. Vice-Chair.

Mr. Hart: — Mr. Chair, I would move that we concur and report progress.

The Chair: — Okay. So it's moved by Mr. Hart that we concur and note progress. All agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. It's agreed that this committee concur with recommendations no. 1 and 2 of chapter no. 7 of the Provincial Auditor's 2010 volume 1 report, and note progress.

Moving along to . . . [inaudible interjection] . . . One of the members is speaking Latin at the table here, and the Chair unfortunately doesn't have the ability. But we'll move along to recommendation no. 3. And looking here, this is as it relates to reasonableness of expenditures. I believe I heard from the ministry that there's a process in place that's been installed at this point in time to ensure that there's a signing off and that reasonableness is ensured.

Could the ministry just make a specific comment on that? And I guess, what was in question in the past? You know, is there some concerns that we should be focusing our attention on?

Mr. Stamatinos: — Mr. Chair, I want to direct that very technical question to my colleague from operations, Ted Stobbs.

Mr. Stobbs: — Yes, there is a process in place now that assesses the reasonableness of this. It's a much more formal process than what we had before. And I would say that we have met this recommendation and we'll be meeting this onwards.

The Chair: — Looking to the ministry, is there some concern as to some risk that we've been placed at without having this policy in place at this point in time? And are there specific circumstances that are cause for concern?

Mr. Stobbs: — The process to determine the maintenance costs haven't changed. So we have a system in place that gathers a lot of data — a lot of labour data, a lot of equipment data, a lot of material data — that we use on the highways, and that's through our asset management system that we referred to before. This data has always been used to determine what the maintenance costs would be in our planning processes, and we continue to use that.

What we were lacking was a formal process in place to sign off on what we were using in the planning. There was lots of coaching and informal processes in place, and I don't have any

concerns that we weren't using the right data. It's just a matter of getting that formality in place and making sure that we have the right sign-offs, the right accountabilities in place, and I believe we have that now.

The Chair: — So and it's just to be clear, there's not a specific circumstance of any sort that are a concern about the reasonableness of a cost or of a project.

Mr. Stobbs: — I mean it's only as good as the data we collect, of course. But no, I have no concerns about it.

The Chair: — Further questions? I think we've heard that there's a new system in place, a formal process that's there. Maybe we could seek concurrence and note compliance.

Mr. Hart: — Yes, I would so move, Mr. Chair.

The Chair: — Okay. So moved by Mr. Hart that we concur and note compliance. It's agreed that this committee concur with recommendation no. 3 of chapter no. 7 of the Provincial Auditor's 2010 volume 1 report, and note compliance.

Moving along to recommendation no. 4. Specific questions from committee members. Mr. Michelson.

Mr. Michelson: — Mr. Chair, I would think this is very similar to the status of no. 3, that the processes have been there. This is just more or less formulating them in that regard. Is that right?

Mr. Stobbs: — Yes.

The Chair: — Yes, it's related as . . . Mr. Michelson's question is, does this relate to question no. 3 I believe, or recommendation no. 3? Sorry.

Mr. Stobbs: — It's kind of related, the same kind of manner. Recommendation 4 is really about making sure that the results that we have from our maintenance plan is communicated to senior management. So in 2010 will be the first year that we really formalize this at the end of the year where a formal report will be provided senior managers to make sure they understand the results that we have accomplished compared to the plan that we had in place. And that will be ongoing.

The Chair: — Thank you. So there was a policy in place. I've heard the commitment that that policy will now be adhered to. In the past, was it that that policy wasn't being adhered to?

Mr. Stamatinos: — I think, Mr. Chairman, it would be fair to say it was a practice, and what my colleague is saying, we are now going to formalize it.

The Chair: — Okay. And so the first reporting will then be at the end of this year. So as committee, are we looking then to concur and note progress? Okay. So I'd seek a motion. Sorry, Mr. Hart. Mr. Michelson.

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

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed that this committee concur with recommendation no. 4 of chapter 7 of the Provincial Auditor's 2010 volume 1 report, and note progress.

Just by way of introduction, I would like to welcome to the room here today the parliamentary program for public service employees. I'd like to welcome each of you to the Standing Committee on Public Accounts. I think it's fair to say that all committee members would welcome you to this committee, but secondly, thank you for your ongoing work within our province and the work you do on behalf of Saskatchewan people.

By way of brief introduction, this committee itself, the Standing Committee on Public Accounts, provides an after-the-fact audit of all government spending, all government programs. And its focus is primarily to assess the efficiency and economy of government spending and to track outcomes and making sure that aspects are consistent there.

So we welcome you to this committee and certainly would welcome questions from each of you following this committee, I think, to any one of us as members. So thank you for your work, and thank you for joining us this morning.

At this point in time, we've dealt with the four recommendations from chapter 7 with Highways and Infrastructure from the auditor. Is there any further questions from committee members? Then I thank the Ministry of Highways and Infrastructure for coming before us here today.

We'll take a brief recess, and up next is Social Services.

[The committee recessed for a period of time.]

Social Services

The Chair: — We'll reconvene at this point in time. And we're going to move along with consideration of the 2010 volume 1 *Report of the Provincial Auditor*. Before us at this point in time I'd like to welcome the Ministry of Social Services and Deputy Minister Zerr for joining us here today. Just by way of introduction, I may have Deputy Minister Zerr introduce the officials that are here with us today.

Ms. Zerr: — Thank you very much, Mr. Chairperson. The officials with me today are Don Allen, acting president of the Saskatchewan Housing Corporation, Miriam Myers who is our executive director of finance and administration and is also the chief financial officer of the corporation, and Al Syhlonyk who is the ADM of corporate services for the ministry. Thank you very much.

The Chair: — Well thank you for joining us here this morning. I will invite at this point in time a presentation on behalf of the Provincial Auditor's office as it relates to chapter 11 of this report on Social Services.

Ms. Ferguson: — Thank you, Chair. Members and officials, good morning here. You'll find that although the chapter's labelled Social Services, the content focuses on Sask Housing, so my comments will be on Sask Housing.

So the Ministry of Social Services works with Sask Housing to provide affordable and adequate housing in Saskatchewan. Sask Housing provides . . . manages a significant housing portfolio. In order to manage its housing portfolio over the long term, Sask Housing needs a good capital asset management plan. In chapter 11 before you on pages 121 to 126, we report the results of our follow-up of an audit that we completed in 2004 regarding the adequacy of Housing's capital asset plan.

Our original recommendation was that Sask Housing's capital asset plan should show three things: first, specific measures Housing uses to determine the appropriate size, mix, and condition of the housing portfolio, that is, what we call performance measures; second, the starting point of each measure, which often is referred to as a baseline; and third, what Housing expects to achieve with the housing portfolio and by when.

In our 2007 report volume 3, we had previously reported to the committee that housing had partially implemented this recommendation as it had set out measures, baselines, and targets relating to the size and mix of the housing portfolio, but had not done so as yet for the condition of the portfolio.

So as described on pages 125 and 126, we found that at December 2009, Sask Housing has made some further progress since 2007 in updating its long-term capital asset plan, but still some work remains. So as a result, our continuous recommendation continues with respect to the condition of the housing portfolio. That concludes our presentation, and we'd be pleased to respond to questions.

The Chair: — Thank you very much, Ms. Ferguson. I would invite at this point in time Deputy Minister Zerr to respond.

Ms. Zerr: — Thank you very much. Good morning to the committee members, and thank you to the Provincial Auditor for their report and their advice. The ministry agrees with the report. Work has begun to address the issues that have been observed by the auditor. Learning and analysis on some of the best approaches have occurred. The ministry has taken some time to consider those possibilities and work is in fact under way as you had indicated. We are very pleased to answer any questions to the best of our ability on this particular recommendation.

The Chair: — Looking to committee members here. Ms. Atkinson.

Ms. Atkinson: — Thank you. I'm wondering if you can give us a little more detail on what work has occurred and how far along Sask Housing is in terms of meeting this outstanding request or recommendation from the Provincial Auditor.

Ms. Zerr: — Thank you for your question. I'm going to ask Don Allen to respond.

Mr. Allen: — Thank you for the question. The work on condition has begun some time ago. We have 12 to 15 inspectors around the province who inspect the condition of our units, so there's been a lot of effort under way over the years, including since the report from the Provincial Auditor, to examine the condition of each individual unit.

What we discerned was that we needed certain standards early on, and there was work under way as recently as a year ago on that. When we began though to measure, to take our inspections and match them up against the standards, we quickly discovered that every inspector has a different personal standard as to, you know, if a roof has five years left on it. I might view it as having 10, and you might view it as having one.

[10:45]

So we then needed inspection standards. So work started on that earlier in 2010. We visited with the Ministry of Highways in the spring of 2010 to look at their asset management system, to talk to their staff and their consultants on what was entailed by developing inspection standards as well as sort of the more global standards and what an information system looked like on that. It became very clear very quickly that it's a large job.

We also talked to Government Services about their process for examining their buildings. And that's culminated most recently with us having a conversation with an international consulting firm who has a different approach to it rather than inspecting every building. So we've actually shared some data with them fairly recently, and we're hopeful that in the very near future we'll be able to examine a mathematical model that isn't . . . that's based on the age of the building, the type of the building, and what the building is used for and where the building actually is, because the north versus the south is different.

And so we're hopeful that within the course of the next 12 months that we will have been able to load enough data into a mathematical model — provided of course we can reach a contract; we have to negotiate an agreement with the consulting firm and go through the purchasing process, as we should — so that within the course of the next 12 months we would have a mathematical model that would describe the condition of every unit and be able to compare that against every other unit; every city, and compare that against every other city; match that against standards, and look at the life cycle cost of maintaining that building as compared to a different building.

Ms. Atkinson: — Thank you. Quick . . . Well I don't know if this is a quick question, but have you checked with other provinces that have authorities and have a huge portfolio of this type of capital asset to determine how they have been able to, you know, monitor the condition of each of their thousands of units? I'm wondering, do we need to reinvent the wheel? Do we need to have an international consulting firm? Or is there something that we can learn from other jurisdictions that might be engaged in similar kind of work as Sask Housing?

Mr. Allen: — We have consulted. The province of Alberta inspects every building. They have the government inspectors, or the same people who would inspect a school or a hospital or the legislative buildings, inspect their housing buildings. It's a multi-year endeavour that they've embarked upon to inspect all of their buildings.

The province of British Columbia and Toronto Community Housing use this very same consultant that we're talking to. So we did talk to other provinces and look for best practice. And there are a couple of different types of best practice. The one that would get us the results most quickly and most

appropriately appears to be what British Columbia and Ontario are doing.

Ms. Atkinson: — And I presume then we're going to have to have some sort of database or software in order to keep track of this?

Mr. Allen: — They do provide, they do provide access to their software package that is built up on over 2 billion square feet of residential space and the cost of maintaining that historically, irrespective of where it is and what it's being used for. So their software and their mathematical model, their algorithm, would be used, yes.

Ms. Atkinson: — Do we have any sense what this recommendation that, you know, Sask Housing has been working towards will cost the public at the end of the day, once it's implemented?

Mr. Allen: — The solution that I'm describing, Ms. Atkinson? Well we haven't received a quotation. We've shared data which will allow the consultant to put together an estimate of a price. They have indicated that for 8,000 units in British Columbia, the cost to the province of British Columbia was \$125,000 all in.

Ms. Atkinson: — And we have 31,000?

Mr. Allen: — Nineteen thousand that we own. There's another 12,000 in the non-profit sector that could or could not be included, you know, as we choose. And we could do it in stages.

Ms. Atkinson: — Okay. So that's just the cost of the software or the system. Do we have any sense . . . I guess what I'm trying to understand is that recommendations from the auditor at the end of the day, once implemented, cost the public money because you have to go about implementing recommendations.

And I'm just wondering if you have done a cost-benefit analysis of what this recommendation is going to cost Sask Housing. I'm not talking about the software in particular but all of the work that's going to have to go into collecting all of the data and so on and so forth, if there's any kind of sense of what this recommendation will cost the public at the end of the day.

Mr. Allen: — Have we done a cost-benefit analysis per se?

Ms. Atkinson: — Yes.

Mr. Allen: — No. But in a typical year, we spend 40 to \$50 million in maintenance and repair of our stock. Since the economic stimulus package has come around, that's more than doubled.

So we're spending considerable amounts of money around the province without, as the auditor has observed, the best information as to the best place to put it. So which project is most in need of repair? Every repair is necessary, but some more than others. So we haven't had the best information to be making these decisions, so we have a huge amount of effort, considerable amount of manual effort that's required to try to make the best decision we can in the absence of all of the

information and being able to look at it holistically.

So for the investment that British Columbia made of \$125,000, they would be able to ascertain which of the 8,000 units they worked on needed what the most, whether it was the boiler system or the roof or the sidewalk. And slip and fall and trip and fall on sidewalks is a considerable cost to government as well, if someone, you know, trips on a broken sidewalk.

But short of inspecting every unit every year, and then having this gigantic table taped to a wall, software is the most logical solution to being able to analyze it.

Ms. Atkinson: — Mr. Chair, is all of the information, has it all been collected by Sask Housing that can then be, I suppose, entered into this system?

Mr. Allen: — For the most part, it has. There was a recent piece of work that was done nationally by all of the social housing providers or most of the social housing providers — not every province participated — to understand the condition of the housing stock nationally. And so there's a piece of work being done by the provincial, territories, and federal governments to understand that.

It was sort of a happy, you know, confluence of events that caused us to gather that at the same time that we came to understand what this mathematical model would require. And it's fairly basic. It's, you know, is it a three-storey building or a two? Is it wood frame structure or cinder block? When was it built? Aluminium sliding windows? And it then, you know, says, all things being equal, this is what it will cost. So most of this data we already had within our systems. We had to add some to deal with the federal request or the national request, but it was basically all within our systems already.

Ms. Atkinson: — So then I presume, Mr. Chair, then this isn't going to cost a great deal of money to implement this recommendation. You've got all the data. You now just have to determine who gets the software contract and then we're on our way.

Mr. Allen: — Well we do have to, we do have to engage in a transparent purchasing process and we'll do that and enter into negotiations. But we do have, we believe, most of the data. And we may also choose to start small, try a particular community and, you know, pilot the solution before we roll it out to the entire province, and that way show success in a small way. Which is not to say that understanding the housing condition in the city of Regina or Saskatoon would be a small thing but . . .

Ms. Atkinson: — So this isn't going to be a sole source contract? You'll tender it?

Mr. Allen: — We will examine the . . . We'll work with Government Services on the purchasing and take their advice.

Ms. Atkinson: — Okay. Thank you. Just on that note, in terms of new builds or renovations, is this sole sourced?

Mr. Allen: — Well when Sask Housing undertakes a new building, we do very little building our own selves. Much of it is, the funding is provided to third party organizations such as

K.C. Charities or Ehrlo Community Services. And I wouldn't say that we encourage tendering; I think we basically require tendering in order to make sure that the costs are contained.

Where we do direct building is often in the North where we are the general contractors our own selves. So that's not tendered. We send staff of the housing division to a particular community to become the manager of that particular construction project.

Ms. Atkinson: — So in Saskatoon it wouldn't be sole sourced.

Mr. Allen: — Not in my experience, no.

Ms. Atkinson: — Okay. Thank you.

Mr. Allen: — Thank you.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you. Something you said, sir, that caught my ear, that there was a difference between north and south. Is there a difference in the impact on the condition of the assets based on geography and climate between the North and the South, or is it some other factors?

Mr. Allen: — It's climate and to a degree it's . . . I don't want to . . . It's often heating system. They use different heating systems which cause challenges in the building envelope in the North as compared to, you know, forced air natural gas in the South keeps things a little more even. In the North it can cause other challenges when it's a wood stove.

The Chair: — Any further questions for Social Services at this point in time? I'd like to thank Social Services and Deputy Minister Zerr and officials for coming before us here this morning. And I would like to thank all others from the auditor's office and from the comptroller's office and committee members. And unless there's any further comments or questions from committee members, I would welcome a motion of adjournment. Mr. Hart.

Mr. Hart: — I'll move that this committee adjourns.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — So moved.

[The committee adjourned at 10:57.]