

1. INTRODUCTION

Mr. D'Autremont, Chair of the Standing Committee on Public Accounts, presents the Committee's seventh report as follows:

Business Conducted

Since its last report to the Assembly on May 29, 1994, your Committee held 10 meetings during the fourth session and fifth sessions of the Twenty-second Legislature. Your Committee initiated examination of both the Provincial Auditor's annual report for the year ended March 31, 1993, and the Public Accounts of Saskatchewan for 1992-93. The progress of the Committee is reflected in this seventh report. Your Committee respectfully requests from the Government of Saskatchewan a response to its recommendations within 120 days.

Acknowledgements

Your Committee elected Mr. D'Autremont to preside as chair on May 9, 1995. The Committee expresses its appreciation to Mr. Martens, who served in the position of Chair from March 23, 1993 until April 24, 1995.

The Committee expresses its appreciation to the Office of the Clerk for administrative support and procedural advice, to the Office of the Provincial Auditor, to the Provincial Comptroller and his staff, to Hansard, and to the many officials of the various government departments and agencies who appeared as witnesses and supplied written responses.

II. MATTERS OF CONTINUING INTEREST

Task Force On Roles, Responsibilities And Duties Of Auditors

Your Committee reviewed the Report of the Task Force on Roles, Responsibilities and Duties of Auditors and reports that it concurs with the Task Force's recommendations. The Committee thanks the members of the Task Force for their work and for appearing before the Committee to answer questions and discuss the recommendations.

Government's Response To The Sixth Report

Your Committee notes that, as requested, the government replied to its Sixth Report. The response of the Minister of Finance was dealt with pursuant to the operating principles the Committee adopted May 26, 1992 and February 1, 1993, which are as follows:

There shall be a systematic review by the Committee of government action and formal responses to the Committee's recommendations in order to complete the accountability cycle; this could be done partly through a reporting mechanism by the Comptroller or through other means. Such follow-ups should be performed in the spirit of maintaining a constructive relationship with the government. (*paragraph 40, Operating Principles and Practices, Standing Committee on Public Accounts*).

Since 1993, the Committee has reviewed each government response in conjunction with the examination of related issues raised in the Provincial Auditor's report. The result of those deliberations were not, however, distinctly reported to the Assembly. Commencing with this report, your Committee has taken steps to formally complete the accountability cycle by noting the consideration given to the government's reply to the Committee recommendations. That aspect of the Committee's work is recorded in the Appendix of this report.

Recommendations From Previous Reports

As a "housekeeping" measure, your Committee will deal with outstanding matters from earlier reports which might have been resolved over the course of time.

At the request of the Provincial Comptroller, your Committee dealt with the 1975 recommendation (as reflected in Appendix V of the Provincial Auditor's report for 1992-93) that the Public Accounts report aggregate amounts paid to persons across all departments. Upon review of the matter your

Committee is satisfied that the current detail of the Public Accounts fulfils the original recommendation and reports to the Assembly that the matter should be considered as resolved.

Review Of District Health Boards

Your Committee afforded itself an opportunity to discuss accountability issues concerning District Health Boards. The Committee was very pleased to hear the points of view of the Provincial Auditor's Office, the Department of Health and by two representative Health District Boards; the Pipestone District Health Board and the Regina District Health Board. Your Committee found the presentations very informative. The information will help the Committee determine the various roles and responsibilities in the accountability chain. The Committee expresses its appreciation for the participation of the many officials who attended the Committee.

III. EXAMINATION OF THE PROVINCIAL AUDITOR'S REPORT FOR THE YEAR ENDED MARCH 31, 1993

CHAPTER 1 -- OBSERVATIONS

Supplemental Report of the Provincial Auditor

Your Committee considered the Provincial Auditor's proposal to issue a Fall report, which would focus on the Summary Financial Statements and government organizations with fiscal years ended December 31, in addition to the extant annual report issued each Spring.

To facilitate the proposal, the Chair of your Committee was pleased to sponsor Bill No. 71, An Act to amend The Provincial Auditor Act, during the fourth session of the 22nd Legislature. The said bill was enacted June 2, 1994 and the Provincial Auditor submitted his first Fall Report on November 22, 1994.

New Provisions for Tabling of Reports by the Provincial Auditor

Your Committee is pleased that the amendment to the Provincial Auditor Act (above noted Bill 71) also provided for the tabling and distribution of the Auditor's reports during times when the Assembly is not sitting. Reports of the Provincial Auditor are now deemed to be referred to your Committee during periods when the Assembly is not in session or has adjourned.

CHAPTER 2 -- THE GOVERNMENT'S SUMMARY FINANCIAL STATEMENTS

Pension Costs

Your Committee again considered the issue of unrecorded government pension liability and noted the Provincial Auditor's recommendation at paragraph 2.11, which states that the government should record its full pension costs and liabilities in the Summary Financial Statements. It is pointed out to the Assembly that a recommendation on this subject was made at paragraph 10 of the Committee's Third Report and reiterated at paragraph 9 of the Sixth Report.

It is your Committee's observation that for the first time the government did record pension costs and liabilities in the Summary Financial Statements issued for the year ended March 31, 1994.

Pension Cash Flow

Your Committee considered whether the government should provide the Assembly with forecasts of the cash required to meet its existing pension liabilities, as recommended at paragraph 2.16 by the Provincial Auditor. It is your Committee's recommendation that the matter should be dealt with by the following means:

RECOMMENDATION 1

The government review whether forecasts of the cash required to meet existing pension liabilities should be provided to the Assembly and included in the Summary Financial Statements.

Unrecorded NewGrade Losses

Your Committee notes that the government has complied with the Provincial Auditor's recommendation at paragraph 2.20, which states that the government should record its share of losses in NewGrade Energy Inc. in the Summary Financial Statements.

CHAPTER 3 -- UNDERSTANDING THE FINANCES OF THE GOVERNMENT

Disclosure of Information on Infrastructure Investment

Your Committee considered the Provincial Auditor's recommendation at paragraph 3.23, which asked the government to examine how to disclose more information in the Summary Financial Statements about its investment in the province's infrastructure. Your Committee notes that it made a recommendation on this subject in its Sixth Report, to which the Minister of Finance responded (***noted in the Appendix***). With regard to the response, your Committee encouraged the Minister to monitor the progress of the Task Force on Reporting Capital Assets (a body created by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants).

After examining the issue again, your Committee came to the conclusion that disclosure of the government's investment in infrastructure should begin within the context of departmental mandates. Therefore, your Committee recommends:

RECOMMENDATION 2

The government should examine how to disclose more fully, in departmental and Treasury Board agency annual reports, information to describe its investment in infrastructure.

Presentation of a Total Financial Plan of Government

Your Committee noted the Provincial Auditor's recommendation at paragraph 3.29, which states the government should present to the Assembly a multi-year forecast and a financial plan for the activities of government as a whole. It is noted that your Committee made recommendations on this issue in its Third Report, which in turn were reiterated in its Sixth Report. After re-examining the matter, your Committee took note of the Minister's response (see *Appendix*), which asserted that the issue of government wide planning, managing and reporting is complex and is worthy of study. Your Committee agreed to reiterate its previous recommendations as follows:

RECOMMENDATION 3

- I. The government study the implications and issues related to the achievement of the goal of a multi-year financial plan for the government as a whole and;***

- II. As to the matter of an annual financial plan showing proposed revenue-raising programs and spending programs of all government organizations, and the matter of a multi-year plan for all government organizations, this Committee recommends that the Office of the Provincial Auditor, the Crown Investments Corporation and the Department of Finance undertake discussions on this issue, and return to this Committee with a joint report and;***

III. During these discussions, the Committee asks that the advice of the Institute of Chartered Accountants of Saskatchewan and the Provincial Audit Committee be sought.

CHAPTER 4-- ANNUAL PENSION COSTS AND TOTAL LIABILITIES

Estimate of Pension Cost and Liabilities

Your Committee noted the Provincial Auditor's recommendation at paragraph 4.26, which states that the government should use consistent estimates when calculating the costs and liabilities of its pension plans. In this regard, your Committee notes for the Assembly that the government is moving towards using consistent estimates when calculating the costs and liabilities of its pension plans.

Formation of a Pension Review Task Force

Your Committee responded to paragraph 4.28 of the Provincial Auditor's report with the following recommendation to the government:

RECOMMENDATION 4

The government should implement the Pension Review Task Force announced in the 1992/93 budget documents to study its full pension obligations to both those presently covered by Government plans and those presently having no pension coverage.

CHAPTER 5 -- THE FINANCIAL MANAGEMENT REVIEW COMMISSION

Report on Implementation of Recommendations

Your Committee considered the Provincial Auditor's recommendation at paragraph 5.05 and reiterates the recommendation it made on this subject in its Sixth Report, as follows:

RECOMMENDATION 5

The government should report annually on its progress in implementing the recommendations and guidelines of the Financial Review Commission.

CHAPTER 7 -- ANNUAL REPORTS OF GOVERNMENT DEPARTMENTS

Guidelines for Content of Annual Reports

Your Committee agrees with the Provincial Auditor's recommendation at paragraph 7.05. As to paragraph 7.06, which reflects the Committee's own Sixth Report recommendations on the content, referral and release of annual reports, your Committee's response to the action taken by government is reported in the Appendix. With respect to the question whether annual reports should be referred to the Standing Committee on Public Accounts, your Committee notes that annual reports of government departments and Crown agencies are important accountability documents and, thus, the Committee and members may use and refer to those reports in its review of public accounts and the report of the Provincial Auditor. It is not the Committee's intention that annual reports should be the subject of a formal review, as is the case for reports referred to the Standing Committee on Crown Corporations.

CHAPTER 9— DEPARTMENT OF AGRICULTURE AND FOOD

Agricultural Credit Corporation of Saskatchewan

In consideration of the Provincial Auditor's recommendation at paragraph 9.19, your Committee notes that there remains a difference of opinion between the legal advisors of the Department of Agriculture and the legal advisors of the Provincial Auditor as to the "capital loss allowance fee" charged by the corporation on capital loans. Consequently, your Committee reiterates what it reported in paragraph 44 of its Sixth Report and asks the departmental officials and the Provincial Auditor to attempt again to resolve the issue. Paragraph 44 of the Sixth Report states as follows:

Your Committee discussed the recommendation in [the Provincial Auditor's report] that the Agricultural Credit Corporation obtain an Order-in-Council to approve its cost of borrowing rates. Your Committee notes that the Department has received legal advice from the Justice Department solicitors identifying this to be a fee and not an interest charge. The Department feels secure in this position and therefore the Committee agrees that it does not present a problem.

In respect to the Provincial Auditor's recommendation at paragraph 9.23, your Committee notes that the Corporation has taken steps to prepare a contingency plan to ensure it can operate in the event of a major loss or destruction of records.

Prairie Agricultural Machinery Institute

With regard to the Provincial Auditor's recommendation at paragraph 9.34, your Committee notes the government has made the appointments of councillors and the department has indicated that all future appointments will be made on a timely basis.

Tripartite Beef Administration Board

With regard to the Provincial Auditor's recommendation at paragraph 9.42, your Committee notes the issue has been resolved by the appointment of directors to the Board.

Agriculture and Food Products Development and Marketing Council

With regard to the Provincial Auditor's recommendation at paragraph 9.48, your Committee notes that the Council, Department of Finance and the Provincial Auditor plan to meet to discuss the issue of annual reports and financial statements.

Your Committee agrees with the Provincial Auditor's recommendation at paragraph 9.55 that the Council should monitor the five marketing Boards to ensure they comply with authorities and have adequate rules to safeguard their assets. Your Committee notes that the Council is endeavouring to comply with the recommendation on an on-going basis.

Saskatchewan Canola Development Commission

Your Committee notes that the Commission is complying with the Provincial Auditor's recommendation at paragraph 9.61 so that annual reports will be submitted by the date required bylaw.

Saskatchewan Sheep Development Board

In consideration of the recommendations at paragraphs 9.70 and 9.72, your Committee notes that the Board is working with the department to correct the problems raised by the Provincial Auditor. The problems involve the documentation of rules and procedures, as well as non-compliance by the Board with regulations and marketing orders governing its activities.

CHAPTER 10-- DEPARTMENT OF COMMUNITY SERVICES

Saskatchewan Arts Board

Your Committee agrees with the Provincial Auditor's recommendation at paragraph 10.16 regarding loan guarantees. Your Committee notes that the Arts Board is now aware of the requirements outlined in the Financial Administration Act.

Saskatchewan Centre of the Arts

Your Committee agrees with the Provincial Auditor's recommendations at paragraphs 10.23 and 10.29. Your Committee notes that the Centre of the Arts is now aware of the requirement to comply with the Financial Administration Act and it will, in future, seek approval before borrowing money. Your Committee also points out that the Centre of the Arts has taken steps to establish rules and procedures to monitor and control the expenses of management.

Saskatchewan Lotteries Trust Fund for Sports, Recreation and Culture

In view of the Provincial Auditor's recommendations at paragraphs 10.37 and 10.41, your Committee notes that the regulations have been amended to ensure that trust fund license fees are authorized and amended to ensure that payments from trust funds have adequate authority.

Western Development Museums

Your Committee notes that the Museum has complied with the Provincial Auditor's recommendation at paragraph 10.62. The duties of employees handling investments have been adequately segregated.

CHAPTER 12-- DEPARTMENT OF EDUCATION

Contingency Plan for Loss or Destruction of Computer Records Your Committee notes that in response to the Provincial Auditor's recommendations at paragraph 12.17, the Department is now in the process of writing and testing a contingency plan to be used in case of loss or destruction of its computer information systems.

Saskatchewan Institute of Applied Science and Technology In consideration of the Provincial Auditor's recommendation at paragraph 12.30, which concerns the timely filing of vacant management positions at SIAST, your Committee notes that the problem has been resolved and in future positions will be filled expeditiously.

Student Aid Fund Information System

Your Committee considered and agreed with the Provincial Auditor's recommendations at paragraphs 12.112 and 12.113, which relate to the start-up of a new student loans information system. Your Committee is satisfied that the Department has taken steps to comply with the recommendations.

Student Aid Fund Board of Trustees

In consideration of the Provincial Auditor's recommendations at paragraph 12.117, your Committee notes the Department's response that it has taken steps to ensure that the trustees of the Student Aid Fund meet regularly to review financial information and to oversee the administration of the fund.

Student Aid Fund Financial Statements

With respect to the Provincial Auditor's recommendation at paragraph 12.120 and the financial statements of the Student Aid Fund, your Committee is satisfied that the Department has taken steps to establish adequate rules and procedures for the preparation of timely and accurate financial statements.

Verification of Student Loan Applications •

Your Committee noted that to comply with the Provincial Auditor's recommendation at paragraphs 12.128 and 12.129, the Department is currently taking steps to promptly determine the extent of ineligible loans and to establish procedures for verifying student information if ineligible loans are significant.

Interest Write-Down Program for Student Loans

In regard to the matter of an interest subsidy period for students who took loans in 1986/87 and the Provincial Auditor's recommendation at paragraph 12.137 on that subject, your Committee learned and points out to the Assembly that students who subsequently requested a review of their repayment obligations did have the interest on the loan reduced to 6% for the repayment period.

Write-offs of Student Loans

Your Committee notes that the Department has complied with the Provincial Auditor's recommendation at paragraph 12.143 by establishing procedures for the timely write-off of student loans in default.

Respectfully Submitted

Dan D'Autremont, MLA
Chair

Concurrence

That the Seventh Report of the Standing Committee on Public Accounts be now concurred in. (*Mr. D'Autremont/Mr. Cline—Debate, agreed May 10, 1995*)