



# **Standing Committee on Crown Corporations**

## **Hansard Verbatim Report**

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**STANDING COMMITTEE ON CROWN CORPORATIONS  
2001**

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Peter Prebble  
Saskatoon Greystone

Hon. Andrew Thomson  
Regina South

Brad Wall  
Swift Current

The committee met at 09:36.

**The Chair:** — I guess we're here today to discuss this segment of the agenda, chapter 13 in the auditor's Spring 2001 Report.

I would just remind everybody that the procedure that we're employing is the auditor will outline what they . . . give an overview of their chapter, and then Sask Water will have an opportunity to respond and then we'll entertain any comments or questions by the members of the committee. And then we will vote on the recommendations at the end of the discussion.

So first I'd invite the auditor to introduce himself and his officials to the committee and we'll get underway.

**Mr. Wendel:** — Thank you, Mr. Chair. I'm Fred Wendel, the Acting Provincial Auditor. With me today I've got Rodd Jersak, who leads our work in Sask Water; Andrew Martens, to the right there, who attends all our committee meetings and is our liaison with the committee; and Brian Drayton, with PricewaterhouseCoopers, who's the appointed auditor for Sask Water. Thank you.

**The Chair:** — All right. We'll do the auditor's part first and then when they've completed you'll introduce your folks and away we go. Sound fair?

**Mr. Wendel:** — Thanks, Mr. Chair. I'll just turn it over to Rodd for the presentation.

#### **Saskatchewan Water Corporation**

**Mr. Jersak:** — Thanks, Mr. Chair, and members. Chapter 13 of our 2001 Spring Report includes our audit conclusions and findings for the Saskatchewan Water Corporation for the year ended December 31, 2000.

We worked with PricewaterhouseCoopers, the appointed auditor for Sask Water, and made some recommendations as a result of the audit.

We found that Sask Water's financial statements were reliable. We make some recommendations for improvement of Sask Water's rules and procedures to safeguard and control its assets, compliance with authorities governing its activities, and other accountability matters. I will now briefly explain each of these matters.

The first matter is that better security is needed at Sask Water. Sask Water needs to strengthen security over its information technology or IT (information technology) systems and data. Sask Water depends on a number of IT systems to deliver its services to customers, to ensure compliance with authorities, and to manage its financial affairs. Therefore it is important that Sask Water protect its IT systems and data from unauthorized access and changes from accidental or deliberate destruction.

Sask Water has a number of security practices to protect its IT systems and data — for example, passwords to restrict access to data and regular backups of data in case it is lost. However, we found that some of these practices were not followed. We also found that Sask Water does not have complete and approved

security policies for its IT systems. As a result, on page 225 we recommend that Sask Water set appropriate security policies for its IT systems and data.

The second matter we raise is that the Act needs clarification. This is an issue related to the issue you discussed yesterday regarding CIC (Crown Investments Corporation of Saskatchewan).

During 2000, Sask Water sold real property without obtaining Lieutenant Governor in Council or cabinet approval. The Water Corporation Act requires that Sask Water obtain the prior approval of cabinet before acquiring or disposing of real property in excess of \$250,000.

During 2000, Sask Water sold the assets of its potato business. It did this in two transactions. The first transaction included approximately \$17 million of assets, mainly real property that Sask Water held directly. This real property was sold to CIC. The second transaction included approximately \$5 million of assets, again mainly real property that Sask Water held indirectly through two subsidiaries. This real property was sold to a subsidiary of CIC. Sask Water obtained cabinet approval to sell the real property in the first transaction but not the second.

Management informed us their lawyer and CIC advised them that the legislative restriction did not apply to Sask Water subsidiaries. We think Sask Water should have obtained cabinet approval for the second transaction because subsidiaries of corporations do not have greater powers than their parent corporation.

In chapter 11 of our 2000 Spring Report, the chapter you dealt with yesterday, we recommend that the government should clarify the law to require Crown corporations to obtain cabinet approval before purchasing or selling real property over prescribed limits either directly or indirectly through a subsidiary.

The third matter we raise is a follow-up of the prior investment policy recommendation we made. In our 2000 Spring Report, we recommended that Sask Water's board should adopt a policy to ensure that it does not commit financial resources to significant investments until it has approved clear and measurable objectives for the investments; analyzed the risks, costs, and benefits of those investments; and set performance indicators against which it can measure the extent of achievement of the objectives. At the time that this report was issued, Sask Water had not yet adopted such a policy. However I can report that since then Sask Water has adopted a policy that addresses our concerns.

The fourth matter is that we feel the annual report needs improvement. We reviewed Sask Water's annual report for the year ended December 31, 2000. We found that the report does not compare Sask Water's plans and actual results for the year. As a result, the Assembly and the public cannot use the annual report to fully assess Sask Water's performance. As a result, on page 228 we recommend that Sask Water should improve its public accountability by clearly describing in its annual report the extent to which it has achieved its plans.

Like other CIC Crowns, Sask Water plans to use the balanced scorecard performance measurement system. We understand management plans to report Sask Water's balanced scorecard results no later than in its 2002 annual report.

The last matter we raise is that Sask Water should publish a list of persons who receive public money. This again is an issue you discussed yesterday in regards to CIC.

In summary, there are three recommendations for you to deal with today and they deal with the investment policy, the IT policies, and the need for an improved annual report.

That concludes my comments at this time. We'd be happy to answer any of your questions.

**The Chair:** — Okay. At this point we'll move to Mr. Kirkland and the officials from Sask Water. So if you could introduce your officials, Mr. Kirkland, and embark on any comments that you have thereafter.

**Mr. Kirkland:** — Yes, thank you. On my left I have Dave Schiman, a manager of financial planning — far left, I guess. Terry Hymers to my left, comptroller; Micheal McDougall, our general counsel for the corporation; and Wayne Dybvig, vice-president of water management; and Greg Argue, director of communication and policy.

I just wanted to just say a few remarks, and then what I was planning on doing is actually really being prepared to respond to the individual answers that came along.

But in opening I wanted to indicate that the management team at Sask Water makes improvements every year, and many of the improvements that we consider really are improvements that are suggested by the auditor. And I think when we go into the particular recommendations and findings we'll be able to indicate that in fact we are following the auditor's recommendations and on the basis of that advice and recommendation, we're improving the corporation.

And I think I would also like to say that over the years we've always had a very good relationship with the auditor's office, and so I'd just like to thank them for that. And with that I'd be prepared to answer questions on the individual recommendations.

**The Chair:** — Well I guess in that regard if you . . . we'll just open up the floor to the members of the committee and I'll start a speakers list, noting Mr. Wall off the top.

**Mr. Wall:** — I guess I have some questions, Mr. Chairman, regarding the preamble to the second recommendation. I don't know if you want to go in order, but maybe we could start there.

And the question would be specifically regarding the auditor's comments on the need for clear and measurable objectives and an analysis of the risks and the costs for ongoing investments by Sask Water. And I think the auditor's report, you know, cites a few of the examples. He talks about basically utility investments, perhaps partnering with municipalities or other groups that would be interested, and really doesn't reference commercial enterprises at all, although I'm sure that's still the

intent of the auditor. But it just begs a question — if indeed Sask Water has formally or perhaps even informally pledged itself and informed the auditor of that even away from other commercial ventures such as the previous potato one that's now at home at CIC. I wonder if you could comment on that and whether or not that information is also provided to the auditor or, if there are commercial investments being considered, if these concerns by the auditor have been addressed for those.

**Mr. Kirkland:** — Yes. This is an area that we agree needed improvement and we developed an investment policy which was approved by our board in June of this year, and actually I would like to table that, several copies of this policy. And this policy has been applied to a couple of recent board project approvals — one for Agrium and one for a water utility investment for the community of Hague. So this is a policy that we proposed, was approved by the board, and we are now actively using this.

**Mr. Wall:** — So it's not something that the auditor will have had a look at yet in terms of . . . it's relatively new, is that right, and will be probably subject to the Provincial Auditor's review in the next annual report for that reporting period?

**Mr. Kirkland:** — My understanding is that the audit . . . the professionals have in fact seen this policy, I believe.

**Mr. Wall:** — Can you offer any comment or would you hold off until the next report?

**Mr. Jersak:** — I could tell you that I have reviewed the policy and that it does address the issues that we felt their policy should address, but I haven't seen it, I guess, being used yet.

**Mr. Wall:** — Okay.

**Mr. McMorris:** — As far as the clarification area when they talk about what needs to go through cabinet approval or go through cabinet as far as purchasing and selling off real property, I would be interested to know in the two examples cited in the auditor's report here of \$17 million worth of assets and \$5 million worth of assets, why one went through an order in council and the other one didn't, and what was the rationale behind that.

**Mr. McDougall:** — The issue around that is that the legislation required Sask Water itself to obtain an order in council to sell real property over prescribed limits. As the auditor has indicated, this transaction effectively amounted to two different parts: one the sale by Sask Water itself of a series of real property assets; and the second part of the transaction was the sale by Sask Water subsidiaries, particular real property.

The legislation does not require, in our estimation, that Sask Water subsidiaries receive . . . obtain an order in council approval for the sale of those assets with respect to the subsidiaries. With respect to the Sask Water side of the sale, we received the order in council as the auditor has indicated.

**Mr. Wall:** — Thank you, Mr. Chairman. I guess a question. And thank you very much for a copy of these guidelines here, and the auditor has indicated that there . . . I'm sure we'll be hearing more about in terms of its actual application that Sask

Water has made of it.

But I notice something here on page 3 of it, and I wonder if we could just have a brief . . . or a bit of a clarification on it. On page 3 of these guidelines under development analysis, there's a specific reference to projects being measured against provisions that would be, I guess, would be consistent with provincial contracting guidelines and their implications. You see that on page 3 there.

And you may remember that we . . . there was a concern that this committee had had, or at least some questioning that this committee had had of Sask Water when we dealt with the '98 and '99 annual reports for the corporation regarding the fact that the then-in-place Crown Construction Tendering Agreement which would have been the contracting guidelines of the Government of Saskatchewan, certainly of CIC Crowns, had not been used for some of the major construction work that was eventually done by Con-Force, I think.

And we did get an answer back, by the way. Members of the committee received an answer back to the question from the Crown, from Sask Water, that indicated that because Con-Force was in effect the Crown itself, it didn't feel that the CCTA (Crown Construction Tendering Agreement) applied to that project necessarily. It was the response, if I . . . I think if that's . . . That was the response.

So I guess the question would be then . . . related again to this section in the preamble for recommendation 2 by the auditor and the guidelines you've tabled here today. Is this intended to address that problem in the future? I mean not just for your Crown but perhaps for others. Is that why it's specifically mentioned in here, that . . . I mean you're going to have to look at the implications of whatever the tendering practices of any given government is and whether that impacts on partners you might be working with in the private sector or not.

Maybe you just want to clarify that.

**Mr. Kirkland:** — Yes. We have as a corporation, in our estimation, always followed the provincial policies in this regard. And that would be true, as we explained, with regard to the Con-Force buildings as well. So this is just designed to be a particular checklist item to say in any particular project, are we in this project, in the manner that we're managing the contracting, following provincial guidelines.

**Mr. Wall:** — Mr. Chairman, recommendation no. 1 deals with something we heard a bit about yesterday in terms of the security policies and systems that are in place for the IT system at Sask Water. And I think we heard it referenced yesterday in relation to another Crown, and it seems to be a bit of a theme anyway.

And I wonder if the auditor can indicate to the committee if all of the Crowns are working on basically the same problem or taking steps to address the same problem. We heard that SaskTel did what . . . had undertaken some initiatives to address it. Do you also recommend if all of the Crowns, and if other departments and agencies of government are having the same problem and arguably going to need the same resources and to contract the same kinds of companies maybe to help them, are

you recommending that there be a sort of a joint effort to handle this, if it is, you know, in terms of some synergy or maybe even some efficiencies? Or does that go beyond what the Provincial Auditor would do other than just pointing out the difficulty?

And in that, I guess the follow-up then is if indeed it's on an individual basis, is Sask Water aware, were you aware when this recommendation came out, were you aware that other Crowns had been . . . similar recommendations had been levied, and then did CIC coordinate any kind of a way for all the Crowns to address this problem where it was cited by the auditor?

**Mr. Wendel:** — I'll try and answer that. We audit each government organization each year and look to see whether there are any concerns with their information technology practices. We report if there are.

We also do cross-government initiatives on security and we make a report on those. We look across the government and might look at all the CIC corporations, we might look at all the Treasury Board corporations, and then we make overall recommendations for those groups. So occasionally you'll get a cross-government chapter dealing with that.

The information technology office — and I think it's in Department of Economic Development but I'm not sure, I think that's where it sits — it coordinates a lot of these activities to make sure there is government-wide consideration of these things. And I think CIC coordinates its actions with them. I think in that respect there's some coordination on that.

**Mr. Kirkland:** — Yes, and there is a particular set of policies called the provincial IT charter, which is being developed. And so the improvements that we have made, we've made some which are certainly within the purview of the corporation, and then there are other aspects of improvement of IT security that really are best done in conjunction and at the same pace as the provincial charter is improved.

I would say that we have . . . we've made quite a few changes since the last time we were before the committee. We've improved the physical security in terms of security over our central hardware and software. We're increasing the monitoring of our user accounts. We've enhanced the security of the Internet log-in procedures. Our user account, particularly the password administration, we've improved as well. We've strengthened the backup requirements and we regularly go through a firewall log auditing. And so we've made quite a few changes in terms of responding to the concerns on IT security.

**Mr. Wall:** — Mr. Chairman, if it's in order, I would move that the Standing Committee on Crown Corporations concur with recommendation no. 1 in chapter 13 of the Spring 2001 Provincial Auditor's report.

**The Chair:** — Just to make certain there's no other debates on the recommendations? As such, I would take that motion to be entirely in order. Those in favour of the motion? Those opposed? The recommendation is concurred . . . (inaudible interjection) . . . I'll take under advisement. Okay. So that's recommendation no. 1.

Recommendation no. 2, if you could reference that in your chapter. Do I have a motion concerning recommendation no. 2?

**Mr. Yates:** — Yes, recommendation no. 2, I would move we concur with the auditor's recommendation.

**The Chair:** — Okay. Any discussion on the motion? Seeing none, those in favour of the motion? Motion is carried.

Recommendation no. 3. Do I have a motion on the recommendation?

**Mr. Yates:** — Again, Mr. Chair, I would move concurrence with the recommendation. Note progress and note concurrence.

**The Chair:** — Duly moved. Any debate on the motion? Seeing no debate on the motion, all those in favour? Those opposed? Motion is carried.

On behalf of the Crown Corporations Committee, I'd like to thank the officials from Sask Water for coming out today and discussing this chapter with us. As well, the Provincial Auditor and your officials.

And . . . (inaudible) . . . five minutes, five — count them, five. And then we've got a couple of items of business to take care of concerning the Provincial Auditor's Selection Committee, the agenda. And then we should be able to recess until 1:30 again this afternoon. But just to get the hubbub of the officials out of the way here — five-minute recess.

**The committee recessed for a period of time.**

**The Chair:** — Calling back to order. The first item that we have to consider at this point in the meeting is the letter that was received and was tabled yesterday with the members of the committee concerning the Audit Committee of the province of Saskatchewan.

If I could get you to refer to your letter that was handed out yesterday. Now there are a couple of points to consider as we proceed with this. One is that if we move concurrence with the recommendation of the Public Accounts Committee, that's all square and away.

If we do want to discuss some of the people that have been recommended or matters pertaining thereto, it deals with personnel, and as such we'd have to move in camera and ask the strangers to the committee to leave.

So I just wanted to state that off the top and ask if there is anyone that wants to move concurrence or if there is a matter of discussion or . . . I'm in the hands of the committee at this point.

**A Member:** — I would move we go in camera.

**The Chair:** — Those in favour? Opposed? In camera we go.

**The committee continued in camera.**

**The Chair:** — Okay. So we have to go back into camera and the motion I would ask somebody to move is as follows. I

move:

That the Standing Committee on Crown Corporations concur with the list of candidates to serve on the Audit Committee selected by the Standing Committee on Public Accounts, and that a letter signed by the Chair be sent to the Chair of the Public Accounts Committee to that effect.

**Mr. Yates:** — I'll so move.

**The Chair:** — So moved by Mr. Yates. Any discussion? Those in favour of the motion? Those opposed? Thank you very much.

Okay. We'll now move to the matter of the proposed agenda for January, and at this point I'd entertain a motion by Mr. Wall.

**Mr. Wall:** — Thank you, Mr. Chairman. I move:

That the committee resume its consideration of the outstanding 1998, 1999, and 2000 annual reports of certain Crown corporations as follows:

Tuesday, January 8, 2002, 10:30 a.m. to 12 noon and 1:30 p.m. to 4 p.m.; Wednesday, January 9, 2002, 9:30 a.m. to 12 noon and 1:30 p.m. to 4 p.m., Information Services Corporation.

Tuesday, January 15, 2002, 10:30 a.m. to 12 noon and 1:30 p.m. to 4 p.m.; Wednesday, January 16, 2002, 9:30 a.m. to 12 noon and 1:30 p.m. to 4 p.m., for SGI (Saskatchewan Government Insurance).

Tuesday, January 22, 2002, 10:30 a.m. to 12 noon and 1:30 p.m. to 4 p.m.; Wednesday, January 23, 2002, 9:30 a.m. to 12 noon and 1:30 p.m. to 4 p.m., SaskPower Corporation.

Tuesday, January 29, 2002, 10:30 a.m. to 12 noon and 1:30 p.m. to 4 p.m., for SOCO (Saskatchewan Opportunities Corporation). Wednesday, January 30, 2002, 9:30 a.m. to 12 noon and 1:30 p.m. to 4 p.m., STC (Saskatchewan Transportation Company).

And that the Clerk has the authority to make the necessary arrangements to allow the implementation of the schedule of business recommended by the steering committee.

**The Chair:** — So moved. Discussion? Mr. Thomson.

**Hon. Mr. Thomson:** — Well I notice that we've agreed to . . . The recommendation proposes Tuesday and Wednesday meetings. This is obviously difficult for me as cabinet day is Tuesday. Now I'm not sure how we can deal with that and obviously other . . . Maybe it's been scheduled that way on purpose. But there are certainly other members that are from time to time called into the cabinet also. For instance, today I think there were three of us who were supposed to be involved in the cabinet discussions.

Tuesdays are certainly difficult. Wednesday and Thursday may be more appropriate.

**The Chair:** — That may well be the case, but it's . . . Certainly we all, as elected representatives, have very busy schedules and

when you move from one thing, you bump into another.

So in terms of the . . . You know, cabinet was recognized from our side when we went forward with the list. But the list of those going into cabinet will change for the month of January, posing a less serious problem. And in terms of . . .

**Hon. Mr. Thomson:** — Well I certainly hope it's not for me.

**The Chair:** — No. In terms of yourself . . . In terms of private members participating in cabinet's deliberations on Tuesdays. But in terms of yourself we're . . . much as we'll miss you on Tuesdays, we're just going to have to substitute in for you individually.

**Hon. Mr. Thomson:** — Mr. McCall, obviously my concern is that we get situations like today where clearly there is no ability to substitute anybody else in. I think it is incumbent upon the committee to schedule when permanent members of the committee can make themselves available. Now in the case that we can't do that, I have to tell you that the 15th and 22nd don't work for me anyway as I am out of country. So if you want to proceed without, I guess we can go and find substitutes. But this is certainly the first I've seen of the schedule.

**Mr. Prebble:** — I just want to also say that I would really like . . . I'm very happy to meet in January, but I'd very much like to avoid Tuesdays and Wednesdays, which are days when cabinet meets and when cabinet committees meet, because we've got guaranteed conflicts on this side of the table with cabinet committees as well. They're going to be doing important business in January and they meet on Wednesdays. So I'd . . . At least they meet Wednesday mornings. So I'd like to see us start Wednesday afternoons and go Wednesday, Thursday, myself — or Thursday, Friday. Or anyway, some day other than Tuesday or Wednesday morning. That would be my preference.

**Mr. Wall:** — Thank you, Mr. Chairman. I think if . . . well, you know, when we're meeting intersessionally, each and every day of the week is going to pose unique problems for various members of the committee. The steering committee met, we considered the dates with the Clerk. I have in turn informed our members of those dates, and although there was some conflicts, arrangements were made. Already this morning, for example, we're short a member because of a conflict; we'll have someone here in the afternoon, but it will be a substitute; and Mr. Hart of course is even substituting for Mr. Huyghebaert today. So there will always be difficulties.

I think it's important that we meet as a committee. I congratulated the government members of the committee after we met last week; there was all of us cleared to also meet and take care of the work of this committee which arguably had fallen behind somewhat.

So you know, I'd certainly think we should just move forward and each side will have to make arrangements and adjustments as they're necessary and we're prepared to do that to fit in with the schedule. Let's set it down and, you know, let's get at it.

**The Chair:** — Other speakers in the debate?

**Mr. McMorris:** — Thank you, Mr. Chair. I think also if you

look at the schedule that we've laid out, it's not a . . . it's only a one-month schedule. We're looking at the month of January. And some of the problems we can maybe address when we set up for February or March.

But I mean this schedule was sent out . . . I've revised stuff, different appointments, so that I kept Tuesday and Wednesday open and booked Thursday and Fridays. So now, I mean that's just some of the things that are going to happen.

Certainly the next schedule that's set up, whether it goes into February, March, those things can be looked at. But I mean there's going to be a conflict regardless, whether it's cabinet or whatever else.

**Hon. Mr. Thomson:** — I simply note this because I think it's something we should take care of, and we've always taken care in the past to give some thoughts as to how we work around these schedules. Now obviously it's unusual for us to have a cabinet member on, but it's also very unusual for this committee to meet on Tuesdays.

Anyway, that being said, I suspect . . . I'm prepared to simply acquiesce and we'll do what we can.

But I do say that in the future we should be mindful of these issues and the steering committee should take that into account.

**The Chair:** — Duly noted.

**Mr. Wall:** — What's the question, Mr. Chairman?

**The Chair:** — The question having been called, those in favour of the motion? Those opposed? Thank you for your consideration.

I would move we stand recessed until 1:30.

**The committee recessed for a period of time.**

**The Chair:** — Come to order, please. Okay, we've got an action-packed agenda this afternoon and there's been a request that we adjourn at 2:30 as per obligations of certain members of the committee. So we will be adjourning at 2:30, and in the meantime we've got a presentation from the auditor. I see, as well, there's also an undertaking as per a motion that will be moved at the completion of the presentations as well as a wide-ranging debate on the matters before us here today and in relation to ISC (Information Services Corporation).

**Mr. Wall:** — Mr. Chairman, I think it was actually my request, as you note, that we adjourn today at 2:30. And it's my timetable we're accommodating so, first of all, thank you for agreeing to do that.

However, since we're underway 10 minutes late, I certainly wouldn't have a problem if we need to add that 10 minutes to the agenda. It certainly won't interrupt our schedule at all, if it's agreeable to members.

**The Chair:** — It is agreeable to members because the undertaking was made and communicated to the other members. So is the additional 10 minutes copacetic? Good.

In which case we're here to discuss, off the top, chapter 14 of the Spring 2001 Auditor's Report. And Mr. Wendel if you'll take it away and introduce your officials.

**Mr. Wendel:** — Thank you, Mr. Chair. With us today we have over on our right we have Glenda Rowein from Deloitte and Touche, and John Aitken from Deloitte and Touche. They're the appointed auditors for the Information Services Corporation.

To my left is Phil Creaser, who leads our work on project management and computer auditing. He'll be making the presentation. Then up against the wall, Andrew Martens on my right, who attends all committee meetings and coordinates our activities with the committee; and Glen Nyhuis, who leads our work and Information Services Corporation for most of our audit objectives.

So with that I'll turn it over to Phil and he'll have a presentation for you.

#### **Information Services Corporation of Saskatchewan**

**Mr. Creaser:** — Thanks, Fred. Mr. Chair, members, guests, thank you for the opportunity to discuss our plan, I guess, for the audit of the LAND (Land Titles Automated Network Development) Project at Information Services Corporation.

The results of our work, as you know, will be tabled on Thursday this week, and we'll be talking today a little bit about we've planned to do in that audit but not about the results.

Also we worked with the accounting firm, Deloitte and Touche, to form some opinions on our work last year, which we included in our Spring report. And we gave clear opinions on the fairness of the financial statements, the sufficiencies of ISC's controls to meet their . . . meet our control objectives, and their compliance with significant aspects and key financial authorities all at December 31 of the last year.

We did the audit of the LAND corporation assessed managed . . . project management practices at the Information Services Corporation with our purpose to try to improve practices across government. We've audited the project management practices over the last few years at SHIN (Saskatchewan Health Information Network), SPC (Saskatchewan Power Corporation), the Public Trustee, and planning on using what we've learned on those projects and our current methodology to look at the project management practices at ISC. Our audit objective was to ensure ISC had adequate project management processes to implement the LAND project.

The LAND project is a large, complex project. It's taken many years and a lot of money to get it to the point where they've implemented in Moose Jaw. The LAND project is more than just an IT project; the . . . to automate the LAND system took major changes in their business processes, staffing, laws and policies, fee structures, and technology to get to where they are.

The project we examined was approved late in 1999 for 58 million and included the establishment of a Crown to complete the project. We concentrated our efforts on the project management processes in place around the implementation in

Moose Jaw. We did, however, look at the governance and accountability processes from the time of approval of the project and the incorporation.

We want to improve project management practices in government. We leave it to legislators to evaluate the success of the project. We looked at how the benefits are measured and recorded in this project to ensure that there is information to help legislators have an informed debate on this project.

When we did our work to achieve our objective, we looked at three criteria and I'll lay those out in more detail in the next three slides.

First of all, we looked to make sure there was adequate processes to maintain management and stakeholder commitment to the project, very important in this project of this size. We looked to see if ISC was accountable for the success of the project. We also looked at the governance structure for the project including committees that were set up to manage the project. And we also assessed that the project leaders were committed to the project — a little softer control, but we've looked at it.

Secondly, we looked to ensure there was adequate processes to track and report on the realization of the project's benefits. We expected ISC to have a process to identify, quantify, and track project benefits throughout the project and after its implementation. Benefits should be based on a strong business case that is consistent with ISC's vision, strategic goals, and objectives.

Finally, we wanted to ensure that there was adequate project management practices and reports. We expected ISC to have good project management systems and practices to control the implementation of the LAND project.

Good project management systems and practices involve the use of project teams with the necessary experience, skills, and leadership to manage a project of this size. Good project management practices includes planning, reporting progress against plan. The project team also needs to manage the risks, ensure the quality of the product, and communicate progress and successes and also the problems.

Good project management systems and practices help ensure deadlines are achieved, costs are contained, and requirements are met. We also look to ensure that the human resource practices at ISC will make the effective use of the people on the project and in the new LAND system. That's the nature of our work that we will be reporting on Thursday.

That's the end of my comments. Thank you.

**The Chair:** — And judging by the turnout today, you should have a good turnout on Thursday for your report at that time.

Anyway, we'll turn it over to the officials from ISC. If you could state your name and introduce your officials.

**Mr. Nicholson:** — Thank you, Mr. Chairman. My name is Fraser Nicholson. I'm president and CEO (chief executive officer) of Information Services Corporation of Saskatchewan.



To my right, Ron Hewitt is the senior vice-president and chief operating officer of Information Services Corporation. And to my left is Laurie Powers; she's the chief financial officer of ISC.

**The Chair:** — Thank you very much. If you'd proceed with your presentation.

**Mr. Nicholson:** — Thank you, Mr. Chairman. And with your indulgence, I'll do a presentation not too long but simply to . . . Since this is my first opportunity to address the Crown Corporations Committee as president of ISC, I'd like to say how much we welcome the opportunity to make a few comments, to answer questions that are of importance to you and of importance to us and, we believe, of importance to Saskatchewan.

I'd also like to take this first opportunity to give you a brief background on the LAND project. A bit of information about progress thus far. A high-level overview of finances since there are questions of finances for the corporation being asked. And finally, a few words about marketing the system.

As was noted by Mr. Creaser, the LAND project has been around for a number of years. It goes back to 1994-95, then in the Department of Justice, where the idea was to convert the paper-based system to an electronic format. In those days, it was . . . the idea was to automate a land records management system. And it was at that time conceived that we should try to catch up with other automated systems that existed in Canada.

And in 1994-95 the Internet was not a presence to the extent it is today. And so at that time the solution was a solution to keep up with the 20th century but not an Internet-based solution. And now that we have developed an Internet-based solution, we think it's a 21st century solution.

Fundamentally the project changed in 1996. At that stage the LAND project was expanded to include the integration of information about Saskatchewan land into a single system. This is the much talked about integration with geographic information systems and as I say, fundamentally changed the project.

After a couple years more work and a tender in 1998, in 1999 the project budget was approved in November of 1999 by cabinet, as noted by Mr. Creaser, at \$58 million. And at that stage it . . . what was approved was the integration of Land Titles and GIS (geographic information system); the development of an e-commerce support system to support the Internet-based delivery; an imaging system; facilities to house documents and staff — it was decided that all of the land records from across the province would be brought into one location and housed and imaged; employee and organizational preparation costs because of the downsizing that was involved in implementation; a contingency fund; and bridge financing costs.

But what I'd like to underline is that that was the approved, and is the approved, budget with a scope that has not changed since November 1999.

Also in November of '99, it was decided by cabinet to approve

the establishment of a CIC Crown to implement . . . develop and implement the project, but also to operate the land titles system from across the province. And often it seems that the corporation is identified only with the development and implementation of the LAND project. But in fact we operate the offices across the province and for the past two years have been delivering the paper-based land titles system to the citizens of the province.

When the Crown corporation was established in January . . . effective January 1, 2000, what was approved was that the LAND project itself should be financed on the basis of 80 per cent debt, 20 per cent equity. So there was a financing decision made in November of 1999 to finance the system.

As noted by Mr. Creaser, and I won't repeat, the LAND project is a hundred-year-old system. It's multi-faceted. It involves many components. And I would say that the legislators would recognize the comprehensive package put together last year and passed in the spring, the new Land Titles Act, the new surveys Act. There were consequential amendments to 60 other Acts. So it was very extensive legislative package and so this project is more than just a technology.

What we've learned since we implemented the system in Moose Jaw . . . We of course had anticipated that there would be transition to a new system and consequential learning for us and for users. But what we've learned since we implemented in Moose Jaw is just how important customer education is and how important the training for a variety of user groups is in order to work easily and successfully in the system.

This year we've . . . starting in March we launched a Web site. In May we put 125,000 images of plans on the Internet. In June, we introduced 200,000 images of grant searches. We introduced as well on June 25 the Writ Registry for the province, and of course we implemented it in Moose Jaw on June 25.

A week ago yesterday, we opened for business in Regina, and of course we're now looking with anticipation to the continued rollout across the province. And we're reviewing now . . . As members will know, we have had some delays in the opening in Regina but we're reviewing now the balance of the rollout schedule.

I would like to comment on I think what is a very important matter for confidence in a public institution. And that is that the LAND system works. There have been some commentators who've indicated the system doesn't work but our experience since we opened the system in Moose Jaw is that it does work. And since that time we have had over 7.3 million transactions amongst the eight computers that interact — it's a technical discussion, but eight computers interact in delivering the LAND system — we've had 7.3 million transactions with a success rate of 99.74 per cent. And for a computer system, in my opinion, at this stage of implementation that is impressive performance.

Not only does the system work, but it works for people in Moose Jaw. We have converted 88,600 paper titles, 72,500 instruments. We have had over 135,000 searches of land registry records, over 3,400 title transfer set-ups or surrenders, and 35 plans of survey approved. So I guess quite a few

statistics that say the system does work.

It's been welcome to have received some endorsements from people who've used the system and are familiar with it. On November 20, David Chow — he's a prominent Moose Jaw lawyer — he said on CBC (Canadian Broadcasting Corporation) radio: we're quite pleased with the system now; it seems to be running very smoothly.

On November 22 the president of the Law Society of Saskatchewan wrote a letter to members of the Law Society, and I quote:

Implementation of any new system is never without its difficulties. We have been advised by a number of our members that many of the difficulties that they initially experienced have been addressed, many as a result of their suggestions. We are confident that the registry maintains the integrity of the titles.

On December 4, Paul Martin, a commentator, said on CJME radio:

The new system seems to be working pretty well, if you listen to the people in Moose Jaw. They're the ones who have the most experience with it. At first there were complaints, but once everybody got training and worked with it for a while, complaints turned into praise.

In Regina since we've been open a week yesterday, we've converted 22,258 titles from paper to electronic form. That represents 8.1 per cent of the total; 2,958 titles have been converted on demand. And in fact we converted more titles in Regina last week than in all the time since we opened Moose Jaw, titles on demand.

We've had 947 inquiries to the customer call centre in December; 6,056 visits to the Web site in December, so we have a weekday average of 1,038 visits to our Web site.

The LAND project, as noted by Mr. Creaser, is more than just an IT project and because it's big, because it's complex, it has inherent risks as does any large project. And of course, that was, as you will know from the presentation by Mr. Creaser, a focus area for the provincial auditors. They have questioned us extensively on project management, they've reviewed extensive documentation, they've conducted many, many interviews, and their report to be released on Thursday will assess how this project has been managed.

But we believe we have strong senior management commitment, we have stakeholder commitment, that we have appropriate risk and scope management processes, that we have appropriate project monitoring, communications, and HR (human resources) management processes. In short, it's our view that the project has been well designed and managed.

A few words about finances. When the corporation was created, a financial structure was created with the corporation. A \$48 million borrowing limit was approved in the order in council in November of 1999. An equity advance by CIC up to \$12 million was also approved. And at that time the debt and equity values were set to finance the capital requirements of the LAND

project only. These limits did not provide for financing of elements such as the capital costs for infrastructure for the new corporation, operating capital to manage fluctuations and cash flows associated with land titles, geomatics, the personal property registry, which we took over on January 1, 2001.

ISC, of course, as members will know, sustained a start-up loss in 2000. And it was anticipated that we would have start-up losses in the first two years of the corporation and so incremental financing to cover these losses is also required.

We project the borrowing needs of the corporation . . . The borrowing needs of a corporation will change over time. The borrowing needs of the corporation will peak in late 2002 and then decline over time. The debt/equity ratio will improve significantly over the next five years.

I would like to underline that borrowing is a normal part of doing business. And the magnitude of one's borrowing depends upon how much equity you have and how much debt therefore you have to incur.

As I mentioned earlier, it was decided that the LAND project should be financed on an 80/20 debt/equity ratio. And in consequence of borrowing, one uses the borrowing to invest. And what we're investing in is the building of an asset. And we are building an asset. We have acquired assets in the establishment of the corporation, and so the borrowing has resulted in investments and assets being acquired.

Finally, a few words about marketing. When ISC was established, the corporation was explicitly given responsibility for marketing. And I'd like to quote from the order in council establishing the corporation. It said that ISC had the responsibility, quote, "to investigate and develop potential markets for use of the corporation's information systems."

A couple of weeks ago an agreement was signed with EDS (Electronic Data Systems Corp.) in Texas. It was signed in Dallas during the Team Canada West Trade Mission. That give ISC access to EDS global network of customers and sales channels. EDS, as you may know, has about 120,000 people spread throughout the globe. It gives EDS the opportunity to use ISC's land registry solution and related services and expertise. And it significantly extends our marketing possibilities outside Saskatchewan.

We've also been asked by IBM (International Business Machines Corporation) to serve as a reference site for their network storage manager, their enterprise storage server, and their HAD RS/6000 processors. IBM, and just for explanation, IBM chooses reference sites that they feel have successfully leveraged IBM's technologies, and that will present a professional image to IBM's other customers.

Another company by the name of SwiftView which . . . they develop and market electronic information delivery software for document managers, information technology departments, and others concerned with document access — they've asked our permission to publicize ISC's use of SwiftView's products.

We've received inquiries from around the world about the new system being developed and implemented here. We've received

. . . for example, we're now . . . our presentation is posted to the World Bank Web site. We've received inquiries from the UK (United Kingdom), from Albania, a number of US (United States)-based companies, from the Ukraine, from South Australia, and from Thailand. And quite a number of those I've mentioned have in fact visited Saskatchewan to see our system in operation.

So in conclusion we believe the LAND project is properly managed with appropriate scope, risk management, and governance structures. The Provincial Auditor's report will, of course, give you a report card on the project thus far.

The initial budget of the corporation only covered the project. The corporation is more than the project. The corporation's finances are appropriate for the size of the task we have been assigned, and we have received clean audit reports throughout. Our marketing efforts are appropriate and are leading to ever-growing interest.

Thank you for the opportunity to provide this information. We would of course be pleased to offer a demo of the system if, in your deliberations, if anyone, either together or individually, wants to see a demo of the system, we'd be pleased to do that — and happy of course to answer your questions. Thank, Mr. Chairman.

**The Chair:** — Thank you. Okay. So before we get to the questions and the discussion around the presentations that have been made, arising from an undertaking that was made last week in the Public Accounts Committee, I believe, Mr. Yates has a motion that he wants to move at this time.

There'll be discussion around the motion as motions are debatable in committee, of course, and a vote on the motion. And then we'll go to discussion on the general presentations as per . . . as was outlined at the start.

**Mr. Yates:** — Thank you, Mr. Chair. As you've noted, in Public Accounts Committee meeting last week I made an undertaking on behalf of the government members of the Crown Corporations Committee to deal with three questions that were raised by members of the opposition.

At that same meeting, the auditor raised some issues of clarity in how the questions should be worded. And in the following motion, I hope to have addressed the issues of both clarity and very clearly the intent of the members opposite.

So I would move:

That the Crown Corporations Committee request the year-end audit of the Information Services Corporation of Saskatchewan be amended to provide, in addition to the normal audit, audit assurance related to the following matters:

1) On the matter of the 55 million debt, to identify the key expenditure segments for ISC and the corresponding revenue and budgets at 2001 year-end;

On the matter of the projected costs in relation to the original approved budget, to identify the projected costs to

complete the LAND project against the assumptions of actual cost of work completed and the assumptions used by ISC to make the projections; and

On the matter of ISC meeting its stated objectives, to review progress of the corporation with regards to its stated objectives including the stated benefits of the LAND project.

**The Chair:** — Okay. The Clerk will grab the motion and make copies for the members of the committee.

As the mover of the motion, do you wish to speak to the motion, Mr. Yates?

**Mr. Yates:** — Yes, Mr. Chair. Members of the opposition very clearly brought forward some questions that they wanted answers to. We agreed, you know, quite openly that we should get answers.

There were some issues around how it was worded for clarity. I hope that the proposed wording meets the intent and I understand that the — and by way of question, I guess — that the Provincial Auditor had some opportunity to have some input in how the questions . . . and the auditors had some input in how the question should be worded in order to be answered in an appropriate manner to the original question's intent. And hopefully that we're then able to get the answers to that in the most expeditious way and should have that report down for us in the spring.

**The Chair:** — The auditor was referenced in the question so I'm going to allow him an opportunity to respond and then my speaker's list starts with Mr. Wall.

**Mr. Wendel:** — Since we last met and discussed this . . . we discussed this matter at the Public Accounts Committee. And at that time I expressed some concern; I wanted to be sure I understood the expectations completely before we agreed to amend the audit plan.

My officials have had a chance to meet with management of ISC and with the appointed auditor to talk about what information that ISC could prepare that we could audit and provide you some assurance to best answer these questions. So we have an agreement in principle, as I understand it. We still have to work out some details of what those reports would actually look like and we expect to do that over the next week or so.

So that's where it stands now. If there is any problems with that, I could certainly bring them back to the committee on the 9th. But I don't expect any.

**The Chair:** — Okay. So once again, the speakers list starting with Mr. Wall. And anybody else, feel free to raise your hand.

**Mr. Wall:** — Well we're going to get a copy of the motion, I presume here, momentarily when the Clerk gets back.

But as I recall just from listening to you make your motion, Mr. Yates, the second . . . There was some concern, I think, on the second question, that the letter to the chairman, that I had sent

to the chairman of Public Accounts, the second question as was worded in that letter to him said:

... What is the total projected cost for the land titles automation project and how does this cost compare with its original budget?

And again I don't know this to be fact, but I think I heard you say something about going back to the beginning of 2001 as the reference point.

**Mr. Yates:** — No. In the first question it talked to the year-end 2001, to the end of December, which is when they end the audit process for this year.

**Mr. Wall:** — Yes, right. Right, okay. So there was no . . . okay, there was no reference to that in terms of the second point. You don't have it any more in front of you.

**Mr. Yates:** — I don't have it in front of me.

**Mr. Wall:** — Okay. Well I'll have to wait then.

**The Chair:** — Sure, we could recess until the Clerk returns with copies. Unless we've got anybody else that would care to venture forth at this point.

Okay, we'll briefly recess until the auditor . . . or till the Clerk returns with copies of said motion.

**The committee recessed for a period of time.**

**The Chair:** — We're back from recess. Mr. Wall, if you want to continue, then Mr. Yates is also on my speaking list.

**Mr. Wall:** — All right, just for a question, maybe even for the auditor, as he looks at point no. 2 in the motion from Mr. Yates. We just want to be comfortable, I think, that what's investigated here is the total projected costs that ISC forecasts even now, because of course the rollout, as the CEO has indicated, isn't complete and I understand there's still things to be worked out. There's still development to take place.

And so we just want to make sure that that captures everything that we are going to be dealing with, in their best estimate, the total amount that this project is going to cost until actually delivering what it's supposed to deliver for the entire province.

**Mr. Wendel:** — Yes, Mr. Chair. That was the intent of our discussion from when we had the discussions with Information Services Corporation, and there were standards for preparing those kinds of reports put out by the Canadian Institute of Chartered Accountants. There are also standards for auditors to follow to audit them, so we'll be working based on those, on those guidelines.

**Mr. Yates:** — Yes, Mr. Wall, I'd also like to reiterate the undertaking we took to have a full discussion on all other items; and this by no means negates that other commitment that was made as well.

**The Chair:** — Question has been politely called. Any further debates? Seeing none at this time, opposed? In favour? Carried.

They're a sharp bunch, Viktor. Okay.

At this point we will initiate discussion of the presentation and other matters relating to ISC. And I'll start the speakers list off with Mr. Wall.

**Mr. Wall:** — Thank you, Mr. Chairman. And thank you again to the Provincial Auditor and his staff, as well as Mr. Nicholson and the staff of ISC for joining us here.

And there are some very current issues with ISC as I'm sure the . . . Mr. Nicholson will be aware. We will probably want to focus on those. We know we have two days in January as well to deal with these broader issues of the original scope of the project and the budget then and, you know, where that budget is today. And we certainly want to get to those important questions as well as the functionality of the system currently, even in the two places that have been rolled out.

But I think we would like to ask if we can, Mr. Chairman, a question regarding the most current issue, which is the current debt forecast by ISC as reported in the *Mid-Year Financial Report* on page 19. And in that report the Department of Finance indicated clearly that the estimate of \$32.4 million at the beginning of the year reported in the budget has increased to \$55 million in the forecast for the remaining part of the 2001-2002 fiscal year.

And so the question would be, why is that? Why hadn't ISC properly estimated or forecast the debt that it would need to do what it wanted to do in this fiscal year?

**Mr. Nicholson:** — Thank you, Mr. Wall. With respect to the debt, as I mentioned in my remarks, \$48 million in borrowing authority was included in the November 1999 decision. And that was on the basis of an 80/20 debt/equity split for the LAND project only.

That borrowing authority did not address items such as the start-up costs of the corporation, the operating cash requirements of the land titles system, geomatics, personal property registry. The November '99 decision only addressed the financing requirements for the LAND project itself.

And so as we've gone from November '99 to the present, other elements have been added to the operations of the corporation which also have to be financed. The number that was included in the GRF (General Revenue Fund) projections to March 31 — as you know, of course, our fiscal year is the calendar year — but in the GRF projection, that includes the borrowing requirements for the corporation as a whole — all of its activities as opposed to just the LAND project.

And there's been some lack of understanding about the borrowing requirements of the corporation versus the cost of the LAND project. The LAND project budget of \$58 million — that's one number. The borrowing requirements of the corporation, reflecting the requirements for borrowing for LAND and for all of the other activities are what are included in the GRF projection.

**Mr. Wall:** — I think the follow-up question would be then, all of those things that you've just mentioned dating back to

November '99 certainly would have been known in plenty of time for ISC because, by the way, that's what's reported in the mid-year financial report and the same is true in terms of the budget. It's ISC, which I would assume to be the entire corporation, not just the LAND project.

Those numbers would all have been available to you then or at least you knew you would be needing more debt well in advance of when you had to submit to the Department of Finance for their GRF report in the budget last March. So I guess the question still remains: why then wouldn't you report that to the Department of Finance so that it could be disclosed in the budget and therefore to all the taxpayers?

**Mr. Nicholson:** — Well, I guess as a matter of public record the order in council establishing the corporation included borrowing authority up to \$48 million and we have not yet exceeded that borrowing authority. So we're still within the original borrowing authority approved by the order in council of November 1999.

**Mr. Wall:** — Maybe we'll approach it from this way. When you submitted to the Department of Finance, you submitted to the Department of Finance your estimate for your debt requirements for this fiscal, what did you at the time believe those debt requirements to be for the whole corporation, for all of ISC?

**Ms. Powers:** — I'd like to answer this question. Basically both projections were for March 31, 2002. Clearly we have better information now as to what we will have as far as borrowing outstanding with the GRF goes at March 31, 2002 than we had close to a year ago at this time.

However, what is reported in the province's mid-year report is the debt that ISC has outstanding with the General Revenue Fund. And ISC always intended to have more than the \$32.4 million outstanding, albeit with a different financing structure and from someone or a party external to the General Revenue Fund. We are now forecasting that all of our borrowing needs will be covered by the General Revenue Fund.

**Mr. Wall:** — And who . . . from whom were you going to be . . . or who were the candidates in terms of this additional debt? Who were you going to borrow it from?

**Mr. Nicholson:** — I believe the financial statements for the year ended 2000 reflect that we had borrowing from SGGF as well as from . . . the Saskatchewan Government Growth Fund as well as from the General Revenue Fund. And those are our two sources of borrowing at the moment.

**Mr. Wall:** — At the moment. But clearly though the corporation knew . . . What I'm hearing then is that back when this submission would have had to have been made to the Department of Finance for your debt estimates for this fiscal year, you knew that you would need in and about \$55 million in terms of debt this fiscal year, I guess, or this calendar in your case.

And yet you were only going to report that you were going to be borrowing \$32 million from the GRF. So that leaves the fact, as you've indicated, that you were looking for about \$22

million in debt in loans from other institutions — maybe in equity, I don't know — and it didn't come to fruition, and then you had to come back to the GRF.

So the question is, who do you have money borrowed from currently? With respect, the question is, who did you attempt to borrow the additional \$22 million from? Or indeed if it was equity, who did you solicit as an equity partner that's reflected in this \$22 million in the mid-term financial report?

**The Chair:** — Again I would enjoin the members of the committee to address all their comments through the Chair.

**Mr. Wall:** — You're right. Sorry.

**The Chair:** — Please proceed.

**Ms. Powers:** — Mr. Chair, currently we have \$45 million outstanding that is fully outstanding with the General Revenue Fund. The second borrowing . . . in fact what we were pursuing was an operating lease with the Saskatchewan Government Growth Fund, and at this time that deal has not come to fruition. There are still terms outstanding.

There still are discussions ongoing. And therefore we have not wanted to jeopardize those dealing by becoming public with who we've been dealing with, but that is the outstanding party. And we still currently are talking with SGGF about an operating lease arrangement. However since it hasn't come to fruition to this date and there are some terms that we're not sure we'll be able to resolve, we have conservatively forecasted that all borrowings will be with the General Revenue Fund.

**Mr. Wall:** — Thank you for that answer. And Mr. Chairman you're right — I apologize for not going through you.

And I guess I would ask this subsequent question then: it would be my understanding that what officials are saying from ISC, Mr. Chairman, is that that accounts for the entire \$22 million, this amount of money that's increased in terms of the debt projections for the company — or the debt requirements I should say — for this year?

**Mr. Nicholson:** — Well if I might, Mr. Chair, I guess two points. One is we're mixing fiscal years, the fiscal year of the corporation. When you're asking the question about fiscal years, I'm uncertain. You're expressing it in terms of the GRF fiscal year as opposed to the ISC fiscal year. And so I'm uncertain, Mr. Chair, as to — when the question is being asked — the difference between the two fiscal years because that accounts for a significant amount of the money.

The second issue is with respect to borrowing. There's been public commentary that we have been refused borrowing. And that's not true. The corporation has been attempting to get the best deal possible, as every corporation should. And so we've been involved in complex and intensive negotiations with SGGF and we've not been able to successfully conclude those. But we've not been refused borrowing; we simply haven't gotten the deal that we wanted to get. So that's the reason that it has unfolded in this fashion.

**Mr. Wall:** — Mr. Chairman, a subsequent question then would

be more to the point. Has ISC ever sought financing from any non-government-sector lending agency?

**Mr. Nicholson:** — No. No, Mr. Chairman, we haven't.

**Mr. Wall:** — Thank you very much. Mr. Chairman, an additional question would be: has ISC ever sought any sort of equity investment from any non-government-sector agency?

**Mr. Nicholson:** — We have in the course of discussing potential partnership arrangements, we have discussed potential equity arrangements with a number of companies — yes, we have. But the potential equity arrangements, those were preliminary discussions and negotiations and speculative.

**Mr. Wall:** — The leadership at ISC then, Mr. Chairman, and I'm not . . . I'm asking this obviously rhetorically, but looking — I don't want to put words in your mouth — the leadership at ISC was interested in at least the potential of a public/private partnership as it relates to this corporation. They were open to some sort of partial privatization of ISC. Would that be correct? At least they explored it?

**Mr. Nicholson:** — Well, I think it's the responsibility of management to explore a variety of arrangements and to do what's in the best interest of the corporation, always. We would, of course, require the requisite approvals by our board and by CIC. There is a decision-making process that we would have to go through, but in the course of our business, we have discussed a variety of arrangements.

**Mr. Wall:** — Okay. Thank you, Mr. Chairman. Did the fact that the corporation was at least exploring the possibility of an equity partner for some portion of equity, potentially investment or something else, did the . . . does that represent — and the fact that it hasn't come to fruition, that partnership — is that part of the \$22 million that we are talking about here, that now the corporation needs to go back to the GRF and borrow as was indicated by the financial officer?

**Mr. Nicholson:** — No, Mr. Chairman.

**Mr. Wall:** — I guess the final . . . some of the final line of questioning then would relate to what is the total debt of the corporation. Because we heard some interesting, I think some interesting testimony, which we're grateful for to this committee, but we understand that you talked about the debt/equity ratio for the LAND project being 80/20. And we know too, that as of the mid-year financial report from the Department of Finance, you expect at least by, I'm guessing, by the end of this December, to have \$55 million in debt.

You've highlighted the original \$11 million in equity. There was also an \$11 million debt earlier in the life of the company. Here's the question I guess: how much debt, total debt, does ISC expect to have by the end of this year? And what is the total investment, equity and debt, that the people of Saskatchewan have in ISC at this time?

**Mr. Nicholson:** — With respect to the debt, we are currently reviewing our borrowing limit, and we . . . I think Laurie has indicated that our current borrowing is in the range of \$45 million and so we are still within our \$48 million borrowing

authority.

Looking ahead to year-end, our assets will be — maybe I should ask Laurie, but our assets will be in the range of a little over \$50 million. And we will have, I guess, come up on our borrowing limit. So, and as I said in my remarks, we look ahead to the borrowing requirements of the corporation peaking in late 2002 and then declining over a five-year period.

**Mr. Yates:** — Thank you, Mr. Chair. A couple of questions for Mr. Nicholson. When the corporation was exploring equity partnerships, would that be a normal course of business of any corporation looking at possible options to deal with any business entity?

And secondly, given the fact if you were looking at any course of action around equity partnerships or loans outside the normal process, would that not have to come back through several levels of approval mechanism which any level may be able to quite simply reject that as being other than policy direction of the government?

**Mr. Nicholson:** — Yes. Through you, Mr. Chairman, yes, it is a normal corporation activity to discuss potential partnership arrangements, opportunities for growth, and to look at how those opportunities for growth might be financed. The LAND project, as I mentioned, was financed on 80 per cent debt, 20 per cent equity. Any arrangement that you would look at would be financed by some combination of debt and equity unless you have somebody with a tremendous amount of cash who can finance it all with equity. But for any arrangement that you were discussing it's perfectly normal to look at what the debt/equity structure of that arrangement might be.

I would say in answer to the second point, we are required by the order in council which established us to get approval to enter into partnerships and joint ventures and those kinds of things. So the order in council which governs us or constitutes us requires us to get appropriate approvals for any such arrangements.

**Mr. Yates:** — Thank you.

**Mr. McMorris:** — Thank you, Mr. Chair. For my clarification then, because we're talking about your fiscal year as of January and the government's fiscal year which is in March, what will the corporation's debt be at the end of this fiscal year, government fiscal year of March?

**Ms. Powers:** — Mr. Chair, our approximations are that we will be right around \$48 million outstanding at December 31, 2001.

**Mr. McMorris:** — So according . . . that was 41 million?

**Ms. Powers:** — Forty-eight million at December 31.

**Mr. McMorris:** — So the difference between your forecast at the end of the fiscal year as per the mid-term report is 55. What's the change there?

**Ms. Powers:** — Fifty-five million at the end of March 2002.

**Mr. McMorris:** — And you just said that you're at 48, that it

will be at 48, is that correct?

**Ms. Powers:** — It's projected to be at 48 at our fiscal end, December 31, 2001.

**Mr. McMorris:** — Okay, but at the end of the . . . and you project 55 then at the end of the government's fiscal year.

**Ms. Powers:** — That's correct.

**Mr. McMorris:** — Okay. Just . . . Also pursuing the Saskatchewan Growth Fund who you've been negotiating with and you've been talking about an operating lease, what exactly do you mean by that? What . . . could you give me some insight as to what you mean by the . . . an operating lease with SGGF?

**The Chair:** — All through the Chair, of course. Through the Chair, Mr. McMorris. Thank you.

**Ms. Powers:** — Mr. Chair, basically an arrangement of this nature, when you acquire assets — hardware, software — you have the opportunity either to purchase them directly and finance them with financing from the GRF or you have the opportunity to enter into an operating lease whereby the other entity would actually purchase and own the assets and you would lease them through them. So it enables you to make payments over a period of time for those assets.

**The Chair:** — In the interest of balance I'd ask you that you yield the floor at this time. There's a question from Madam Atkinson. Feel free to get on the speakers list again if you like but, if you will.

**Ms. Atkinson:** — The . . . I guess I'm wondering, but the report that we'll receive on Thursday . . . obviously something led to that report. I'm just wondering if you can give us a heads-up of . . . in terms of . . . is there a smoking gun here? I get the sense from the opposition that there's some sort of smoking gun and I haven't been on this committee up until now, so I'm just wondering, do we have a problem and will it be reported on on Thursday?

**Mr. Wendel:** — Mr. Chair, we have a long-range plan of auditing infrastructure; computer systems are infrastructure. We try to get the big computer systems early on in their life. In this case we're a little bit late getting to these, but we've only got so many people and so much you can do. And we thought it would certainly build public confidence in this organization if we went to audit their project management practices.

In the past we've done SaskPower Corporation when they put in their large system. We've done a little work with the Trustee — office of the Public Trustee and we're going to be doing some work this year with the Department of Finance .

So it's just one of our ongoing processes, to get in . . . these new computer systems are going in, to make sure there's good practices and spend money well.

And that's what the report will be about — project management practices.

**Ms. Atkinson:** — Okay. So we'll find out on Thursday whether

or not this entity has good management practices, has followed proper processes in terms of implementing this very large-scale computerization program regarding the Land Titles Office.

**Mr. Wendel:** — That's correct, Mr. Chair.

**Ms. Atkinson:** — And you can't give us a little heads-up here?

**Mr. Wendel:** — I'm sure people would like that. But I don't have the report with me, and it's still waiting to come from the printers, and I'd like to wait till Thursday. Thank you.

**A Member:** — And you have no idea what's in it?

**Ms. Atkinson:** — Do we have a smoking gun?

**Mr. Wendel:** — I wouldn't say that, no.

**Ms. Atkinson:** — Good. Thank you.

**Mr. Wall:** — Oh thank you, Mr. Chair. I have suggested all those questions . . . (inaudible) . . . for ISC. You know I think it is fair to say that, notwithstanding whether or not all of the proper practices are being followed here, the member for Nutana's smoking gun might . . . It's already here, frankly. It's in the fact that we have a \$55 million project that was budgeted to be \$11 million. And the product's not been . . . it's simply not available yet, and it hasn't . . . and it remains undelivered to this point. That's the smoking gun.

But the question, the question that I have though goes back again to the disclosure of information to the taxpayers of the province of Saskatchewan. And even if it's within standard practices and procedures, I wonder if it's fair or if it's, if it's untoward perhaps, is what I think it is, to the taxpayers to know that you have either a debt in the form of a lease or a straight debt program of \$55 million and to purposefully include a figure of \$32 million in the report that most Crowns use to simply forecast their debt for the year. And maybe you want to comment on that because I also understand that ISC has said that, well, all the Crowns do it. And my understanding is that, no, all the Crowns do not do that.

I wonder why a corporation that needs all of the goodwill it can muster from the people of the province wouldn't just be upfront with the people. And did you report the fact that you would need more debt to your minister, to Mr. Axworthy?

**The Chair:** — Again, all questions to the Chair, and please refrain from engaging the witnesses in debate, Mr. Wall.

**Mr. Wall:** — I apologize.

**Mr. Nicholson:** — Thank you, Mr. Chairman. Well I guess my response would be that our current borrowing is at \$45 million. Our borrowing authority, approved by cabinet, is \$48 million.

We haven't done anything wrong. We've complied with all government policies. We've received clean audit reports. And all of the activities of ISC are scrutinized by our own auditors, by the Provincial Auditor, by Crown Investments Corporation, and we've complied with all of those policies and rules.

**Mr. Wall:** — So, Mr. Chairman, the minister responsible for ISC, and in this case I guess it's Minister Axworthy, although it's a CIC Crown corporation so it could possibly be Minister Sonntag or both, but those two ministers and indeed all of the cabinet would have been aware that they had approved borrowing for ISC in the range at least, at least close to what it'll wind up being in this fiscal, \$55 million.

And yet they were also aware that you would only be reporting . . . I beg your pardon, that the corporation, I'm sorry, that the corporation would only be reporting to the people of the province in the budget documents tabled in March in the legislature. The cabinet knew that you would only be . . . that the company would be only reporting \$32 million. Is that basically what you're saying? Basically what the official is saying, sorry?

**Mr. Nicholson:** — Well, Mr. Chairman, as I said, the borrowing . . . We have not exceeded the borrowing authority. We are within the financial structuring that has been approved. We haven't exceeded the borrowing.

In the normal course of doing business, we prepare our forecasts and projections. Management needs to prepare a business plan for the next year. We've done that. In the context of the business plan, we look at, amongst other things, our revenues and expenditures, our borrowing requirements, and we submit those proposals in the prescribed fashion. And we've complied with all of the rules surrounding the preparation and submission of business plans and we have not exceeded our borrowing authority.

As I've indicated, we do anticipate that the requirements of the corporation will peak — borrowing requirements — will peak in the third quarter 2002 and then decline over a five-year period.

**Hon. Mr. Thomson:** — Thank you, Mr. Chair. I just want to make sure that we understand completely what we've heard today.

We have a corporation that is within its borrowing limits as outlined in order in council. We have that order in council which has been published and made public. We have the corporation reporting its debt borrowing to the legislature. We have a clean bill of audit health on it. We have a report coming on Thursday about its management practices. And that there is no smoking gun here. Is that basically what I understand? It's rhetorical. I mean I notice Mr. Wall nodding his head . . .

**The Chair:** — Through the Chair, of course, perhaps to the auditor and to Mr. Nicholson . . .

**Hon. Mr. Thomson:** — But really the point here being — not to be argumentative about this — but what we've heard today is nothing more and nothing less than we hear on every single other Crown corporation that reports to this committee. And I think that we need to understand that and put that in perspective.

**The Chair:** — And your question to Mr. Nicholson?

**Hon. Mr. Thomson:** — Isn't that right?

**Mr. Nicholson:** — Mr. Chairman, I agree with the contents of the member's premise as in his question.

**The Chair:** — More questions? Okay. Actually before we move to adjourn, Mr. Wall has . . .

**Mr. Wall:** — I'm prepared to move a motion to adjourn and to apologize again for not going through the Chair. I'll certainly endeavour to do that next month because we will be talking some more about the corporation, but not just the debt issue but the products that are out there and the nature of your business.

So thank you again for your testimony here today and for coming to the legislature this afternoon.

And I move to adjourn.

**The Chair:** — Thank you. In favour? Opposed? So adjourned.

The committee adjourned at 14:42.