

STANDING COMMITTEE ON CROWN CORPORATIONS



THIRD REPORT

December 9, 2002

3rd Session of the 24th Legislature

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

STANDING COMMITTEE ON CROWN CORPORATIONS

THIRD REPORT

Mr. Van Mulligen, Chair of the Standing Committee on Crown Corporations, presents the Committee's Third Report of the Twenty-fourth Legislature.

The Standing Committee on Crown Corporations is empowered by this Assembly to both review the Annual Reports and financial statements of the various Crown Corporations and to review those chapters contained in the reports of the Provincial Auditor that deal with matters that relate to CIC Crown Corporations. This report reflects the work of the committee during the Second and Third Sessions of the 24th Legislature which covers the period from July 2001 until November 2002.

1) Membership:

The work of your committee would not have been possible without the service of its members. As a result of changes to the Committee's permanent membership on April 9, 2002, your Committee saw members Graham Addley, Warren McCall, Andrew Thomson and Kevin Yates being replaced by Pat Atkinson, David Forbes, Kim Trew, and Harry Van Mulligen. Your committee also saw changes to the Chair. With the resignation of Mr. Thomson on November 21, 2001, Mr. McCall was elected to preside as Chair. As a result of Mr. McCall's resignation on April 9, 2002, Mr. Van Mulligen was elected Chair on April 11, 2002. Also on that date, Ms. Atkinson replaced Mr. Yates as Vice-Chair. Your committee wishes to thank all members who participated in your committee's proceedings for their contributions. Your Committee currently consists of the following members:

Harry Van Mulligen (Chair)	NDP	Regina Victoria Park
Pat Atkinson (Vice-Chair)	NDP	Saskatoon Nutana
Greg P. Brkich	Sk Party	Arm River
David Forbes	NDP	Saskatoon Idylwyld
D. F. (Yogi) Huyghebaert	Sk Party	Wood River
Carolyn Jones	NDP	Saskatoon Meewasin
Don McMorris	Sk Party	Indian Head-Milestone
Peter Prebble	NDP	Saskatoon Greystone
Kim Trew	NDP	Regina Coronation Park
Brad Wall	Sk Party	Swift Current

2) Procedure:

Since the Committee's last report, amendments were made to *The Provincial Auditor Act* that affect the work of the your Committee. Chapters in the Reports of the Provincial Auditor that deal with matters related to CIC Crown Corporations are now automatically referred to the Standing Committee on Crown Corporations upon tabling of the Auditor's Report. It should be noted that this change in procedure, re: Section 14.1(8) of *The Provincial Auditor Act*, is based upon Recommendation 23 of the First Report of the 24th Legislature of the Standing Committee on Public Accounts. It is hoped that this change has largely resolved concerns surrounding the overlap of responsibility that exists between the Standing Committee on Public Accounts and the Standing Committee on Crown Corporations with regard to the review of Crown Corporations issues.

As a result of these changes your Committee, commencing with the *2001 Spring Report of the Provincial Auditor*, has had the opportunity to review the relevant chapters in the Auditor's Reports. Where practicable, your committee will conduct the review of the applicable chapter of the report in conjunction with the examination of the Annual Report of the particular Crown Corporation under review. That being said, your Committee will specifically meet to review individual chapters should circumstances warrant. The progress of your Committee's review of the Auditor's Reports will be addressed later in this report.

3) Crown Corporations Reviewed by the Committee:

Since your Committee tabled its last report on June 22, 2001, your committee has duly examined the Annual Reports and Financial Statements of various Crown Corporations and related entities, as referred to it from time to time by the Assembly. Your Committee has completed its consideration of annual reports of the following Crown Corporations:

- Crown Investments Corporation of Saskatchewan and related entities, 2001
- Information Services Corporation of Saskatchewan (ISC), 2000 & 2001
- SaskEnergy Incorporated and related entities, 2001
- Saskatchewan Government Growth Fund Management Corporation (SGGF) and its fund companies, 1998, 1999, 2000 & 2001
- Saskatchewan Government Insurance (SGI) and related entities, 1998, 1999, 2000 & 2001
- Saskatchewan Power Corporation (SaskPower) and related entities, 1998, 1999, 2000 & 2001
- Saskatchewan Telecommunications Holding Corporation (SaskTel) and related entities, 2001
- Saskatchewan Transportation Company (STC), 1998, 1999 & 2000
- Saskatchewan Water Corporation (SaskWater) and related entities, 2001

4) Review of Provincial Auditor's Reports:

Your Committee considered and reviewed Chapters 11 through 14 of the *2001 Spring Report of the Provincial Auditor*; Chapter 1 of the *2001 Fall Report of the Provincial Auditor, Volume 2*; and Chapters 1 through 6 of the *2002 Spring Report of the Provincial Auditor* as follows:

a) Crown Investments Corporation of Saskatchewan (Chapter 11, 2001 Spring Report, four recommendations; Chapter 5, 2002 Spring Report, no recommendations).

Your committee considered Recommendation 1, which read "*We recommend that the Government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary*". After discussion, the Committee requested, on motion, that 'CIC to review its procedures and when it next comes before the Committee, report on the pros and cons of changing the legislation in the context of a commercial environment.'" Further consideration of the motion continues to be deferred as the Committee has yet to receive a response to its request.

Recommendations 2 and 3 addressed the issue of public disclosure of those persons receiving money from government agencies.

With respect to Recommendation 2, which stated that "*We recommend that CIC and its subsidiaries should:*

- *publish a list of persons (e.g., employees, suppliers) who have received money from them and the amounts the persons received, following the Assembly's current disclosure requirements; or*
- *seek direction from the Crown Corporations Committee on alternate disclosure requirements that will achieve legislators' objectives for requiring this information."*

The Committee stated that it was satisfied with the information currently provided by CIC to the Committee. The Acting Provincial Auditor did, however, agree to undertake further discussions with CIC regarding the issue of disclosure requirements.

The Committee deferred its consideration of Recommendation 3, which read "*We recommend that the Crown Corporations Committee should follow the process set out in Exhibit 2 for deciding what information government agencies should disclose and to whom.*" pending the submission of a report to your Committee by Crown Investments Corporation and the Office of the Provincial Auditor on the proposed process. Requests to extend the deadline for submission have been accepted by the Committee and it is expected that the report will be tabled in January 2003.

Your committee concurred with Recommendation 4, which read "*We recommend that the Government change current laws to:*

- *require subsidiaries of Crown corporations to obtain an Order in Council before purchasing shares; and*
- *require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction date."*

Your committee reports that Chapter 5, 2002 Spring Report was received and reviewed for informational purposes and that there were no recommendations to report on.

b) Saskatchewan Telecommunications Holding Corporation (Chapter 12, one recommendation).

Your committee concurred with the Auditor's recommendation that "*We recommend that SaskTel develop and implement a comprehensive security strategy for its financial system.*"

c) Saskatchewan Water Corporation (Chapter 13, 2001 Spring Report, three recommendations; Chapter 4, 2002 Spring Report, no recommendations).

Your committee concurred with the three recommendations which are noted as follows:

"1. *We continue to recommend that SaskWater set appropriate security policies for its IT systems and data.*"

"2. *We continue to recommend that SaskWater's Board should adopt a policy to ensure 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 the investments; and*
- *set performance indicators against which it can measure the extent of achievement of the investments' objectives."*

"3. *We continue to recommend that SaskWater improve its public accountability by clearly describing in its annual report the extent to which it has achieved its plans.*"

Your committee reports that Chapter 4, 2002 Spring Report was received and reviewed for informational purposes and that there were no recommendations to report on.

d) Information Services Corporation (Chapter 14, 2001 Spring Report (no recommendations); Chapter 1, 2001 Fall Report, Vol. 2, five recommendations; Chapter 2, 2002 Spring Report, no recommendations)

Your committee concurred with the five recommendations contained in Chapter 1, 2001 Fall Report, Volume 2, which are noted as follows:

- “1. We recommend that Information Services Corporation should strongly encourage key outside users to take training before conducting business using the LAND System and that ISC continue to monitor outside user feedback.”*
- “2. We recommend that Information Services Corporation should set measurable and verifiable LAND Project benefits and report publicly on the achievement of all planned benefits.”*
- “3. We recommend that Information Services Corporation should perform a post-implementation review of the LAND Project and make the results available to all government organizations.”*
- “4. We recommend that Information Services Corporation should receive monthly reports of the comparison between actual costs to date on the LAND Project to the budget to date.”*
- “5. We strongly recommend that Information Services Corporation should complete, test, and approve its business continuity plan.”*

In addition, by motion, the committee requested that the annual audit of the Information Services Corporation be amended to include audit assurance relating 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;
- 2) On the matter of the projects 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
- 3) On the matter of ISC meeting its stated objectives, to review progress of the Corporation with regard to its stated objectives including the stated benefits of the LAND project.

This information was prepared with the co-operation of the Office of the Provincial Auditor and the Information Services Corporation and was tabled with your committee as “Special Report to the Crown Corporations Committee” dated June 2002. Your committee received and reviewed this document concurrently with the Information Services Corporation’s 2001 Annual Report.

Your committee reports that Chapter 2, 2002 Spring Report was received and reviewed for informational purposes and that there were no recommendations to report on.

e) SaskPower Benefit Realization Process (Chapter 1, 2002 Spring Report, three recommendations)

Your committee concurred with the three recommendations contained in Chapter 1 of the 2002 Spring Report, which are noted as follows:

- “1. We recommend that SaskPower should set out the benefit target and measures for the System in its business plan and report the results achieved in its annual report”*
- “2. We recommend that SaskPower should establish policies to support a long-term continuous process improvement plan that includes training and support plans for its employees.”*
- “3. We recommend that SaskPower should provide its Board of Directors with independent advice on benefit targets and measures, the effectiveness of the new work processes, and on the reliability of key reports.”*

f) Saskatchewan Government Growth Fund Management Corporation (Chapter 3, 2002 Spring report, no recommendations)

Your committee reports that this chapter was received and reviewed for informational purposes and that there were no recommendations to report on.

g) Standing Committee on Crown Corporations (Chapter 6, 2002 Spring report, no recommendations)

Your committee reports that this chapter was received and reviewed for informational purposes and that there were no recommendations to report on.

5) Other Committee Business:

Your committee considered a number of other issues that arose during its deliberations.

Selection of Audit Committee:

Pursuant to the Section 20(4) of *The Provincial Auditor Act* which states that the Standing Committee on Public Accounts must consult with Standing Committee on Crown Corporations with regard to the selection of candidates to serve on the Audit Committee.

Accordingly, on December 11, 2001, your Committee reviewed the list of the five candidates recommended by the Standing Committee on Public Accounts and, by motion, concurred with their selections. The Chair of the Standing Committee on Public Accounts was advised in writing of the Committee's decision later that day.

Resolutions:

Over the course of its deliberations, your Committee adopted four resolutions which are noted as follows:

During its review of SaskPower, the Committee adopted the following resolutions:

1. That this committee call upon the provincial government to consider the recommendation on page 35 in the Dillon Consulting Ltd. report to the Saskatchewan Rate Review Panel. And that SaskPower undertake a careful and thoughtful analysis of the rapidly changing electrical utility regulatory regimes of other North American jurisdictions, their applicability to SaskPower, its

subsidiaries, and its activities in order to minimize risks to SaskPower ratepayers and remove the potential for investment losses by SPI [SaskPower International] therefore putting upward pressure on the rates of SaskPower customers.

2. That this committee recommend to the provincial government that it update the fair wages clause included in Crown Corporation tenders per Order in Council No. 301/44, March 23, 1944.

During its review of the Saskatchewan Transportation Company the Committee adopted the following resolution:

1. That the Standing Committee on Crown Corporations recognizes the importance of the public transportation service and parcel delivery service to the Province of Saskatchewan currently offered by Saskatchewan Transportation Company and various private operators in Saskatchewan and that the Standing Committee on Crown Corporation supports the continued operation of the Saskatchewan Transportation Company.

During its review of the Crown Investments Corporation of Saskatchewan the Committee adopted the following resolution:

1. That the Crown Corporations Committee acknowledge the benefits that a publicly owned SaskTel, SaskEnergy, SaskPower, and SGI provide to Saskatchewan's citizens in the way of customer service, jobs, economic activity, and revenue, and that this Crown Corporations Committee goes on record as supporting continued public ownership of these Crowns.

Remaining business:

Your committee is pleased to report that it has completed all but two of the reviews that it wishes to undertake for the years 1998 through 2001 and that a specific review of the reports of the remaining Crown Corporations and related agencies is not required. In addition to its usual review of the forthcoming CIC Crown Corporations, your committee also intends to review both Saskatchewan Crop Insurance Corporation and the Saskatchewan Liquor and Gaming Authority (the review of the latter two Crown Corporations is likely to include the consideration of earlier reporting years). Your committee also wishes to report that its reviews of the applicable chapters of the Provincial Auditor's Reports tabled to date have been completed.

Respectfully submitted,

Harry Van Mulligen, Chair,
Standing Committee on Crown Corporations