



# **Standing Committee on Public Accounts**

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS  
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The committee met at 09:00.

**The Chair:** — Good morning everyone. We're all set to go. We have an agenda before you this morning that's going to deal with Health, Social Services, and Municipal Affairs, in that order, if we're successful in fitting those topics into the time period that we have before us.

I do want to indicate this morning that Mr. Thomson is in for Mr. Wartman. And on the opposition side, Mr. Allchurch is in for Mr. Wakefield, and Ms. Bakken is in for Mr. Stewart. And we do expect Mr. Harper and Mr. Kwiatkowski shortly, but we'll start without them.

Welcome to the auditor's office and the officials. I don't think we have any new people from your office, Mr. Wendel? No. And welcome, Mr. Pillar and Mr. Wiley, Mr. Linklater and Ms. Parker, I think — the four people from last Wednesday.

And we'll get right into it. We'll ask Mr. Heffernan to go ahead and as I've indicated, we're going to be dealing with sections 1E of the '99 Fall Report found on page 93, and section 2E of the 2000 Fall Report found on page 159. And we're going to deal with those concurrently.

#### Public Hearing: Health

**Mr. Heffernan:** — Thank you, Mr. Chair. In chapter 1E, we discuss one aspect of the resource allocation process as used by the Department of Health during 1997 to 1999. We audited how the department allocated resources among health districts based on health needs.

Prior to health reform the department allocated resources primarily on the basis of what was spent for service delivery in the previous year. Those that spent the most were most likely to get increased resources in future years.

In 1993 The Health Districts Act required each health district to conduct its activities and affairs in a manner that is consistent with the health policies, goals, and priorities established by the minister. This legal requirement helped set the stage for new resource allocation processes.

In 1994 the Department of Health announced they would begin to use needs-based resource allocation and published a guide to explain the process to health districts. Change in the way resources are allocated often needs to evolve slowly and with care. We began this audit three years later in 1997.

Our criteria, set out in page 101, assessed how the department allocated resources among health districts in 1997 to 1999. The most serious health needs require unified effort to achieve improved health.

We expected that the department would identify the most important health needs for the province. This would focus attention on the highest priorities. We expected that the department would then set direction by identifying goals and objectives for what health needs should be addressed as a priority and for how the highest priority health needs could be met with services.

We found that during 1997 to 1999 the department needed to improve its process to identify priority health needs. In addition, the department set objectives for service delivery but not for priority health needs.

We expected the department to analyze and select feasible approaches to achieve its provincial objectives and to assign resources to appropriate health districts that had health needs in those areas. We found that the department involved stakeholders and used a variety of methods to analyze the most effective approaches and assign resources among districts.

In addition we anticipated the department would monitor how it allocated resources and whether this process helped it to achieve its objectives. In 1997 to '99 we found the department's routine monitoring processes were primarily financial. Since the time of this audit was initiated in 1997, the planning and resource allocation processes of the department have been influenced by the government's new accountability project.

For example, the accountability project requires departments to identify priorities and set objectives. We recognized that setting priorities and long-term objectives in the health sector is difficult and sensitive.

On page 112 we recommend that the department develop processes that involve stakeholders and experts to identify and communicate priority health needs for the province and health status objectives for the long term for the highest priority provincial health needs.

We also recommend that the department monitor and report the impact of resource allocation on the achievement of provincial objectives for service delivery and for health status.

I'm going to move on briefly to our Fall 2000 Report, chapter 2E, which starts on 159. In that chapter we reported the findings of our survey of health districts concerning the processes for needs-based resource allocation.

The districts reported they're making good progress towards improved processes. The districts reported that they still need assistance to set priorities and to target the amount of change they would strive for in their objectives.

That ends my presentation. I would be pleased to answer any questions.

**The Chair:** — Thank you very much, Mr. Heffernan.

**Mr. Pillar:** — Thank you very much, Mr. Chairman. Brief comments with respect to the resource allocation audit. There has been a great deal of discussion between the auditor's office and ourselves over the last couple of years on this particular audit and the resource allocation audit with respect to health districts, as well as the department audit.

We think we've made a lot of progress in expanding the considerations we take with respect to resource allocation. And we think we have moved significantly from primarily a financial, financial allocation process to a financial allocation/health need process that has been gradual — it's still

developing — as best practices in health system, clinical practice guidelines become more relevant and more applicable to our actual allocation process. We're incorporating those processes into our allocation processes.

The health need process that was identified by the auditor as being one method or one allocation criteria is in fact just that — I mean, it is one. We can't, we can't forget about the knitting, which is the way we have allocated traditionally, and responds to a number of key issues in the health system that we need to continue to respond to.

The majority, 75 per cent of health district budgets — a department's budget — is human resources and we need to be allocating resources reflecting those levels of human resources. And that, by definition, is somewhat of an incremental approach but necessary in terms of the makeup of the health system.

Similarly, our capital infrastructure in the health system needs to be supported; it needs to be reinvigorated; it needs to be redeveloped. And again, that's somewhat incremental, one might argue, and not health-need-based, but nevertheless extremely important in terms of our consideration as to how we allocate district resources to health districts.

So I think we are starting to make progress in terms of drawing in other factors, health-need factors. And there's a great deal of work going on nationally, and within the province on this issue, and we're moving gradually. But again, the emphasis on gradual. And again, not excluding the other factors that we think are, as well, important to good resource allocation.

**The Chair:** — Thank you very much, Mr. Pillar. Okay, before we get to the recommendations, we'll open it up for general questions. Mr. Gantefoer.

**Mr. Gantefoer:** — Thank you, Mr. Chairman, and again welcome to the health officials that are here today. Mr. Pillar said that he would much rather be here than almost anywhere else given what's going on in the health system these days. And I said I would try very hard not to make him regret that comment.

Mr. Pillar, in the allocation between . . . and we're talking about district resources, I think, primarily here the 1.2-odd-billion dollars of money that's allocated to the health districts for their use. There has been the idea that the need or the funding would follow the process or follow the procedures. And that sort of moves away a bit from the strict population health statistical base where a district has this demographic profile that's established, and on that basis there are allocations of funding resources.

But form doesn't always follow function. And people tend to vote with their feet in some instances, even if there are available resources within their district. They may, for competitive reasons or comparative reasons or all those other reasons, choose to have processes or procedures done in other health districts.

How does the process of rewarding districts who actually are providing the service, how do those adjustments occur, and what's the timeline?

**Mr. Pillar:** — Well in terms of the process of needs based . . . the needs-based funding approach, you're quite accurate that while it was initially developed when health reform was initiated, and while it continues to form the basis of . . . or the basic block of funding that's allocated to districts, we have had to make alterations to it to recognize some of the factors that you've correctly identified. People always don't look to service in their immediate service area. They look elsewhere and have that capability and in fact follow that.

How do we recognize that in terms of our funding? In the last year, it's most likely recognized in the form of deficit approvals that we provided for health districts. As you will know, districts ran considerable deficits, some more than others. And some of that deficit reflected the kind of situation you've identified, in that services were being provided outside of typical areas and hence funding was provided to respond to that.

Prior to that we would look at expenditure patterns of districts on an individual basis to identify towards year-end, exactly what their expenditure situation was and make adjustments in our grant allocations. Last year was a little bit different in terms of the level of the deficit payouts, but even prior to that we would reallocate accordingly.

**Mr. Gantefoer:** — In speaking to deficit issue in terms of saying that that was a way of recognizing the realities of districts who were providing services to patients from outside of the district, I think to some extent that was true and probably more largely so in, like, Saskatoon, Regina, P.A. (Prince Albert), Yorkton, perhaps.

But there was also arguably districts who have moved slower than others in recognizing their realities, I suppose, and consequently have sort of taken the attitude of saying, well we're just not going to make these decisions and we're not going to face up to these realities. And as a result, districts who would arguably have faced up to those districts and got their operations in the black were feeling more than just a little bit slighted by the process of simply covering off deficits.

And I know there was a minute adjustment to districts and a bit of a grant to districts that did not run deficits. But it seems to me that while there arguably would be a component of covering for districts expenses that were not foreseen, there also was a fair number of districts that simply needed to improve their operations and had that rewarded. So that is a problem.

The other problem that occurs is that, do you look at where physical resources are? And I think of things that for example, like if there is a finite number of cataract procedures to be done in the province. For example, in my home community, there is a cataract clinic and the district was able to buy the necessary high-tech instrumentation and equipment to do that. But they sort of are feeling just a little bit discriminated against because they can actually do the process cheaper than you can in Saskatoon I understand, and yet they're limited in the number of procedures that they're funded for.

And it would seem to me that if there are X number of procedures that are needed in the province, that there should be a methodology of encouraging those districts that have the facilities, have the human resources, and can actually do it less

expensively to be encouraged to do a larger number of those procedures.

I think, as another example, for example, where there are surgeries and surgeons that are going out to Humboldt, for example, to get O.R. (operating room) time and things of that nature.

My question is: is there a way of meaningfully looking at the capital physical manpower resources in the province to actually encourage districts that have surplus capacity, if you like, to be able to operate to their maximum efficiency in order to improve waiting times?

**Mr. Pillar:** — Maybe, Mr. Gantefer, I can deal with the first question and then move to the second one — somewhat different questions.

The first one with respect to the performance of some health districts relative to others, vis-à-vis their financial status and the deficit payments that we made at year-end of 2000-2001, and you're quite right. There were six districts, seven districts actually that did not require deficit funding. And in those instances we provided, as some recognition, a \$60,000 payment that you made reference to and we subsequently built that into their 2001-2002 budget as well as recognition for the performance that they had achieved, vis-à-vis some of the deficit districts.

With respect to those deficit districts though, I think you're right. Part of the problem relates to hard decisions they may or may not have taken over the past couple of years relative to some of their counterparts that did make difficult decisions.

But in the last year as well I think we, in government, own a fair degree of that, in that we directed districts not to initiate any significant change while the Fyke Commission was hearing and until it had reported, government reviewed and responded to its report.

So in other words, over the last year and a half we have in essence been holding districts back from making any significant change, other than that that was required because of human resource shortages, for example, and continued to take that position with them despite the fact that many health districts have submitted plans to make significant structural change in their districts which ideally would reduce their resource requirements.

So I think there's two things going on. They've been reluctant to initiate some change but we've also assisted in that process.

With respect to your second question — and looking at where we have more efficient operations, for example, than other places, and you've identified the cataract situation in your own community — I can't speak to that specific instance, and maybe Mr. Linklater can speak to it specifically, but clearly we are more now than ever looking at the cost benefit of procedures, of pilot projects, of initiatives to look at where we are getting the best value for our dollar.

Prior to five or six years ago, the health system didn't do a lot of that kind of analysis. With resources being constrained and

demand for services increasing, which we've had, we've had to become more aware of those kinds of costs and benefits and are looking to do that kind of analysis, not just within government but funding research organizations to do the same thing.

HSURC (Health Services Utilization and Research Commission) within the province is one organization that we fund to do a lot of that kind of work, but there are also national organizations that are funded by the provinces jointly that again are undertaking that kind of work to a considerable extent.

The western wait list initiative, for example, that's an initiative that is contributed to by all the Western provinces, looking at procedures, looking at how we define wait list, looking at how we can best manage those wait lists based on experience not just in various places in our province but various places in other provinces.

So I think we are doing a lot more of that. Is it adequate? Probably not.

**Mr. Gantefer:** — I'm encouraged to hear that you're at least moving in that direction in I hope a significant way. Because I think that in my travels around, there seems to be areas where there are really some incredible facilities that are underutilized and it might be that more of itinerant professional services and things of that nature can be used, because it strikes me as sort of a truism that it is much better to have one specialist move to a community and provide services for 20 individuals than having those 20 individuals and perhaps support people and everything moving into the larger centres. It just seems to make good sense.

And if we had a good inventory of the available capital and physical resources, that there are some improvements of efficiency and service delivery that could be gained by maybe moving in perhaps a more aggressive way in those areas. And so I would encourage you to continue to do that.

The auditor's recommendations strike me as implying that we need to have a way of coming up with a system of reasonable health indicators and be able to measure against that to see if we're getting value, if you like, or if our initiatives are indeed showing improvements in those indicators in the general sense. How is that process going?

And I am assuming from your comments earlier that these recommendations you're largely in agreement with and the process of implementing them are difficult and will take time, but that you're moving in that direction. So I'd like you to comment on that issue.

**Mr. Pillar:** — Sure. On the indicators first, there are a number of efforts that are going on both within the province and nationally, on the issue of performance indicators. Mr. Heffernan in his presentation referenced the government's accountability project which all departments are a partner to in terms of developing strategic plans. And part of that process is developing accountability measures that can in fact be measured, and criteria established for measurement.

And we are, like all other departments, working on those criteria. We had a first crack at it in terms of our strategic plan

for last year where we're finding those procedures and those criteria in this year's version. And we have about . . . we have a list of about 20 that we're working on in terms of . . . that we think might, you know, serve the purpose here.

In addition to that initiative, the federal government has coordinated an effort applying to all provincial governments. And the premiers in their communiqué out of Winnipeg last year referenced the performance measures and the performance program that would be applying right across the country.

And provincial governments currently are meeting to work out what indicators could be collected and reviewed on a national basis such that the information would be comparable across provinces. Because unfortunately we don't all collect information the same way across the provinces. There are some areas though where that is the case, and I think a start is going to be made with those indicators such that we can be reporting right across the province in comparing Saskatchewan's performance to other performances in other provinces or the national performance medium.

That work is going on right now at the federal/provincial level.

**Mr. Gantefoer:** — Thank you. One final question. With the districts, and again in my perception across the province, there is a measurable difference in districts as there are in school boards or anything else in terms of their approach to their mandate, in terms of the quality senior administration that they're able to attract and all of those issues.

Is there an effort by the department or is it done through SAHO (Saskatchewan Association of Health Organizations) in terms of a fairly aggressive in-service program, an evaluation of the upper-management skills, and abilities across the piece? Because I see some incredibly competent people out there doing a tremendous job, and I also see some that you sort of wonder if they're floundering a bit and over their head.

**Mr. Pillar:** — SAHO does take an active role in providing that kind of training. They do run two institutes annually. One being an institute for CEOs (chief executive officer) . . . focusing on new CEOs in terms of the kinds of skills that they need to have.

The department also has a system of meetings that we run quarterly with CEOs — CEO forum. It involves all CEOs in the province as well as senior management in the department. And part of the agenda of those meetings are always development kinds of things where, by and large, it's information sharing of a development nature but nevertheless it speaks to the issue that you've addressed.

**Mr. Gantefoer:** — Thank you. Thank you, Mr. Chair.

**Ms. Bakken:** — I'd like to ask about the auditor's recommending that you involve stakeholders and experts. And our experience in travelling throughout the province and speaking with front-line workers and doctors is that they feel that they have been left out of the process of answering the question of what can we do to improve the system, not only to improve health service to their clients, but also to improve the cost-effectiveness.

What opportunity is given for doctors and nurses and the like, to have a say in how we could improve our health care system?

**Mr. Pillar:** — I would say there are a number of ongoing opportunities primarily related to the activities of districts. We aren't the employer of health professionals on the front lines or in administration. Health districts are the employers of those individuals. And we know that health districts, some better than others, do involve their employees in identifying issues that need to be addressed, identifying solutions to resolve issues. Again, that is primarily an employer activity.

Having said that though, I think there have been a number of opportunities of late that include front-line workers as well as other health professionals — doctors and administrators. And that is through the Fyke Commission hearings.

The Fyke Commission met with many, many front-line workers throughout the province during his tour. They received questionnaires from over 35,000 households, a lot of whom would have been interested front-line workers. The meetings that occurred again include a cross-section of people in the health care sector as well as interested public.

In our response to the Fyke report we've also set up a very comprehensive committee approach to dealing with and reviewing the Fyke recommendations, which again includes many health professionals, it includes front-line workers. And those committees, I think, I talked a little bit about last week when we were here. And I can certainly elaborate on those a little bit more if you would like.

And in addition to that of course, we also have stakeholder groups that are in place and have been in place for some time, some more recent — Nursing Council. The health providers council is a council that's just been created with representation from front-line workers. And of course we meet on a regular basis with unions to receive the input from front line workers as well.

So there's a whole series of means by which we try to achieve that input. Again some of it focused at the district level and organized by health districts as the employer, and some of it at the provincial level.

**Ms. Bakken:** — Just one more question, Ken. Again, and it's to do with this whole issue of funding and how the dollars are spent and input.

But it's my understanding that the money is directed — how much of the dollars can be spent in acute care and how much in long-term care and how much for home care and so on. Is that still the case? Or are you moving towards a block funding where the districts can actually make the determination of what the needs are in their district and move the dollars?

**Mr. Pillar:** — Maybe I'll speak briefly to that in overview sense and let Mr. Wiley comment in more detail.

Generally while we determine allocations based on acute and long-term care, when funds go out to districts, it generally is unconditional with the exception that they can't move money from institutional services into community services; there's

what's called the one-way valve there.

So we calculate based on individual types of services — acute, home care, long-term care — but when those funds then go out to districts they have relative freedom in terms of how they allocate them. They don't have to allocate them the way we calculate them, except with respect to the one-way valve. Rod, do you want elaborate on that?

**Mr. Wiley:** — I don't think that I can add to that actually, other than perhaps that the one-way valve actually goes the other way.

**Mr. Pillar:** — I'm sorry, it does. Right.

**Mr. Wiley:** — They can't move dollars from community services to institutional.

**Mr. Pillar:** — Thank you.

**Ms. Bakken:** — And is there a rationale for that?

**Mr. Wiley:** — It was simply designed when the system was originally developed to ensure that there was a continuing focus on community services. In the health system it's often too easy to ignore needs like mental health services, for example. So the notion was to ensure dollars that were directed into those kinds of community services stayed there.

If institutional services could be replaced in the community, which is normally the direction that the health system is moving, then it was encouraged that they do that. But it was basically to prevent backsliding, in that respect.

**The Chair:** — Thank you, Ms. Bakken. Mr. Pillar, if I might, two specific areas. You mentioned resource allocations. And I know there've been some comments made by health officials in the past.

Saskatchewan residents seek procedures out-of-province and likewise Saskatchewan I'm sure does procedures for many people coming into our province. Are there reciprocal agreements with other provinces — for instance Alberta and Manitoba — and what is the pattern or what is the difference between people seeking procedures out-of-province and those from other provinces coming into Saskatchewan? Are we relatively equal or are there more of one and less of another?

**Mr. Pillar:** — The first part of your question, Mr. Chairman, yes, there are reciprocal agreements right across the country amongst provinces with respect to Canada Health Act services that are provided in jurisdictions.

Unless Mr. Wiley has the detail of the in/out flow, I don't have that information at my fingertips. We could certainly get it for you if you'd like it.

**The Chair:** — I just wanted an idea whether we perform more surgeries for people coming into Saskatchewan or are more Saskatchewan people obtaining surgeries and procedures out of the province?

**Mr. Wiley:** — I can speak to it in a general nature. If I can, I'll

break it maybe into three pieces.

On the eastern side of our province, moving towards Alberta, generally speaking we would see more of our residents perhaps crossing the border into Alberta to seek routine services. So it largely depends on the flow of where they shop and where they purchase their goods, that sort of thing.

On the Manitoba side we actually see more Manitoba residents coming for the same kind of routine services into Saskatchewan.

And then on a broader basis where we would see services perhaps where people need to be referred to specialists, in say Toronto, you would tend to see more people moving out of Saskatchewan to get those services.

And in terms of the level of services, it has remained relatively constant over the last four to five years.

**The Chair:** — Thank you. You mentioned the east side of the province and that's where I was headed with my next question. And I wanted you to clarify. An east central board does not exist in the East Central Health District. And I had the concern raised by board members — past board members— who indicated that they felt that the east central side of the province as far as resource allocation directly to the East Central District that in fact they were losing money by the fact that they were doing procedures for many Manitobans — and you make reference to that.

And I know that an orthopedic surgeon in Yorkton does a significant amount of surgeries for Manitoba residents. And I'm wondering, is there a move to address that, if that indeed was a legitimate concern that the East Central District was being underfunded because they were performing surgeries for out-of-province patients — is that true? And secondly, are we now allocating that money directly to East Central from, I would understand it to be the Manitoba government, or Manitoba Health must pay directly. Do they pay it to East Central District, and is it adequate to meet their costs?

**Mr. Pillar:** — Mr. Chairman, Mr. Linklater is very familiar with the East Central situation, and I'd ask him to answer the question.

**Mr. Linklater:** — The way you've presented it is accurate that the Manitoba residents come to Yorkton, particularly for some specialist services. Those services are billed back to Manitoba at a negotiated rate. So it's on a per diem rate, and is not necessarily a dollar-for-dollar exchange.

So it is possible, on some procedures that Yorkton would . . . it would cost more to have it done in Yorkton than what the province would actually receive. And then the money is flowed . . . I believe it comes to us first, and then it goes back to the district.

On what we're doing about it, we've been addressing that issue for a number of years. We did have an arrangement in place where we actually had a slightly higher rate for Yorkton than we had for the rest of the province, based on that. That was a short-term arrangement and it ended. So now they're on the

same rate as the rest of the province is.

And we continue to go back and try to negotiate deals with Manitoba, because Yorkton is like their regional hospital for the northwest part of their province. So a lot of their Manitoba residents are seeking service in Saskatchewan. And it's known by us that it's a very good deal for the residents of Manitoba.

But we do need to address it with the Department of Health in Manitoba. It's not something that Yorkton can deal with by themselves, or the East Central Board.

**The Chair:** — Thank you, Mr. Linklater. While it may be a very good deal for Manitobans, it's not a very good deal for residents of East Central District. And I'm sure you are aware of this. Mr. Klippert has been in the Yorkton district for a number of months and has very clearly stated to the people of that district that he is there on a financial mandate, not a medical mandate.

And as a result he has proposed numerous changes. Numerous changes to the Theodore Health Centre, which is one of the hospitals that closed back a number of years ago . . . removal of services there, the closure of the acute care beds in Foam Lake because of the dollar factor. And you're very aware of course that East Central has had a deficit for a number of years. Now if the deficit is being created because we don't have a proper deal with Manitoba, why are we, why are we forcing Mr. Klippert to make some choices that are not in the best interests of the residents of the east side of the province?

And you're right; Yorkton is a very strong regional facility. I believe it has the capacity to do even bigger and better things for Manitobans and Saskatchewan residents. But in the end, if we're being penalized . . . And there are a lot of people in the area are saying, you know, like shut the border to the Manitobans; we don't want to have longer waiting lists for Saskatchewan residents; we don't want to have a situation where we're creating a deficit because we're being nice to the Manitobans, and in the end we lose the facilities and the services provided for East Central.

So I'm raising some points that have been brought to my attention because part of my constituency is in the East Central District and people are very concerned. They believe that there should be a broader, you know a broader decision making at your level of Department of Health that does not penalize an area because it is stronger.

As you've indicated, the west side of the province, more residents on the west side of the province travel out of province. So maybe they're benefiting but I think we have to, we have to approach this problem very, very seriously.

And you know that fact that we've been talking about it for years doesn't alleviate the concerns of people in the Yorkton and the . . . and throughout the whole area because Canora and Kamsack and Preeceville and all of those residents up there depend on Yorkton, and in the end now, they're being penalized financially. Your comments, please.

**Mr. Linklater:** — First to put it in an order of magnitude. The size of the Yorkton deficit and the size of the shortfall in what

they lose on the Manitoba residents are . . . there's a significant difference. Their deficit is not . . . the majority of their deficit certainly is not made up of their losses on doing orthopedic procedures for Manitoba residents.

On the issue of closing the door, we've made it clear a number of years ago to the then board and administration of East Central that they were not compelled to provide that level of service under the Canada Health Act. They are compelled to provide services in emergency situations. The fact that East Central provides that level of service on an elective basis is East Central's choice — has been, remains their choice of providing that level of service.

What we asked . . . the province was for assurance that it was not impacting negatively on access for Saskatchewan residents, and that in no instance would Saskatchewan support attracting people from Manitoba and be generating the access of service for Saskatchewan residents. So we've asked them to manage so that people in Canora and Esterhazy and Yorkton's area of draw on the Saskatchewan side are not negatively impacted by the volume of Manitoba services.

And again, on order of magnitude, we're not talking hundreds of procedures here; we're talking a few dozen procedures that they're doing for Manitoba. I know that there's an impression out there that these are hundred and hundreds of Manitoba people. The facts are it's much smaller than that.

**The Chair:** — Final question before I go to Mr. Thomson. Do you have the statistics for the surgeries that someone like a Dr. Van Sittert would actually do on an annual basis?

**Mr. Linklater:** — Yes.

**The Chair:** — Is that public information? Is it shared with the people of East Central District in their annual reports of East Central?

**Mr. Linklater:** — We have the information. It's not public information.

**The Chair:** — If I was to phone Dr. Klippert would I be able to obtain that information?

**Mr. Linklater:** — I think in a confidential way he would share that with you, yes.

**The Chair:** — Thank you.

**Mr. Thomson:** — Thank you, Mr. Chairman. I want to pick up on very much the same line of questioning that you've pursued. And my interest is within the province how we revenue share among districts.

When we started out with health care reform, the districts came into place in '93, I guess it was, the funding was — I'm trying to think of a polite way to say this — it was disproportionately allocated in many cases to regional centres and resulted in an underfunding of the larger tertiary centres like Regina and Saskatoon.

One of the things that we found as we moved through this is



that the money didn't follow the patients. In Regina we knew that many patients would come in from outlying centres like Weyburn into Regina because they felt for whatever reason — either they were more comfortable with the surgeon here or more comfortable with the better family support or whatever it happened to be — but the money was staying within, in this case, the Weyburn district, even though the patient was receiving their services here in Regina.

This from what I know is still something of the issue, that the money still is district based, based on residency more than based on travelling with the patient. Have we been able to correct any of this or work any of this out? Excuse me if my question is stale, I haven't dealt with Health and PAC (Public Accounts Committee) for a couple of years now.

**Mr. Wiley:** — I'll attempt to answer that. I don't think it's a stale question at all; it's actually a very relevant one.

When we look at the needs-based funding methodology that we use as a basis for . . . or one of the tools that we use to allocate resources to districts, we actually build in migration adjustments to that. It's fair to say that the data is fairly slow in arriving. And so, when there's a continuing migration trend upward for certain kinds of procedures, the tertiary centres, who largely are the ones that receive the additional migration, have a bit of a point to make when it comes to whether they're receiving an allocation on that in a timely enough basis. But we do build it in, so we attempt to recognize that.

Counterbalancing it are some of the points that were made earlier around the table about the need to support regional centres where services can, on some cases, be delivered on a case basis less expensively. So we need to encourage that as well, although people will make their choices on their own and with their physician as to where they'll seek services.

So we try to balance all of those. It is complicated to get it right. We do try to factor all those items in.

**Mr. Thomson:** — May I ask a supplemental on that then? I don't know what the hard facts are, but there is a speculation that, in many cases, it is easier for residents to get some procedures in the regional centres; that the wait lists are shorter.

Do we deal with this through a wait list initiative at all, taking a look at how we can balance out the wait lists?

It seems almost an anathema for Regina people to think of going anywhere other than Regina to get their services, although clearly the health care in Weyburn or, for Saskatoon residents, in Humboldt may be just as good.

**Mr. Pillar:** — Right. In the last two years, we've introduced wait list initiatives in terms of additional resources, not only for Regina and Saskatoon to try to deal with their wait list, but also in Moose Jaw and Prince Albert. In the last two years, both of those centres have received additional resources to encourage them to provide services in those communities where safe and where the public is happy with getting their service there, again to take pressure off Regina and Saskatoon.

So yes, we have been attempting to do that.

**Mr. Thomson:** — Mr. Chairman, I have one final question and that concerns funding and how we balance out among the districts on long-term care.

One of the issues I find I deal with frequently in my office is people who are trying to get their parents placed in long-term care. And often it means putting the parent into long-term care in a different district than they have lived in. Does the funding follow them to that new district . . . follow the parent to that new district where they're receiving the care or does it stay where they used to reside?

**Mr. Wiley:** — It's another good question. The funding for long-term care facilities tends to relate to the facility as opposed to the home district of the individual. So the districts receive a level of funding that's adequate to provide the number of beds that are in their district.

We need to be sensitive to that because if you were to look at the number of long-term care beds provided in each and every district, some would be over a provincial average, some would be under. And so some districts need to provide services outside their district boundaries, where others don't have enough facilities within their particular boundaries.

So it's largely dependent on how the maps were drawn and where those boundaries were set. And the funding does try to take that into account.

**Mr. Thomson:** — Thank you.

**The Chair:** — Any other questions? Okay, if we might, let's move to page 112 of report 1E of the '99 Fall Report. Of the two chapters, there are only recommendations in section 1E. And those are found on page 112. Let's deal with recommendation no. 1.

**Mr. Gantefoer:** — Concur and note progress.

**The Chair:** — Motion by Mr. Gantefoer to concur and note progress. Any discussion?

**Ms. Jones:** — I'd like to ask the officials how the . . . on page 101 we have a list of audit criteria, and how does that criteria reflect resource allocation practices in both our and other districts?

I popped in and out of the room, and if you've previously answered it, I apologize. But I'd like to know if, I guess, if this is doable for you, particularly in light of new changes coming down the pike with Fyke, if you will. Or possible changes; I shouldn't say new changes.

So if you could give me some comfort in knowing that by recommending or accepting the recommendation, that this is something that's achievable. I'd like that reassurance.

**Mr. Wiley:** — I very much appreciate that question actually. And Mr. Pillar started off today by indicating that this audit has been one where we've had a lot of interesting discussions with the auditor.

In our view the audit criteria, and coming out of those criteria

the recommendations, are based around one approach to the allocation of resources amongst districts, which was the purpose of this audit. It is in effect one tool in the tool kit. In a sense what I mean by that is, for example, if the approach that was recommended in this audit were followed, we would look at health needs in the sense of need for diabetes control or fetal alcohol syndrome or a number of population-based needs, and use that data to allocate the resources amongst districts.

Where we think there's some value in that, we do believe that it's only one criteria. And in fact if you look across the country today at ministries of Health across the nation, it is not a primary means of allocating resources amongst districts in any of them. Ministries of Health across the country by and large follow many of the same procedures that our department does, and in fact the population-based work that Saskatchewan did early in the '90s has been modelled by virtually every other jurisdiction.

In addition districts . . . or governments look at facility need, the need to fund facilities — as we talked about long-term care — or hospitals in a way that they can be adequately run. They look at the mix of cases that have been delivered. We look at line-by-line funding. We continue to believe that it's important that all of those factors be built in to the allocation of resources.

So in terms of wording it may not appear that different. But when the recommendation speaks to allocating resources amongst health districts based on priority needs, we believe the criteria for the definition of health needs has to be broader than disease-based, and also based on the infrastructure, on the funding of human resources, and on a number of other issues that we've talked about and have been raised actually through the questions.

So we're very supportive of the notion that we have to continue as a department to improve. This is an area where there's a lot of management literature and science involved, and we'd never think that we've got it just right. We do continue to improve. We look to improve but in our view it needs to be a wider approach to refining our resource allocation processes than to look at one area or one piece of the tool kit, which is health need as it's been defined for this audit.

**Ms. Jones:** — Just a follow to that, if I could, would it be fair to say then that the recommended approach is very theoretical, as opposed to practical?

**Mr. Wiley:** — I think that you run into a lot of difficulties when you decide that the basis that you're going to allocate resources to districts is the incidence of cancer, or the incidence of fetal alcohol syndrome or diabetes. It's very important for us to know, as a department, where the priority needs of people are. But to use that as the basis to split the pie amongst districts, which is what this audit and these recommendations address, is in my mind one that would be more theoretical and difficult from a practical point of view.

To simply ignore the fact that there's . . . you know, health districts have had a salary increase and that needs to be funded would in our view not be appropriate.

So again, we take it into consideration but we think it would be

difficult, and I don't know if we could honestly apply that as an approach.

**Ms. Jones:** — Well, Mr. Chairman, I'd seek some guidance. I would then speak against the motion of concurrence, but I'd have no idea if we need to defeat it or if I could propose an amendment.

**The Chair:** — What I'd like to have is if the Auditor's office — and specifically we're dealing with recommendation no. 1 — and whether it be the Auditor's office or Mr. Wiley, is there a section of recommendation no. 1, other than sort of the general comments that you've made, that is unsupported by your department?

**Mr. Wiley:** — The notion, Mr. Chair, that the department would develop our processes based around priority health needs, with the notion that priority health needs are defined in this audit as being largely disease-driven.

So in the sense that . . . and it may seem that we're bogging down in technicalities here and I apologize to this meeting for that, but health needs in our mind are broader. It's making sure that collective agreements are funded, making sure facilities have adequate funding to run, and all those other items also constitute needs. So within the definition of health needs as laid out by this audit, we would not pursue that as a main basis for allocating.

With the broader definition, the things that we've talked about over the last half hour and many of the questions it related to, we're quite comfortable with this. So it comes down to the definition and how it's applied and what is expected of us.

I think, to be candid, it would be very difficult for us to develop an allocation basis that's simply driven on the incidence of cancer or the fetal alcohol syndrome or by diabetes.

**The Chair:** — Thank you for your comments, Mr. Wiley. I would have had the same problem if it referred to only — you know, very specifically — that this would be the only criteria that you would use.

And I heard you talk early on in your comments; you said this is one of the tools in the tool box and that we use a number of things. And I don't see in the recommendation where it specifically states that the only criteria to be used is to identify the priority health needs and therefore funding has to be allocated by that method. Is that correct? Is that how you interpret this?

**Mr. Wiley:** — Certainly in our discussions and what the audit reviewed, that was the sole criteria that it evaluated our current methodology on. As long as it's understood that it's one tool in the tool kit, I think we're comfortable with that.

**The Chair:** — Okay. Could I ask Mr. Heffernan for a comment maybe as to clarification of really what was intended?

**Mr. Heffernan:** — Yes. Our recommendation is really recommending a long-term strategic management approach to resource allocation.

I think generally when you're thinking about strategic management, you're thinking about changing things sort of at the edge. You're not talking about the whole day-to-day management structure that goes on. You're talking about how you can make key changes down the road.

And what we're recommending here is that the department look at the health needs in the province and decide which ones are the most critical in the long run, and then based on that, decide on some objectives for what sort of a health status could we accept, and then based . . . set strategies.

But we found that where the department does identify a need, they do a very good job of then allocating resources. But we found that we didn't really see the long-term strategic planning and management here where we really looked at what are the key issues facing the health of Saskatchewan people and what can we do about that.

And also we do define . . . we have our definitions at the . . . on page 96, and we use a broad definition of population health. We're not just talking about disease; we're talking about all of the factors that affect health care . . . or sorry, that affect the health of the population, including education, employment, social networks, and so on. So I think we are talking about a broad definition of population health needs.

In some sense the department is right. There are various aspects to resource allocation in addition to looking at the priority health needs certainly. I think no matter what we do, we're still going to be spending about \$2 billion a year on health care.

What we have to be concerned about is that, is that money being spent to improve health in the long run, and secondly, are we identifying all the important issues that some day could overwhelm us, cost wise and suffering wise? And, you know, are we dealing with those things now rather than waiting till it becomes serious?

**Mr. Pillar:** — Mr. Chairman, if I might suggest an alteration to the wording that the department would be pleased to support in terms of our position, to maybe help the situation here.

If the recommendation were to read that the department continue to develop and communicate priority health needs as one component of the department's resource allocation process, we'd certainly be able to support that. We don't take issue with the need to do this; we just need to do it in a broader context. And if the recommendation reflected that, that would be fine with us.

**The Chair:** — Mr. Pillar, I'm hearing that you would suggest that after the recommendation that's already there, you would then probably add another phrase and say, and to continue to communicate. I believe you had another phrase that said that as one of the criteria . . .

**Mr. Pillar:** — As one of the components of the department's resource allocation process.

**The Chair:** — As one of the . . .

**Mr. Pillar:** — Actually I had thought about incorporating it

right into the body of this recommendation after . . . where it says in the second line, to identify and communicate priority health needs for the province as one of the components of the departments.

So I mean, you could do it either way, as part of that recommendation or a separate one.

**The Chair:** — Mr. Gantefer, you're the mover of the original motion and Ms. Jones, you raised a concern. Is there some flexibility here to . . .

**Mr. Gantefer:** — Yes. I would be pleased to have my motion adjusted to incorporate the wording that Mr. Pillar has suggested.

I certainly implied that when I look at page 108, exhibit 2, the needs-based funding formula. That certainly identifies health statistics as one component and not the only one. So in my mind at least, that was implied.

But to clarify the motion, I would be pleased to have the wording suggested by Mr. Pillar included in the motion.

**Ms. Jones:** — That would be fine with me.

**The Chair:** — That would be fine. Okay. So we have an amended recommendation that PAC would concur or would recommend the adjustment as proposed.

And the wording, Ms. Woods will work with Mr. Pillar to ensure that that phrase is properly included in the current recommendation.

Is there any further discussion?

**Ms. Bakken:** — Just a question for the auditor. With this amendment, does this change the whole context of what you're trying to achieve here or does it . . .

**Mr. Heffernan:** — No, I think your recommendation is fine.

**The Chair:** — Good. Seeing no further questions, all in favour? Opposed? Carried.

Recommendation no. 2. Any further questions from anyone of either the auditor's office or Mr. Pillar and the officials of Health? We have a resolution.

**Mr. Gantefer:** — Concur and note progress.

**The Chair:** — Mr. Gantefer, concur and note progress. I see consensus from the officials of Health. Any further discussion? All in favour?

**Members:** — Agreed.

**The Chair:** — Opposed? Carried.

And as I indicated, section 2E of the 2000 report does not contain any recommendations. The information presented by Mr. Heffernan is with respect to the recommendations that we've already dealt with. So that would conclude chapter 1E.

And now we'll move to chapter 11 of the 2000 Spring Report. Fairly long chapter in terms of the number of recommendations and that is on page 153. Do we want to do 2B first? Is that what . . . Okay, with committee's understanding here, we might just bypass chapter 11 right now and deal with section B of the 2000 Fall Report which is Mr. Heffernan's report as well and then we can come back to chapter 11. Is that okay? Thank you, Mr. Harper.

We'll then stay with the chapter 2 of the 2000 Fall Report and deal with part B of that report, and that you should find on page 107.

**Mr. Heffernan:** — Thank you, Mr. Chair. I just have a brief presentation on this chapter. The health system in Saskatchewan has capital assets of more than 900 million. For the year ended March 31, 2000 the department contributed about 46 million to capital construction projects in health districts.

Capital construction refers to projects that build new health facilities, renovate or expand current facilities or replace key components of current facilities, such as a roof. The objective of this audit was to assess whether the department had adequate processes to establish appropriate accountability relationships with health districts for capital construction projects during April 1, 1999 and June 30, 2000.

We focused on how the department ensured its expectations for accountability were clear to districts. Accountability relationships require an understanding of the authority and responsibility that is delegated. This report describes our findings about accountability for capital construction that are located in health districts and have been approved by the department.

On page 110 we set out the criteria we used to assess the department's processes. We expected that the department would: (1) identify clearly the project to be completed; (2) communicate clear authority and responsibility for health districts and for the role of the department; and, (3) set out a plan to manage risks.

We found that the department had adequate processes to establish accountability relationships for capital construction projects with districts except for its plan to manage risks.

On page 111 we recommend that the department establish and communicate a plan to manage risks for capital construction. The department's plan to manage risks should clarify accountability to identify, assess, and monitor risks, and act to reduce risks. That concludes my remarks. I would be pleased to answer any questions.

**The Chair:** — Before the questions, Mr. Pillar, comments? I mean I know we've had some discussion on capital already.

**Mr. Pillar:** — We have. Very briefly, we're certainly in support of the auditor's recommendations here. We also note and are pleased to note that the auditor's suggesting that for the most part our processes are in place. Some improvement needed in the risk- management area. And we're undertaking an analysis of that currently and will be working with the Provincial Auditor to make some improvements in the system.

Maybe I'd just ask Leslie Parker to speak briefly on what a couple of those improvements are specifically. Thank you.

**Ms. Parker:** — Thank you, Steven. Mr. Chair, just to expand a little bit from what Mr. Pillar spoke to. We are looking at the references used by the Provincial Auditor as part of this audit to fully understand the recommendation.

Clearly we agree there are improvements that can be made on the risk management side. We are in the process of making refinements to our capital process in so far as in each phase of the project we're instituting very specific requirements and the roles and the responsibilities of both the districts and ourselves to ensure that risks through the development of the capital projects are minimized as much as possible.

It would involve anything from articulating program and facility requirements to, as projects develop, the costs that might become better known and how we mitigate against any escalating costs and ensure that the benefits on the programs side, which is what drives the capital projects, indeed are being met at the end of the day.

**The Chair:** — Thank you, Ms. Parker. Any questions by the auditor's office or health officials? Seeing none, the recommendation is on page 111 and as noted by the officials, I think there's concurrence.

**Mr. Gantefer:** — Concur and note progress.

**The Chair:** — Any questions? All in favour? Opposed? Carried.

Chapter 11, page 153 of the 2000 Spring Report. This is primarily dealing with the information around the Uranium hospital. Mr. Kress will be making the presentation, from the auditor's office and we'll be having him assume the chair shortly.

Before Mr. Kress begins his presentation here, note that in chapter 11 there are 12 recommendations. But the first 8 are new and 9, 10, 11, and 12 have been previously dealt with by PAC. As you can see it says, we continue to recommend. And we have dealt with those four . . . PAC committee has dealt with those four before. So we will be dealing with recommendations 1 to 8 and any questions on the other four.

**Mr. Kress:** — Thank you, Mr. Chair. Well, we are pleased to have this opportunity to review the work of our office relating to the Department of Health. This presentation outlines the findings and recommendations with respect to the Department of Health that are contained in chapter 11 of the 2000 Spring Report.

In chapter 11 we report the results of our audits of the Health Services Utilization and Research Commission and St. Louis Rehabilitation Centre. We made no recommendations for these entities.

We also report the results of our audits of the board of governors, Uranium City hospital, for the years ended March 31, 1999 and March 31, 2000.

However we do not report our opinion on the financial statements for the year ended March 31, 2000 and we had not completed this work at the time of our Spring Report.

This presentation deals with our findings, the recommendations, for the Uranium City hospital. We note that during 1999 the hospital incurred expenditures of 2.1 million. The hospital spent 1.2 million in salaries and benefits; 0.4 million on supplies and other expenses; 0.25 million to the Athabasca health facility; and 0.17 million on utilities and amortization.

We have not completed our audit of the board of governors, Uranium City hospital, for the year ended March 31, 2001. Therefore we have not determined if the board of governors has complied with our recommendations at this time.

For the years ended March 31, 1999 and March 31, 2000 the board of governors, Uranium City hospital, did not have adequate rules and procedures to safeguard and control their assets.

As a result of our work, we have eight new recommendations. Our first new recommendation: on page 157, we recommend that board members should receive adequate training to understand and carry out their responsibilities. Board members receive little formal training to enable them to understand what their responsibilities are and how they are to carry out these responsibilities. Without this training, a board may not be able to govern in its key responsibility areas.

Recommendation no. 2. On page 157, we recommend that the board should approve and adopt a code of conduct for the hospital. A code of conduct is important because an organization's values affect everything it does. When choosing ethical values, the board needs to consider integrity, objectivity, accountability, and leadership.

Our third new recommendation. On page 158, we recommend that the board establish and approve an appropriate conflict of interest policy. This policy should require the board, management, and staff to disclose all instances where a conflict may exist. A board member who may have a conflict of interest in any matter should declare his or her interest and refrain from discussions in voting thereon.

New recommendations no. 4 and 5. On page 158, we recommend that the board should approve a strategic plan. We also recommend that the board should approve an operating budget. Board delegated the responsibility to manage and control the operations of a hospital to the CEO. The CEO is to report back to the board on the achievement of the board's objectives. Therefore, the board must provide clear direction and monitor the performance of the CEO. The board cannot provide clear direction or monitor the performance of the CEO without a strategic plan and an operating plan.

New recommendation no. 6. On page 160, we recommend that the hospital establish adequate rules and procedures to ensure goods and services purchased are authorized and appropriate, are received and are used for the operation and management of the hospital, and that prices paid are fair and just.

We noted the rules and procedures at the hospital were not

adequate to safeguard and control the hospital's assets. As a result, we found many payments where there is no evidence that the hospital received any goods or services. We also noted examples of inappropriate and questionable payments made to employees.

In December 1998 the board contacted the Department of Health to request assistance in investigating allegations of potential wrongdoings by two former employees. An investigation was performed and the Department of Health has told us that it's forwarded the results of this investigation to the Department of Justice.

New recommendation no. 7. On page 161 we recommend that the hospital improve its control over the hospital's inventory by securing vulnerable assets. We noted that the hospital did not prevent access to its assets and supplies. Preventing access could include steps such as locking supply rooms and securing outdoor fuel tanks.

This allowed an opportunity for some hospital inventory to go missing. The hospital would not know if some inventory went missing.

Our last new recommendation. On page 161 we recommend that the hospital establish procedures to ensure it recovers from the federal government the cost of drugs provided to status Indians. Claims to recover drug costs provided to status Indians are subject to a one-year eligibility period.

We noted that the board had not filed claims to the federal government to recover the cost of drugs provided to status Indians. As a result, the one-year eligibility period expired and the hospital is unable to claim for approximately 16,000 in recoveries.

That covers off our new recommendations. And I'll very briefly just go over again with our previous recommendations.

In our 1998 Fall Report, Volume 2, we noted the board, with the help of senior management, should define and document their periodic financial reporting requirements to ensure they receive suitable and timely financial reports for decision making.

We also recommended that the hospital should improve its internal financial reports. This includes a full set of financial statements, an explanation of major differences, a projection of revenues and expenses to the end of the year based on current information, and actual amounts of prior years for comparison purposes.

We also recommended that the board submit to the minister the monthly information required by The Hospital Standards Act.

And our final recommendation was that the hospital's annual financial statements should present a comparison of actual results with planned results.

In January 1999, PAC agreed with all four recommendations.

That concludes our comments on chapter 11 of the 2000 Spring Report. We'd be happy to answer any questions that you may

have.

**The Chair:** — Thank you, Mr. Kress.

**Mr. Pillar:** — Thank you, Mr. Chairman. I'll ask Mr. Wiley, our chief financial officer for the department who's been handling this file for us, to make some brief comments.

**The Chair:** — Good. Thank you, Mr. Wiley.

**Mr. Wiley:** — Thank you, Mr. Chairman. It would be remiss of the department to begin without thanking the work . . . or thanking the Provincial Auditor for the work that they've done on this file. And in particular, I'd like to acknowledge the work that Mr. Kress has done. I think it's been most helpful for us and it has very much felt like a team effort in terms of making progress here. So I would begin there.

From there I could, if it was the wish of this group, walk through each of the recommendations and report the progress that has been made on each one. I think in these opening remarks what I'll do is simply say that the department has put in place a plan to respond to each of these recommendations. There is progress occurring. There is an interim administrator that has been hired that is working with the Uranium City board and management.

The first priority of the department has been to deal with the control issues that exist and were raised in the audit. And I would report that good progress has been made there.

The secondary challenges are to deal with the management processes, the adequacy of routine reporting, and those types of things. And there has been progress there as well. Perhaps a little slower than on the control and proper procedures side.

So with that I'd open it to questions.

**The Chair:** — Thank you. We'll open it up to general questions, and then maybe we can deal with each recommendation and specific questions as you've indicated.

**Mr. Gantefoer:** — Thank you very much. In general, it strikes me from what you're saying that you're in agreement with the recommendations. And I in general ask you, there's eight new recommendations — are there any of them that you're not in agreement with.

**Mr. Wiley:** — We are in agreement with all of the recommendations that have been brought forward.

**Mr. Gantefoer:** — Thank you. I think that makes the job easier later on.

And without necessarily asking for a detailed explanation about any of the areas, and I noted your comments in terms that in all of these areas progress is being made — in some areas greater than others. I wondered though, an area that did concern me in the comments is that some of this was referred to the Department of Justice.

And I recognize that there may be some legal constraints that are there, but has action been taken, or can you update us on

what is the outcome of that issue.

**Mr. Wiley:** — I will provide you information as best I can. I'm trying not to be elusive on this, but I am aware that there are limits to what we can cover at this point.

As was mentioned in the opening introduction, there were some concerns raised with the board of directors of Uranium City in December of 1998. And at that time the board dealt with it and as part of their due diligence around that, decided to come to the Department of Health for advice on how to manage it.

At that time we involved both the RCMP (Royal Canadian Mounted Police) and the Provincial Auditor's office. We made them aware of the allegations and the information that the board had received.

From there we were advised by the RCMP that it was appropriate to develop a forensic audit. And over the course of the next couple months one was launched, and material was gathered in respect to that audit.

At the conclusion of that audit, the material was turned over to the Department of Justice for a recommendation as to next steps. I believe it's fair to say that the Department of Justice has involved the RCMP in determining some additional information.

In terms of scope, I would point out that as Mr. Kress indicated in his initial comments, the annual spending of the board and the hospital is in the order of 1.6 to \$1.7 million — 1.2 million of that relates to salaries. Only about \$400,000 relates to operating, and any allegations around conduct there relate to only a relatively very small part of that.

So without providing any further detail, I hope that gives you a bit of a sense of the scope of what we have in front of us. As to current status, I understand that it's still . . . there's still active consideration and we expect to hear.

**Mr. Gantefoer:** — Thank you, Mr. Chair.

**Ms. Bakken:** — The board was appointed in, reading this, in June of 1995 by an order in council. Has the board membership been changed in light of the problems that were . . .

**A Member:** — Yes, that's correct.

**Mr. Linklater:** — I'm trying to recall the month — I can't just off the top of my head — but a new board was appointed, I'll say seven or eight months ago and they've received some orientation and some training as to their roles and functions similar to the recommendation that the Provincial Auditor's office made.

And they, along with the interim administrator, are well aware of the recommendations and working towards solutions. So they're quite aware of the past situation and aware of their need to have controls and measures in place to deal with the operations of the Uranium City Hospital.

**Ms. Bakken:** — So my understanding is then that you have a new CEO?

**Mr. Linklater:** — Yes, he was actually in place before the board was replaced.

**Ms. Bakken:** — The board was replaced. And I guess my question is, how did this situation develop? How was it that a CEO was hired and a board appointed that did not have obviously — what the word is — the integrity or the knowledge to do the job that they were appointed by order in council?

**Mr. Wiley:** — I'll try and respond to that, I think. First of all I think it's important to make clear that no material that's been brought forward would suggest in any way that there was any board member that acted inappropriately. And in fact any of the reviews that were done in fact verified that that was not the case. So the turnover in the board is not in any way related to any of the irregularities that may have occurred.

Board members . . . I think you can appreciate that when you establish a board in a remote location, as we're dealing with here with Uranium City, perhaps don't always come to the table with the same background and skill set that board members might in southern districts. And I don't for a minute want to suggest that that cast any aspirations on those board members, but in hindsight it would have been better for us as a department to work more fully with the board, given that they might not always bring the same . . . different kinds of backgrounds and complimentary skills to the table. I think that there's a need for us to be more diligent, and to support the board more fully than we would a southern board perhaps that wouldn't need quite the same level of support. So I think that's a lesson that we've learned.

The same can be said of hiring management for a remote location. It's sometimes difficult to attract topflight people, candidly, into our province. And then when you look at a remote location it certainly adds to the challenge.

I think by and large, you know, we have a staff there that are doing the very best they can with the resources they have and are to be commended for that. Unfortunately we had one circumstance, and perhaps one weak link, and we need to learn from that.

But there are unique challenges that come with this in terms of the size of the operation. It's not large, so of course we wouldn't expect the same kind of management practices or management team to develop that you would around a Regina or Saskatoon health district or even a much smaller health district. Uranium City hospital is . . . only represents about what 10 per cent of one of our smaller health districts would manage in a year.

So I'm not meaning to duck the fact that every dollar has to be well managed, but simply to try and put it into a bit of context.

**Ms. Bakken:** — And I guess I'd just comment on that, on your observation that it is a smaller centre, and I think you concurred with that. I don't think it matters whether it's small or large, there should still be proper procedures put in place in management. And if the people that are living there don't have the expertise to carry out the job on the board, then that should have been addressed ahead of time.

We're looking, we're spending \$2.1 million, which is a lot of money in most people's minds. And it should, you know . . . it should be managed appropriately.

**Mr. Wiley:** — I absolutely agree. We need to be responsible for every dollar.

**The Chair:** — Okay, thank you for the questions. Page no. 157 to 163 is where you will find recommendations 1 to 8 inclusive, and let's deal with them in order. Recommendation no. 1.

**Mr. Gantefer:** — Concur and note progress.

**The Chair:** — Concur and note progress, Mr. Gantefer. Questions? All in favour?

**Members:** — Agreed.

**The Chair:** — Carried. Recommendation no. 2.

**Mr. Harper:** — Concur.

**The Chair:** — Mr. Harper, concur and note progress. Any questions? All in favour?

**Members:** — Agreed.

**The Chair:** — Carried. On page 158, recommendation no. 3.

**Mr. Gantefer:** — Concur and note progress.

**The Chair:** — Mr. Gantefer, concur and note progress. Any questions? All in favour? Agreed. Carried. Recommendation no. 4.

**Mr. Harper:** — Concur.

**The Chair:** — Mr. Harper, concur and note progress. Any questions? All in favour?

**Members:** — Agreed.

**The Chair:** — Carried. No. 5.

**Mr. Gantefer:** — Concur and note progress.

**The Chair:** — Mr. Gantefer, concur and note progress. Any questions? All in favour?

**Members:** — Agreed.

**The Chair:** — Agreed. Carried. And on page no. 160, recommendation no. 6.

**Mr. Harper:** — Concur and note progress.

**The Chair:** — Mr. Harper, concur and note progress. Any questions? All in favour?

**Members:** — Agreed.

**The Chair:** — Opposed? Carried. Recommendation no. 7 on the top of page 161.

**Mr. Gantefoer:** — Concur and note progress.

**The Chair:** — Mr. Gantefoer, concur and note progress. Any questions? All in favour?

**Members:** — Agreed.

**The Chair:** — Opposed? Carried. Recommendation no. 8., Mr. Harper, concur and note . . .

**Mr. Harper:** — Concur and note progress.

**The Chair:** — Thank you. Any questions? All in favour?

**Members:** — Agreed.

**The Chair:** — Carried.

That's brings us to the end of chapters on . . . Sorry, are there any, is there any comment or any further direction on recommendations 9, 10, 11, and 12? As noted they were dealt with the PAC committee in 1999, and I'm sure in our next report we'll hear from the auditor's office whether or not those recommendations are being implemented. And I see consensus there, so we'll leave them alone.

I want to thank the officials from Health for being with us these last two Wednesdays. I appreciate that very much. And also the officials from the auditor's office that have helped us go through the chapters. Thank you.

We will recess for 15 minutes. As indicated on the agenda, 15 minutes. And we will begin with Social Services when we conclude in 15 minutes time, which is 5 minutes to 11. Thank you.

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

#### **Public Hearing: Social Services**

**The Chair:** — Let's reconvene please. And I'd ask Mr. Wendel first to introduce new officials from the auditor's office.

**Mr. Wendel:** — Mr. Chair, we have three new people here for the next two sessions. I have Rena Strecker, who's going to lead you through the Social Services chapter. And beside, I have Judy Ferguson and Bill Harasymchuk who will be taking us through Municipal Government.

**The Chair:** — Thank you. And I'd also like to welcome Bonnie Durnford as deputy minister of Social Services. And, Bonnie, if you would introduce the people from your staff.

**Ms. Durnford:** — To my right is Bob Wihlidal, who's the acting assistant deputy minister. And to Bob's right is Darcy Smycniuk, who's the acting executive director of financial management branch. And to my left is Phil Walsh, executive director of income security programs.

**The Chair:** — Thank you very much. I would ask Rena then to proceed with the presentation on chapter no. 6, which is page 215 in our documents.

**Ms. Jones:** — Ms. Higgins seems to be missing that report in her binder. Is there any extra copies?

**The Chair:** — We'll get it copied. Okay, Rena, please.

**Ms. Strecker:** — Thank you, Mr. Chair. We are pleased to have this opportunity today to review the work of our office relating to the Department of Social Services. We are going to start in chapter 3 of the 1999 Fall Report. However I'm not going to spend any time on this report as the department has either corrected the matters reported or we report them again in our 2000 Fall Report. So I will deal with the matters there.

Therefore we are going to start off in chapter 6 of the 2000 Fall Report. And I believe that starts on page 217 if you wish to follow.

On page 217 we show that the government spent a total of 785 million on Social Services for the year ending March 31, 2000. The department spent 578 million of this. And on this page we also briefly describe the department's mandate.

On page 218 we show the department's major programs and spending. And we briefly set out the department's key risks that it faces in achieving its objectives. Our 1997 Fall Report Volume 2 describes these risks more fully and the department's systems and practices to manage these risks.

On page 219 we note that the department's internal audit function needs to be independent from program managers and that its reports need to be more timely.

Internal audit plays a very important role in providing senior management with the assurance that the department's internal controls over its programs are adequate to safeguard public money and to ensure that only eligible recipients are receiving the correct amount of assistance. Therefore it is important for internal audit to be independent from program managers to enhance the objectivity and reliability of the internal audit reports.

At the time of our 1999 Fall Report when we first made this recommendation, internal audit was reporting to the executive director of income security programs. As we report on page 219, in March of 2000, the department formed an audit committee of senior managers. Since the committee did not have any significant activity at the time of completing our audit for the year ending March 31, 2000, we were unable to assess its effectiveness. We will therefore assess its effectiveness in our 2000-2001 audit.

On page 220, we also note that the internal audit reports were not issued on a timely basis. For example, the annual audit of Saskatchewan Assistance Plan for the year ended March 31, 1999 was not issued by internal audit until May of 2000. As a result, on page 220, we recommend that the department issue timely internal audit reports.

On page 220, we also note that the department needs to follow its rules and procedures to verify that only eligible persons receive assistance and that they receive the correct amount of assistance.



The department paid 254 million in social assistance for the year ending March 31, 2000. The department has procedures to verify the information provided by clients before the payment is made, such as observing bank statements. However due to urgency of social assistance, it is not feasible to verify all circumstances before payment is made.

For example, the department will allow a client 60 days to produce a bank statement. However during this time a payment would be made. As a result, the department also performs procedures after a client is on assistance to ensure that they continue to qualify for assistance, such as conducting annual reviews of client circumstances. These back-end procedures also help to ensure that the front-end procedures are sufficient enough to prevent errors from exceeding the acceptable error rate.

One of the back-end procedures that the department uses to verify the eligibility of recipients is to conduct annual reviews. The department did not conduct adequate annual reviews in 16 per cent of the cases that we examined. Annual reviews, which include home visits, help the department to verify that the recipient's circumstances continue to qualify the recipient for assistance.

On page 221, we recommend that the department conduct adequate annual reviews to verify that only eligible recipients are receiving assistance and that they receive the correct amount of assistance.

On page 221, we note that the department should continue to verify that its family and youth automated payment system is adequate to ensure that payments are made in accordance with the law and in accordance with the department's policies.

In 1999-2000, the department paid 25.4 million through its new family and youth automated payment information system. The department's internal audit function did not test payments produced by the family and youth automated payment system on a continuing business as planned. This independent review is very important when a new system is implemented to ensure the controls are properly designed and operating effectively.

On page 222, we recommend that the department's internal audit function review the payments made from the family and youth automated payment system to ensure that payments are made in accordance with the law and the department's policies.

On page 222, we also note that in our 1999 Fall Report, Volume 2, we recommended that the department strengthen its project management practices by incorporating the lessons learned on its recent information technology projects into an approved project management policies and procedures.

During 1998-99, the department implemented the Saskatchewan employment supplement system and the Saskatchewan Child Benefit system as it continued to implement the family and youth automated payment system.

Information technology industry experience shows that most new systems do not meet client requirements. Costs are usually exceeded and the systems are late. To reduce these risks, organizations need policies and procedures to inform, train, and

guide staff on good project management practices.

An effective way of strengthening project management practices is to conduct a lessons-learned exercise. A lessons-learned exercise involves using good project management practices to analyze the successes and problems encountered in developing and implementing systems.

In 1996-97, the department realized that the family and youth automated payment system implementation and the early development stages of the Saskatchewan employment supplement and the Saskatchewan Child Benefit system were not proceeding as planned. Therefore it conducted a lessons-learned exercise.

Many of the problems with the family and youth automated payment system were too late to be corrected, such as a budget was not approved prior to starting of the project; the implementation of the system was two years later than planned; and the department may not, without considerable expense, be able to upgrade or amend the family and youth automated payment system to take advantage of advances in computer technology.

However, the Saskatchewan employment supplement and the Saskatchewan Child Benefit projects did benefit from the lessons-learned exercise. For example, the main components of their systems were implemented on time.

At the time of our 1999 Fall Report, the department had not incorporated the lessons learned from the Saskatchewan employment supplement, the Saskatchewan Child Benefit, and the family and youth automated payment projects into a documented and approved project management policies and procedures. Without incorporating the lessons it has learned into an approved policies and procedures, the department cannot ensure that the lessons learned will be applied to future projects.

On page 223, we note that the department has made significant progress in strengthening its processes for managing information technology projects. However, more work does need to be done including: more policies and procedures are needed to fully set out an information technology project management framework for the departments; the department's senior management team needs to review and approve draft policies and procedures to ensure that they are meeting the department's needs; and the department should adopt an information technology project management methodology and ensure staff are adequately trained in its use to ensure that policies and procedures are implemented effectively.

As a result, on page 224, we recommend that the department continue to strengthen its policies and procedures for developing and implementing new information technology.

On page 224, we note that the department still needs to follow its established regulations, policies, and procedures to determine whether custodial parents receive the correct amount of social assistance. We reported this matter in our 1998 and 1999 Fall Reports, Volume 2. At its January 1999 meetings, the Standing Committee on Public Accounts agreed with our recommendation.

On page 225, we note that the department still needs to ensure that community-based organizations submit required reports to the department. We also note that the department needs to work with community-based organizations to establish performance measures and targets that allow the department to assess the community-based organization's progress in meeting the department's objectives.

We reported a similar matter in our 1997 to 1999 reports, Volume 2 of the Fall Reports. At its January 1999 meetings, PAC agreed with our recommendations.

On page 226, we note that the department's annual report should explain the department's key risks in achieving its objectives and the controls in place to manage those risks. We again reported this matter in our 1997 to 1999 Fall Reports, Volume 2.

At its October 1998 and January 1999 meetings, the Public Accounts Committee agreed with our recommendations, well recognizing the difficulty of setting measurable target indicators in a single year.

This concludes my comments for the 2000 Fall Report, and we would be happy to answer any questions that you may have.

**The Chair:** — Thank you, Ms. Strecker. Ms. Durnford, comments from your department, please.

**Ms. Durnford:** — Certainly. The recommendations from both reports that were covered in the comments by the auditor's office have been, obviously, carefully reviewed and considered by the department. And I think it's fair to say that we're in concurrence with the recommendations in terms of the directions that they point to, and we have been working on making progress on those recommendations.

So I would be more than pleased to answer specific issues or questions that would be coming up from the members.

**The Chair:** — Thank you very much. And we'll open it to questions from the membership of the committee, directed in a general sense to chapter no. 6, Social Services.

Seeing none, let's move directly to the recommendations and maybe that will generate some question or comment. Recommendations are found on pages 220 to 224; they're numbered 1 to 4 inclusive. And let's begin with recommendation no. 1 on page 220. Are there any questions? Any further comments? Resolution, Mr. Harper.

**Mr. Harper:** — Move concurrence.

**The Chair:** — Move concurrence with recommendation no. 1. Any questions? Seeing none, all those in favour? Opposed? Carried.

Recommendation no. 2 is found on page 221. Any further comments or questions?

**Mr. Kwiatkowski:** — I move concurrence.

**The Chair:** — Mr. Kwiatkowski moves concurrence of

recommendation no. 2. Any questions? All those in favour? Opposed? Carried.

Recommendation no. 3 on page 222.

**Ms. Bakken:** — A question. It says the department's internal audit function did not test the payments produced by FYAP (family and youth automated payment) on a continuing basis as planned. Why was this not carried out?

**Ms. Durnford:** — Well over the time period that the family and youth automated payment system was being introduced and tested, we tested pieces of it to ensure that the various pieces of the payment system were working as we introduced it.

The introduction was done through a pilot basis, and starting in a couple of our offices in Regina and Moose Jaw. And in those situations, each time we moved forward with the pilot, we tested both the process by which payments were being made and the accuracy by which payments were being made, as well as the general acceptance of the payment system within our social work staff.

So as we were rolling it out, we were testing pieces of it. I think the general comments that are coming forward from the Provincial Auditor's office is relative to moving forward with an audit system and an audit process that will now take a look at the full automated payment process and the full system, and having a regular sort of audit process in place that will ensure accuracy of payments on that.

**Ms. Bakken:** — And you're moving towards that? Or you have something in place?

**Ms. Durnford:** — We are. Yes. Part of . . . we agree and concur with the recommendations that we need to ensure that we have an independent audit process from our program areas, and we're in the process of establishing that.

**Ms. Bakken:** — And do your field workers, do they follow up on this in some way, or how do you ensure this on a regular basis, as opposed to an audit after the fact?

**Ms. Durnford:** — Well the system itself, I mean the system itself that's being introduced, or has been introduced in the family and youth services area should be contrasted with what we had in place prior to that time. Prior to that time, payments were made on an annual basis by individual workers.

The system itself has numbers of checks built right into it. So that if a payment is being made and it requires supervisor's approval, there's an on-line work process that would require the payment to go directly from the worker to the supervisor for approval. So that's now done automatically.

It checks . . . the system would check against our client index to make sure, for example, that the client is actively receiving services. So in many respects a lot of the work that would have been done previously by front-line workers to check accuracy of payments is now actually built into the system and is part of the process.

**The Chair:** — Are there any further questions on

recommendation no. 3? Seeing none, is there any resolution?

**Mr. Harper:** — Move concurrence.

**The Chair:** — Mr. Harper moves concurrence. Any questions? All those in favour?

**Members:** — Agreed.

**The Chair:** — Agreed. Carried.

Recommendation no. 4, on the top of page 224, any questions?

**Mr. Kwiatkowski:** — I would move concurrence, Mr. Chair.

**The Chair:** — Mr. Kwiatkowski moves concurrence. Any question? All in favour?

**Members:** — Agreed.

**The Chair:** — Opposed? Carried.

As indicated by Ms. Strecker, I think there were three other recommendations that have been recommended in the '97 to '99 Fall Reports, Volume 2, and they were dealt with by a previous PAC committee.

Are there any comments or any further suggestions from any members regarding those recommendations?

**Ms. Jones:** — I just have a question on recommendation on page 225 regarding the CBOs' (community-based organization) timely performance reports. Can you tell me what steps the department takes if the CBOs do not submit timely reports?

**Ms. Durnford:** — Across our regional offices, we have 22 regional offices in the province and we have about, I think, 13 FTEs (full-time equivalents) that are devoted to what we call community program consultants. And their jobs are to work on a regular basis with the community-based organizations.

And one of the things that we would do, you know, if a community-based organization is failing to provide their accurate reports or timely reports, is the CPCs (community program consultant) would be going back to them to say to them okay, can we find out what the problem is relative to the report and why it's not being received and try to work with them to ensure that, in fact, they can meet our accountability requirements.

One of the issues that I think needs to be recognized in this context is that many of the organizations with whom we are working are very small organizations and we need to assist and provide support to them in terms of meeting the accountability requirements.

**Ms. Jones:** — Is it ever the case where money is withheld as a result of them not meeting their required reporting?

**Ms. Durnford:** — We can at the . . . the arrangements that we have with the CBOs would allow us at a certain point to say no, we're so concerned about the accountability issues with the organization that we could withhold payments from them or

else, you know, if it was a very serious concern, at some point terminate a contract with a CBO. But those would be circumstances that we would do in very rare situations, where we're very concerned about either the quality or accountability of the service being provided.

**Ms. Jones:** — Thank you.

**The Chair:** — Thank you. Any further comments? Questions?

Seeing none, I want to thank Ms. Strecker from the auditor's office for her presentation; and Ms. Durnford and your staff from Social Services for assisting us this morning. Thank you very much.

### **Public Hearing: Municipal Affairs, Culture and Housing**

**The Chair:** — Committee members, we'll begin with Municipal Affairs, Culture and Housing. The chapters that we'll be dealing with are chapters 6 from the '99 Fall Report and chapter 9 from the 2000 Spring Report. And I want to note that of course in chapter 9, the section dealing with the First Nations Fund, as we previously determined, is going to be dealt with as a specific item later on under the First Nations section.

As Mr. Wendel's already introduced Mr. Harasymchuk; welcome, Bill. And I'd ask Mr. Mathur to introduce your officials, please, from your department.

**Mr. Mathur:** — Thank you. With me I have got Larry Chaykowski to my left and he is our director of finance, administration and facilities. To my right is Trevor Powell; Trevor is the chief archivist of the Saskatchewan Archives Board. To my far right is Peter Hoffmann, and Peter is the assistant deputy minister of housing.

Behind me I've got, to the right, John Edwards; he's the acting assistant deputy minister of Municipal Affairs, of municipal and community services. To his left is Russ Krywulak, and Russ is the executive director of grants, administration and provincial-municipal relations branch.

We also have with us attending today, Ms. Bonnie Donison. She's the ministerial assistant to the Hon. Ron Osika.

**The Chair:** — Thank you very much, Mr. Mathur. Welcome to you and all your officials.

The first presentation is going to deal with section 6A and chapter 9, I believe concurrently, and I'd ask Bill to go ahead with his presentation.

**Mr. Harasymchuk:** — Thank you. Chair, members, this morning I'm going to share with you our audit conclusions and findings on the financial audits we carried out with the department and its 10 special purpose funds. I'm also going to discuss the results of our review of the department's 1998 annual report. Then Judy Ferguson will discuss the audit conclusions and findings on phase II of Canada-Saskatchewan Infrastructure Works Program.

Chapter 6 of our 1999 Fall Report Volume 2 and chapter 9 of our 2000 Spring Report includes our audit conclusions and

findings for the department and the following 10 special purpose funds . . . Oh, I'm on the wrong screen. Okay. Chapter 6 . . . Okay and the following 10 special purpose funds for the Crown agencies for the year ended March 31, 1999 and December 31, '99.

The 10 special purpose agencies are the Associated Entities Fund, the Archives Board, the Saskatchewan Heritage Foundation, Saskatchewan Lottery Trust Fund for Sport, Recreation and Culture, Western Development Museum, Municipal Potash Tax Sharing Administration Board, Saskatchewan Arts Board, Saskatchewan Housing Corporation, Sask 911 account, and the First Nations Fund.

Our audit conclusions and findings from these audits have resulted in three recommendations specific to the Saskatchewan Archives Board and one recommendation specific to the Saskatchewan Housing Corporation.

We also report that the First Nations Trust Fund have prevented us from carrying out our duties to the Legislative Assembly. Subsequent to these reports, the First Nations Trust Fund trustees have allowed us access to the appointed auditor's files.

Our audit conclusions and findings on the First Nations Fund is included in our 2001 Spring Report which will be reported tomorrow.

Our 2001 Spring Report will also include the March 31, 2000 audit conclusions for the department and five other special purpose funds the Crown agencies is responsible for.

On page 186 of our 1999 Fall Report, we recommended the directors of the Saskatchewan Archives Board should review interim financial reports quarterly, and the director should also approve annual budgets before the year begins.

On page 187, we recommended the Saskatchewan Archives Board should prepare, test, and approve a written contingency plan. The board has subsequently implemented these recommendations.

On page 188, we continue to recommend the Saskatchewan Archives Board should have written contracts with the University of Saskatchewan for office space and administrative and accounting services, and with the Saskatchewan Property Management Corporation for office space. These costs represent 75 per cent of the board's administrative expenses.

The board needs written contracts to set out the responsibilities and legal obligations of each party for the services provided. These contracts are still not yet in place. In October 1988, the Standing Committee on Public Accounts considered this matter and agreed with our recommendation.

On page 143 of our 2001 Spring Report, we noted the Saskatchewan Housing Corporation has not tabled financial statements for public housing authorities and territories in the Legislative Assembly. Public accountability is strengthened when the government tables the financial statements of all government organizations in the Legislative Assembly. Therefore we recommend the Saskatchewan Housing Corporation provide the Legislative Assembly the financial

statements of its numerous public housing authorities and territories.

On page 188 to 189 of our 1999 Fall Report, we assessed the department's 1997-98 annual report. We noted that the department's annual report provides MLAs (Member of the Legislative Assembly) and the public with useful information about its programs. We recommended the Department of Municipal Affairs, Culture and Housing should continue to improve its annual report.

We describe how the department could improve its annual report by including its goals and objectives and performance targets and actual results. We also think that the report should include the department's key risks and how the department manages these risks.

I'm going to turn it over to Judy now to provide an overview of our audit of phase II of the Canada-Saskatchewan Infrastructure Works Program.

**The Chair:** — I wonder, committee members, if you want to deal with 6A and chapter 9 which have been tied together first, and then ask Ms. Ferguson to do her presentation on 6B. Right, I see concurrence. So that way then, Mr. Mathur, we'll ask for your comments regarding the presentation or the recommendations as raised in 6A and chapter 9 concurrently.

**Mr. Mathur:** — Sure. Mr. Chairman, the way I'd like to do this is with respect to the comments on the Saskatchewan Archives Board, I do have with me Mr. Trevor Powell. And the Archives Board operates at arm's length from our department and therefore Mr. Trevor Powell will be speaking to those recommendations.

With respect to the recommendations on the annual report of the department, we did take steps in the next year — that was in 1999-2000 — to incorporate goals and objectives into the report.

Our department was also amongst the first to be in the government's pilot to be on the accountability framework. And we have been working on developing performance measures as well. As the government's accountability framework is implemented, obviously we will be incorporating those.

One of the things that I would point out is that performance measures are very useful, however they do take some time to develop and even more time to collect the relevant information that would be put into an empirical measure. It's just like developing a social indicator.

These are all fairly complicated exercises and we're committed to doing those and we are proceeding to do those. So we concur with the auditor's report and are concurring.

With respect to the Saskatchewan Housing Corporation, I'll just make a few remarks and then turn over to Peter Hoffmann, who is also the president of the corporation.

I believe that it has, the department has really no objection to filing those statements from the housing authorities. We have brought with us some samples of what they look like. We have

over 200 . . . Is it 270 authorities? We consolidate their financial statements into some 23 territories.

But in looking at them, there were two issues that came to mind. Number one, the information that you will receive will not be complete in all respects and could be taken out of context. It could lead to wrong . . . to, you know, conclusions that are not kind of founded and out of context. So that's one problem.

The other is that currently these are produced as a fairly informal, in a informal format though, physical format, which is that they're not bound and printed. So there would be some expense in doing that.

And I think the thing to consider is given the information that they will give to the public, would it be worth the effort? Given the fact that they could in fact provide information that is not complete, is it worth it? But we have no objection to proceeding with this if that is what the committee decides.

Maybe I'll ask Peter to speak to that a little more.

**Mr. Hoffmann:** — We're just talking about the housing authorities and what it is that they report to us. Their responsibility by agreement is that, first of all, the housing authority is created by the minister responsible for Saskatchewan Housing Corporation, so the authority comes under the Act.

And what they're asked to do specifically is collect rents and pay the day-to-day operating expenses. And that is what they report to us and they provide to us an audit. And that in turn is incorporated into the Saskatchewan Housing Corporation's financial statements too, line by line. Maintenance expenses are shown, the rents, so on.

What they don't include though is all costs associated. So for example, one of the most significant expenditures for any housing project is the annual amortization. That's not included at the housing authority level and the reason it is not included is that's not an expense that they incur; it's not an expense that they're responsible for; it's not something that they manage.

All they report on and all they're audited on is revenues and expenses that they're responsible for.

I took a bridge reference that at the end of the day we receive 28 sets of audited financial statements from across the province and went through and took a look at one. In Lloydminster, for example, if you take a look at the audited statement that you receive and you come to the total, you'd get the impression, I believe, that there's a surplus from those projects of \$28,000. And so if you were to look at that, you'd assume that they made money.

The reality is, when you factor in that the costs that are handled at the central level through Sask Housing — and there's a number of them, but the most significant is amortization — the reality is that those projects require a subsidy of in excess of \$90,000.

So what we have the sense of is people look at them, they'll

think these projects have made a profit, they're possibly charging too much in terms of rents. The reality is that even with that, once you encompass all expenses, there is a deficit and that has to be absorbed.

Another related element to that is when you see the surplus, you think again that at Sask Housing, it's going to be generating that. The expense that's there that shows a deficit is then shared by different levels of government. The province is part of it. Federal revenues are also part of it. Funding from the federal government and the municipal contribution.

So again, even from the end result, you get a sense that there's something that the province benefits from directly. The reality is that there's an expense or a net cost and that's shared by a number of partners.

And bridge made . . . One other indication is that the auditors that are hired for these, they're hired on the premise that these sole users of these are going to be the Saskatchewan Housing Corporation, the local housing authority, and our private sector auditor is KPMG who, in turn, is audited by the Provincial Auditor. And if they are under the . . . We'd have to go back to them and say that there's an expanded audience, that these will be tabled in the legislature, and we expect that there will be some additional cost to that.

And also, if you're going to be formally tabling them in the legislature, we'll have to pay considerably more attention to format. They're done professionally, but not with the polish that you would want if you were going to table them.

So those are the two observations, I guess, that we'd share with you in terms of making the final determination.

**The Chair:** — Thank you. General questions of the auditor's office or the officials?

**Mr. Bjornerud:** — I'd like to ask . . . The auditor had talked about the problems you see with Sask Housing in their reporting. Could you maybe repeat what you said — I missed a little bit of what you said there — and maybe elaborate on it, what you would like to see really happen?

**Mr. Wendel:** — I'll start and if I get into details, I'll turn it over.

But this recommendation's been — not specific to Sask Housing — but this recommendation has been around for some time. And we had recommended back in the early '90s, that all financial statements of all public organizations should come forward to the Legislative Assembly. And this committee agreed with that, that basic recommendation.

And then about six, seven years ago, the committee looked at that again and said, well there may be special circumstances that they want to deal with on particular agencies and we should bring them forward to you on a case-by-case basis.

So what we've got here is a special circumstance. There's a bunch of public housing authorities here, those statements don't go to the Legislative Assembly.

Now it's before this committee to make a decision as to whether they would like to have them come before the Assembly, and the officials over there have been describing some of the problems that would be caused by that. And then you have to look at it and say, well do I need that information to hold the government fully accountable? And that's something you'll have to discuss.

**Mr. Bjornerud:** — Thank you. I guess then I would go to the minister and ask, you had talked about you're not sure whether it's worth the effort. And I guess that's what the auditor's saying we have to decide.

And then you talked a little bit about what it would entail to do this. Can you explain what the problem being with the department is for not wanting to go that extra step? In making our decision, can you give us more information about why we should leave things the way they are or we should take the auditor's recommendation?

**Mr. Mathur:** — We are happy to print these, if that be the case. I'm just not certain whether going that extra . . . making that extra effort will be worth the quality of the information that you will get and what it will add to the public's understanding of the fiscal condition of these housing authorities. So it's balancing that.

For your benefit, we brought some copies. We'd be quite happy to table those. And you could see from those, I think it's quite evident that the kind of information they provide is not really going to add substantially to our understanding of the fiscal health of these authorities. I'd be happy to do that.

**Mr. Bjornerud:** — Thank you, Mr. Minister. The local authorities then is what you're saying don't go in depth far enough with their accounting procedures to pass on the information that possibly we're asking for here.

**Mr. Mathur:** — Or it's not . . . it does not have all the dimensions that you need. The intent of the report, as Peter pointed out, was to report to the house . . . to the Saskatchewan Housing Corporation on how each authority performed.

Now when you take something like the surplus that is shown, at the local level that surplus exists but it does not take into account all the subsidy that goes in from three levels of government. So the final picture only emerges after you have put all of these into an SHC (Saskatchewan Housing Corporation) kind of report.

That's our concern. We're not opposed to tabling this kind of information. It's just that it will take extra effort, it will add some expense to producing 27 more reports to be tabled in the House. And if they don't really add substantially to our understanding, then we just question whether it's worth the effort.

**Mr. Bjornerud:** — Would we have availability of the different levels of subsidies from the different levels of government, what they would be? Is that included in any of these reports?

**Mr. Hoffmann:** — In the individual reports that are here, that's not there, because that does not flow through the housing

authorities. Where you find that is in the Saskatchewan Housing Corporation annual financial statements.

They show contributions from the federal government, the provincial government; and the municipal contribution is there but isn't separated because it's not material unto itself. And that's, you know, when Brij is talking about we're able to do this, but would it really enhance information? We'd even be concerned that in fact, not only would it not enhance, but it would create an illusion that doesn't exist out there.

**Mr. Bjornerud:** — Thank you. I want to talk just for a minute about housing and communities in the province, and for that matter in the cities.

I think years ago housing was being provided to an extent for low incomes, for seniors. Right now is there a great demand out there from communities that want more housing, and we haven't been able to provide it at this point? Is there a list, a waiting list of people, of communities out there that want possibly an extension of what they have, or if they have none, housing to be created?

**Mr. Hoffmann:** — Provincially there's a significant number of households that have a housing problem of some sort, be it just availability or the condition of their house or how much they're paying. It varies considerably from community to community. Some communities have extensive waiting lists, others we have chronic vacancies. And there are a significant number of communities that have contacted the Saskatchewan Housing Corporation directly and indicated that they have a need.

**Mr. Bjornerud:** — Thank you. In the case where maybe a community has lost population and haven't got the need now for the . . . if they have 20 units out there say, for an example, is it in the mandate to move some of these units from one community to another? Has that been done, or is that not a possibility?

**Mr. Hoffmann:** — That is something that has been done. Whenever . . . it really becomes a last resort situation. Is any community that's been experiencing chronic vacancies — and what chronic means to us is where the unit has consistently been vacant for at least six months — we approach the community and see if we can come to a mutual agreement as to the relocating of this unit.

And I'd suggest to you, and I don't know the exact numbers, that over the past five, six years there's been approximately a hundred units that have been relocated across the province.

The receiving community is always very happy because there's always a very strong need there, and we make sure that we don't promote which community it's come from. That's not the issue. It's who's receiving. So yes, it does happen. It doesn't happen to an exceptional degree and it's something that's actually a very slow process in working through with the community that's going to be losing the units.

**Mr. Bjornerud:** — Good, thank you.

Another area that I'd like to touch on is our utility rates. Power rates have gone up some. But SaskEnergy, for an example, right

now is thinking of taking a dramatic rate and we have no idea whether that will be approved or not and that doesn't matter. But should a large increase to SaskEnergy be approved, what does that do to the rent that's paid by the patrons of the housing units? Is that passed on immediately? Does that get added to their rent down the road? Or does it affect their rent any way?

**Mr. Hoffmann:** — There's a combination of situations. There's a number of tenants who are directly responsible for the utilities themselves, so if there's an increase they would, they would reach that.

We have a difficult time sort of assessing exactly what it means to us because conditions from year to year vary so much. And combined with that, the Housing Corporation has taken a significant number of energy conservation initiatives, you know, to improve the insulation and to reduce the water flow — a number of things like that.

So when you come down to it, until we get through to the actual year and we know what the rates are, we won't have a true sense of exactly what impact it will have. Some of it will be, you know, borne by the Housing Corporation and in some cases, depending upon what the rental arrangements are with the tenant.

**Mr. Bjornerud:** — That's where I wanted to go next then. When you're dealing with low-income people, and that's actually what they were originally set up for, when you look at an increase after you've seen all the numbers that you need to see, does it come into play then the ability of the person living there to pay? Does that still come into play? Or would it be across the board, if it's a 5 or 10 per cent increase to the rent? Will you increase all the rents the same? Or does it come back to the ability to pay?

**Mr. Hoffmann:** — The substantive part of our portfolio is targeted towards low-income people and so their rent is based on their level of income. So the thing that will drive the rent that they pay is any changes to their income.

**Mr. Bjornerud:** — Maybe I missed it. If this increase comes through, would somebody that's on a fixed income then, for an example, that whatever dollars that you have set at the different levels of rent they pay, will that increase be passed on to these people in any way, shape, or form?

**Mr. Hoffmann:** — No. I can't give you a 100 per cent answer, but for the most part they will not be passed on because their rent is based on their level of income. And so what determines what their rent is, is changes to their income.

There are portions of the portfolio where it's not targeted towards low-income people but moderate income, where it may well have an impact on what their costs are.

But again a significant part of the portfolio, the rent is based on income and so if there's a change in utility costs that won't necessarily directly impact them.

The one element to this . . . And there's variations across the province. So for example in a number of northern communities there is a utility allowance that helps those that have to pay

directly, because they're based on oil or propane and that. So there will be an impact on some individuals, but for the most part any increase for them is going to be based on changes in income.

**Mr. Bjornerud:** — Okay, thank you. Provincially, province-wide, what would the vacancy rate be for Sask . . . the normal average out there? If there's . . .

**Mr. Hoffmann:** — In the private sector or in our portfolio?

**Mr. Bjornerud:** — No, under Sask Housing.

**Mr. Hoffmann:** — It's approximately 3.8 per cent.

**Mr. Bjornerud:** — And that's kind of an average that . . .

**Mr. Hoffmann:** — It is. And two-thirds of those vacancies would arise in communities of under a thousand. So in the cities of Regina and Saskatoon for example, we have virtually a zero vacancy rate. It's 1 per cent or .9 per cent. But provincially our portfolio average is, I think, 3.8 per cent.

**Mr. Bjornerud:** — Thank you. I'd like to just switch to the archives for just a minute. I think the auditor had recommended that a contract be made with the U of S. Has anything happened there or did the minister touch on that?

**Mr. Mathur:** — Trevor Powell will speak to that.

**Mr. Powell:** — I'm pleased to say that I received . . . In the case of the SPMC (Saskatchewan Property Management Corporation), we have a written contract. We have received that from them now.

In the case of the University of Saskatchewan, we have been with the university and have an office there. It is rent-free. And we have worked with them over the years. They provide a number of services.

Our relationship with the university is evolving, I guess would be a way to put it, because we are looking at some services that might end up being looked after by the government. And we have not at this point — we've talked to them; we've had discussions with them regarding a contract — but at this point we have not come to any conclusions regarding that.

**Mr. Bjornerud:** — But if I'm getting what you're saying right, is that you hope shortly for that to happen?

**Mr. Powell:** — Yes, we hope so.

**Mr. Bjornerud:** — Thank you. Another area, Mr. Chair, I would like to just question for a minute and hope I am not out of line, but I'd like to just talk . . . We had dealt with the amalgamation issue here over the last couple of years. And now that we're all finished with the studies that Mr. Stabler did and Mr. Garcea did, can you give me a cost what that actually cost us now that it's in hindsight and we have a number on that?

**Mr. Mathur:** — I'm sure we do have a number but I don't have it readily today. I can certainly provide that.

**Mr. Bjornerud:** — So you would be able to get that?

**Mr. Mathur:** — Yes, we would be able to tell you how much it costs.

**Mr. Harper:** — Thank you but I'll pass; question's been answered.

**The Chair:** — Questions have already been answered. Great. Thank you very much. Any other questions in general nature?

Let's deal with the recommendations from chapter no. 6A and then the single recommendation from chapter no. 9.

Your four recommendations contained in chapter 6A are on pages 186 to 189. And we'll deal with the first one on page 186 and that deals with the Saskatchewan Archives Board. Are there any questions on this recommendation? Any further comments? Resolution.

Mr. Harper moves concurrence with recommendation no. 1.

Any discussion? All those in favour? Opposed? Carried.

Page 187, recommendation no. 2, again with the Saskatchewan Archives Board. Any further questions or comments?

Mr. Bjornerud moves concurrence of recommendation no. 2.

Any questions, any discussion? All those in favour? Opposed? Carried.

Page 188, recommendation no. 3. I think Mr. Powell has noted on answering the question for Mr. Bjornerud that we do have a contract with SPMC and that we're hopefully expecting one with the University of Saskatchewan.

Any further comments? Concurrence, and probably even the fact that there has been compliance by SPMC, I think is what we could have recorded as well. Good.

Any further discussion on the resolution? All those in favour? Opposed? Carried.

On page 189, recommendation no. 4, dealing with the annual report of Municipal Affairs, Culture and Housing.

Mr. Harper moves concurrence. Any discussion? All those in favour? Opposed? Carried.

Back to chapter no. 9 of the 2000 Spring Report, and recommendation no. 1 is found on page 143. And we've had some discussion about the need for the reports or the concerns that have been raised. And I would ask for any further comments or questions.

**Ms. Higgins:** — Well I do have a problem with this recommendation and I would like a little bit of clarification. I guess I agree with Mr. Hoffmann that I fail to see what tabling partial information is going to do for us. Also, in your earlier comments you had talked about the financial statements being consolidated into 23 territories; but in the recommendation is that what the number is?

**The Chair:** — It's 27.

**Ms. Higgins:** — 27?

**Mr. Hoffmann:** — There's 281 housing authorities, separate entities, and they're consolidated into 28 separate . . .

**Ms. Higgins:** — 28.

**Mr. Hoffmann:** — Yes. And those in turn are consolidated into Saskatchewan Housing Corporation's annual financial statements.

**Ms. Higgins:** — Then why the difference in the recommendation? It says:

. . . the financial statements of the 14 public housing authorities and the eight housing territories.

Like what's the difference?

**Mr. Hoffmann:** — That comes to 24 but the actual number is 28, I think, separate statements that are tabled.

**Ms. Higgins:** — Are separate, okay.

**The Chair:** — I think 14 and 8 is 22.

**Mr. Hoffmann:** — Correct. Then there's an additional six.

**The Chair:** — Okay.

**Mr. Hoffmann:** — I feel ashamed.

**The Chair:** — Thought I'd missed a couple.

**Ms. Higgins:** — Now would not this information be consolidated into the housing . . . into your . . . the corporation's financial statements that are tabled in the legislature?

**Mr. Hoffmann:** — Yes they are. And they're not consolidated just sort of as one lump line; they're separated between rents and the main categories of expenditures. So yes they are, and by category.

**Ms. Higgins:** — So then to the Provincial Auditor, why would we want to do this again?

**Mr. Wendel:** — That's a situation in many government organizations. If you take the Crown Investments Corporation of Saskatchewan, it consolidates Saskatchewan Power Corporation, Saskatchewan Telecommunications Corporation, and several other Crown corporations. So they're all consolidated up in the Crown Investments Corporation but you also get the statements for Saskatchewan Power Corporation, Saskatchewan Telecommunications. So consolidation is something to bring it all together, to see the whole picture, okay.

Organizations also prepare separate statements. And this committee has asked for the separate statements besides. And all we're bringing forward to you is, while they do prepare good, consolidated financial statements, there are a number of



other subsidiary corporations here where there are financial statements prepared. And in most other cases you get those statements. In this case you don't.

Now you have to make the decision as to whether there's any information in there you think would be useful to you, that you'd want to see them or not. I mean you should . . . they suggested they had some statements with them; you could examine them. You can decide yourself whether that would provide you with any useful information. It's your decision.

**Ms. Higgins:** — I guess what I'm asking then is, do you feel, as Provincial Auditor, that an incomplete report, or that is a portion of the corporation, does it serve a useful purpose to have that duplicated and brought to the legislature twice?

**Mr. Wendel:** — I think the statements should stand on their own. And if they aren't prepared in that way, they should be prepared properly.

I haven't examined the statements personally, I'm going by what I hear there. So I would actually have to see the statements personally. I haven't looked at them personally. But if there's an auditor's certificate attached to them, they should be complete. They should say that they present fairly this organization.

**The Chair:** — Ms. Higgins, if I could ask Mr. Mathur to comment as well.

**Mr. Mathur:** — I think what we would say is that we'd be quite happy to table one of those reviews so that you can see for yourself what they provide. In my judgment there was . . . they weren't going to add anything.

And I think the situation with these authorities is substantially different from that of the Crown corporations, substantially different. These are community-based housing authorities. Like they're run by community people; they're not like Crown corporations. So I would caution on making that comparison.

I think that the best thing to do is to examine them; see if it's worth the extra effort for what you'll get. Because the more you expand the scope of those reports, the more it will cost to produce them, more money it'll cost. So if it's going to be worth it at the end, then by all means, we are happy to comply.

**The Chair:** — Yes, Ms. Higgins, I know you have the floor but might I make a suggestion. We've just heard from Mr. Mathur that he's prepared to table a sample of a financial statement that has been prepared. We are at the time of adjournment. We will not be able to complete section 6B, which is our next portion of chapter no. 6, and that will be the first item when we reconvene as PAC.

What if I make the suggestion that you, as members of the committee, have an opportunity to review the financial statement, and then determine what our course of action or recommendation will be from PAC. The very first item that we deal with at our next meeting. I believe the same officials will be here, and we'll still have that opportunity to base our decisions on maybe more information that you'll get.

Would you agree with that?

**Ms. Higgins:** — Yes, I agree.

**The Chair:** — Mr. Mathur, a comment?

**Mr. Mathur:** — I think that will be just fine. There's one other matter I wanted to just comment on and that's with respect to the Saskatchewan Archives Board. I think that it . . . I would submit that you also acknowledge that we have complied with the first two recommendations therein.

**The Chair:** — Are you saying, Mr. Mathur, that recommendations 1 and 2, it's not only concurrence but that it also is that there has been compliance?

**Mr. Mathur:** — There has been compliance.

**The Chair:** — Okay, we will note that in our resolutions. The movers I think are acceptable to that, and we'll note that there has been compliance with recommendations 1 and 2. I will tell Ms. Woods that when she gets back here.

Okay, I just won't adjourn just at this moment. I would thank the officials for being present this morning. And I believe we will be having a meeting next Wednesday, if Mr. Harper and I meet and discuss that, and I'm sure it will be Municipal Affairs that will begin that session next Wednesday morning.

Thank you very much.

The committee adjourned at 12:05.