



Standing Committee on Public Accounts

Hansard Verbatim Report

No. 19 – November 1, 2001



Legislative Assembly of Saskatchewan

Twenty-fourth Legislature

**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2001**

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Public Hearing: Education

The committee met at 09:30.

The Chair: — Good morning, everyone. We'll be able to start our meeting now as everything is up and rolling.

Welcome to everyone again, all of the current members of PAC (Public Accounts Committee). And welcome to Ms. Atkinson who is standing in for Ms. Higgins, and Mr. McCall for Mr. Wartman, and Mr. Goulet for Ms. Junor.

Also practice of PAC in past in discussions with Mr. Harper is that members who are critics who are here from . . . I notice opposition members — two opposition members — who will be posing questions but are not involved in the voting procedure and are of course not part of quorum. And all members are here so that won't have any bearing.

Welcome to you, Fred. And I would ask you to introduce any officials that you have from your office, please.

Mr. Wendel: — Thanks, Mr. Chair. We have a number of people here this morning. I have Bill Harasymchuk right there, Kelly Deis, Rodd Jersak who attends all our meetings, Angie Hungle, Brian Atkinson who attends all our meetings, and Mark Anderson, and Judy Ferguson who is going to lead you this morning. Sorry, Judy. She's going to lead everything.

The Chair: — Thank you very much, Fred. And, Terry, welcome.

Mr. Paton: — I've got Chris Bayda with me this morning, as well as Elaine Wood, who's a senior analyst in the Department of Finance.

The Chair: — Thank you very much, Terry. The agenda before you for today involves Education, Post-Secondary Education, Agriculture and Food. And we're spending part of the morning on Education. We'll see what the disruption in time has done. We were looking at trying to finish Education before the coffee break but we'll see how that rolls.

And I'd like to welcome Mr. Dotson and ask you to introduce your members that are with you, your officials.

Mr. Dotson: — Thank you, Mr. Chair. To my far left is John McLaughlin, the executive director of the Teachers' Superannuation Commission. To my immediate left is Ms. Jane Thurgood Sagal, the director of the humanities unit in our curriculum and instruction branch. And to my right is Ms. Frances Bast, our director of finance and administration.

The Chair: — Great. Good morning, and welcome to you all.

The chapter that we'll be dealing with is out of the 2001 Spring Report, chapter 4. And as our practice I would ask the auditor's office to make comments on that chapter.

Mr. Wendel: — Yes, Mr. Chair. We have two parts to the Education chapters, 4A and 4B. Judy is going to lead the 4A part and then we can pause and any questions you might have at

that point, and then I'll have Mark Anderson come up and speak about the curriculum development. So with that, Judy, I'll turn it over to you.

Ms. Ferguson: — Thank you, Chair. Members, officials, as Fred said this morning we're going to focus on Department of Education. It's chapter 4 in our 2001 Spring Report.

Part A of this report sets out the findings for our 2000 audits of two agencies for which the department is responsible; the first one being Learning Resources Distribution Centre Revolving Fund, and the second one being the Teachers' Superannuation Commission, which administers the Teachers' Superannuation Plan.

So we're going to start out with the learning resources distribution centre. This centre currently holds inventory for resale. It is a revolving fund and through the fund the department purchases, sells, and distributes books and materials to school divisions. About 73 per cent of the fund's assets are inventory.

Organizations who hold inventory should routinely value the inventory to ensure that the amounts recorded in their records represents the fair value of the inventory.

During our audit we found that the department's practice for valuing the fund's inventory did not fully consider the impact of carrying too much inventory. The department did not take into account appropriately the impact of anticipated low sales on the value of its inventory. Low sales can impact the amount that a department can charge and still sell the inventory that they have on hand.

When we brought these matters to the attention of the department before we completed the 2000 audit, the department corrected its draft financial statements so its final financial statements appropriately reflect the value of the inventory to a reasonable amount. So as a result of our audit, we recommend that the department improve its practices to value its inventory, and that's to make sure that practices that its . . . reflect an appropriate amount in its financial statements and in turn that its pricing policies for the inventory are appropriate. During our 2001 audit we noted that the department had made significant progress in this area, and improvements in this area.

So moving right along to Teachers' Superannuation Commission. As I indicated earlier, the commission manages the superannuation plan. At the time of our 2001 spring report, we had not yet completed the audit of the June 30, 2000 financial statements because of delays that the commission had in finalizing these statements. We report the results of these statements in our 2001 Fall Report, which is coming up shortly at . . . near the beginning of December here.

In this chapter we make two new recommendations relating to the commission, and follow up one previously reported matter. Rules and procedures are important to ensure appropriate management of significant projects. Good rules and procedures include: tendering and awarding of contracts; managing project deliverables and scheduling for those deliverables; defining the responsibilities of the project contractors and management; and

having written agreements setting out agreed-upon terms of the project.

Such rules and procedures reduce the risk that a project may not serve one's needs and that the deliverables may not be timely. For the commission, the actuarial valuation is a significant project. A valuation is needed to discharge the commission's responsibilities. The commission also needs a valuation to prepare its annual financial statements and to determine the funding for its pension. Its financial statements are necessary to help discharge its stewardship responsibilities to report to its members and to the Legislative Assembly on the plan's financial performance.

During the audit we noted that the commission had hired an actuary to work on the plan's pension liabilities without a written agreement. An agreement with an actuary is necessary for good project management. A lack of a written agreement with an actuary contributed to significant delays in completing the actuarial valuation needed to prepare the financial statements. The commission received a final actuarial valuation for the June 30, 1999 in April 2001 and tabled its June 30, 2000 annual report in August of 2001.

First, we recommend that the commission establish written rules and procedures for managing its significant projects, including tendering and awarding of contracts, describing the proposed project deliverables and scheduling of those deliverables, defining the responsibilities of the project contractors and management, and having written agreements setting out agreed-upon terms of the project.

We note that for the next valuation, the June 2001, that the commission followed a better process. To date, although the commission has awarded the contract verbally, it has told us it is planning to enter into a written agreement shortly. The commission has also told us that it plans to document its process that it uses and then approve it. We think that the commission is making good progress in this area.

The Tabling of Documents Act requires that the commission table its annual report within certain time frames. It requires it table its 1999-2000 annual report, including its financial statements, by December 27, 2000. As mentioned earlier, the commission did not finalize its financial statements in sufficient time to ensure it provided them to the Assembly within the expected time frame. The commission tabled its 1999-2000 annual report on August 10, 2001, as opposed to December 27, 2000. Accordingly, the commission did not comply with The Tabling of Documents Act.

We recommend that the commission ensures it provides its annual report to the Assembly by the date required by law.

In prior years we reported concerns over the accuracy of information received from school boards used to determine the pensions. At the time of our report, The Teachers Superannuation and Disability Benefits Act required that retired teachers receiving a pension who teach more than 60 days in a year — reduced from 220 after 1998-1999 — receive a reduced pension. As such in our 2001 Spring Report we continued to recommend that the Teachers' Superannuation Commission establish rules and procedures to ensure that it pays . . . that the

pensions it pays are in accordance with the Act.

Alternatively if the policy is no longer appropriate, the commission should seek changes to the law. We noted that the commission has in fact sought changes to the law and the legislator . . . and the legislature has recently amended the Act to remove the penalties for retired teachers that return to work as teachers.

So in effect that recommendation is no longer relevant and has become into effect.

That concludes our presentation on part A of our report and we would like to pause at this time to consider the recommendations.

The Chair: — Now before we consider recommendations and questions, as is our practice, I'd ask Mr. Dotson or Mr. McLaughlin to comment on this section, on 4A; and then we can deal with 4A first in its entirety and then move on to 4B — if you would.

Mr. Dotson: — Thank you, Mr. Chair. I'll speak first to the learning resources distribution centre. Members of your committee may know that by its long-standing former name, the Saskatchewan book bureau.

And the learning resources distribution centre benefited, we feel, from the observations of the auditor's office and, as Ms. Ferguson said, we have taken those seriously and have acted upon them. And I believe that we share the auditor's view that progress has been made and is continuing to be made. And I believe that the audit observations will not be repeated.

I'll just ask Mr. McLaughlin then to comment on teacher superannuation.

Mr. McLaughlin: — Thank you very much. Mr. Chairman, it's a pleasure to respond to the recommendations of the Provincial Auditor. In large part we agree wholeheartedly with the recommendations of the auditor.

I'd like just to point out that the late tabling of the annual report of the commission, of course, stems from the fact that the actuarial valuation of the plan was delayed. So there's a cause and effect thing happening there.

With respect to the managing of significant projects, the auditor's quite right, this is a very significant project for us. We spent a lot of time trying to get it right. And it was a great disappointment both to us and to the actuarial firm that did the work last time that it took so long to finalize the information.

If I can quote what the actuarial firm says in correspondence to me some months ago in response to my complaints about the delays, they said, and I quote:

This is not to say that you are in any way responsible for the problems and delays. Instead, my conclusion is twofold: (1) more time was necessary for this valuation, and (2) we did not fully appreciate this fact, which compounded the difficulties.

So with respect to whether or not a formal written contract would have precluded these problems, I would say that it certainly wouldn't have hurt. But I think we would have had some problems with these people in any event as things turned out.

So we have entered into a different process this time around. And I'm happy to say that the interaction with these folks is far better than what I've seen in previous years. And I'm confident that we will not have these problems in the future, and I expect things will be done quite well.

With respect to a written contract, we are currently contemplating that with the actuarial firm. We of course have an RFP (request for proposal), and we have a response from the RFP which basically lays down the elements of the contract. So some would argue the contract is already in place, but it certainly will be better to have it written out and easily verifiable as suggested by the auditor. So we agree with the recommendations. Thank you.

The Chair: — Okay. Mr. Paton, any comment from your . . . No. Okay, thank you.

All right, and then we'll open it up to questions from members or MLAs (Member of the Legislative Assembly) as I indicated with the Education critic being here.

Mr. Gantefoer: — Thank you, Mr. Chair. On both parts, on the . . . It strikes me on the learning resource centre, the book bureau if you like, that the department is saying that they're completely in concurrence with the auditor's recommendations and that significant progress has been made.

I would direct to the auditor, would you concur with that observation that significant progress has been made?

Ms. Ferguson: — Yes, we're in a position that we can concur.

Mr. Gantefoer: — Okay, thank you. And in regard to the superannuation, from your comments I don't know if I read something wrong into this, but have you changed actuarial firms? You say these people, and I didn't know if they've changed or not or you've just tightened up the contractual relationship.

Mr. McLaughlin: — I'm sorry. We have in fact changed actuarial firms.

Mr. Gantefoer: — I sort of thought that might be true from your comments.

Mr. McLaughlin: — Yes. Sorry.

Mr. Gantefoer: — And I also heard from you that the relationship is better defined, and also the relationship is working much more satisfactorily in this year's preparation of the financial statements and the experience you had that the auditor ended up commenting on.

Mr. McLaughlin: — Yes. That's exactly right, yes.

Mr. Gantefoer: — From the auditor's . . . And again I think

that I heard you say that you're in concurrence with the recommendations of the auditor and there's not really any argument that the financial statement should be prepared on time. You were caught in the relationship with its problems in the past and that resulted in a delay. I don't sense any disagreement. And that you're working on tightening up a written agreement. If it's not a full contract, it certainly works from the RFP as an agreement. Are you envisaging going to a full-blown contract arrangement?

Mr. McLaughlin: — We're mindful of the professional nature of these firms and the need for flexibility in the arrangements that we have with them. We need things sometimes on short notice because it's not always possible to exchange letters identifying exactly how much time and how much money will be required to do certain things. But there are certain things that they can tell us and that is the rates of pay that they charge for doing various elements of the work that we need done.

Those things can be clearly documented, and then an exchange of letters certainly to initiate new work that's unanticipated. And then for the major components of the work, like the valuation itself, which is pretty clearly defined, we can identify an exact amount for that work and build that right into the contract. And that essentially was done with their response to our RFP.

But we'll be taking those elements and incorporating them into a more formal document that we both sign, so there's no misunderstanding.

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

Ms. Draude: — Thank you, Mr. Chair. To the department, I'm wondering now, the book bureau, seems like it's had about the same budget the last number of years but we know that there's a significance now with on-line learning. Are you finding much of a difference, and what is your vision for the difference it will make in this area?

Mr. Dotson: — Thank you, Member, for the question. The book bureau has a long and honourable history of service to smaller and rural Saskatchewan school divisions with respect to providing them cost-effective learning resources, primarily over the last decades in the form of bound books — but not exclusively. And I would be remiss if I allowed that impression to exaggerate our understanding of the wide range of physical objects, learning resources — manipulatives for mathematics, apparatus and so on for science — that the learning resources distribution centre has, historically and then more and more in recent years, made available to the school divisions in a cost-effective way.

Saskatchewan's curriculum philosophy of resource-based learning means that we don't have a single textbook for a single subject for a single grade. We require and expect — and our curriculum is predicated on this philosophy — of a range of resources, a range of learning resources that you know very well around any subject matter at any grade level.

As you point out, with the . . . As a long-time bibliophile I have to be careful not to betray my principles when I say this, but as books become relatively less important and superseded

relatively by digital resources — CD-Roms and even some Web-based resources — we're finding, as you intimate, that there is a different pattern in the nature of resources that teachers are finding most useful in classrooms. And we are struggling — I think we're doing a good job but that's a value judgment — we are struggling to keep not only up with but ahead of the times, in terms of making available in a cost-effective way an increasingly broad range of resources of a physical sort — that is a CD-Rom in a case — but we're mindful that an increasing number of resources are themselves available for free download from the Internet and other resources are available, not in a downloading sense, but in a link sense to other sites.

I'll give you an example. The Smithsonian Institute in Washington, DC (District of Columbia) is a site which Saskatchewan teachers have access to, as any other member of the public does, and sites of that sort — of the National Aeronautic and Space Administration — those are sites which are Web available and it's not something that you or I or any other member of the public or any teacher would necessarily need to purchase.

And so we are mindful that the purposes for which the book bureau, as it was then called, was first established remain important; but at the same time are mindful that the world, the universe of learning resources, is changed, has changed, and is changing. And I think we're doing a good job — but I say that's a value judgment — of keeping up with the changing nature of resources that teachers need.

Ms. Draude: — So basically you're saying that the bureau may not be as valuable in the future. So my question is how are you dealing with the other department that's looking at on-line learning and that type of thing?

Mr. Dotson: — Okay. Well thank you. You've given me an opportunity to expand on a subject that is very dear to our heart.

On-line learning means many things to us in the K to 12 system. One of the most important things it means is the availability of useful, student-appropriate, age-appropriate resources that may be of one of several sorts. I will mention two.

They can be of the sort that are dedicated and particularly generated for classroom use, often by our own teachers in Saskatchewan as a learning resource for this, that, or the other elementary science subject, and so on, as a supplement to other resources that would otherwise be available.

The second type is the type I mentioned a moment ago. And these are resources that are freely available around the world. My students or yours, in an exploration of subjects of social history or art criticism or art appreciation can, in an instant, get access to the archival resources on-line of the Louvre in Paris.

And I was there a few years ago and I think that the students in my classroom probably have as rich an experience viewing the artwork on the walls of the Louvre as I had, partly because they have the opportunity to see some things that are not on public display that I was not able to see. Those are an example of on-line resources.

Our department is investing, both last fiscal year and the current fiscal year, in the generation, the development by Saskatchewan teachers in Saskatchewan school divisions of Web-based, Internet-based learning resources based on Saskatchewan's curriculum.

The second item I would mention is the provision of complete courses, a whole course that might in previous years have been taken at a distance through the pen and pencil, pen-and-paper-based government correspondence school, today some of those are available to youngsters in discrete locations around the province in an on-line interactive Web-based environment. So that's a whole course, mathematics 20.

But that's a different example, a different kind of learning experience, or on-line learning, than the provision of on-line learning resources themselves. The learning resources distribution centre is part of our moving forward into the digital e-learning world, but it has focused principally on the distribution of resources that need to be purchased. But it is certainly part of our work as we move into a much richer e-learning environment for our youngsters.

Ms. Draude: — You said, I think, it was the auditor's office indicated that 73 per cent of the budget was the inventory, and I would take it that means the rest of the capital assets within that department.

Ms. Bast: — The remaining 70 . . . or the remaining assets are a minimal amount of cash and some capital assets, yes.

Ms. Draude: — I know that schools have choices as to where they buy their books and supplies, so in order to buy them from a book bureau then they must be a better price, I would imagine. What kind of a discount do you get and how much of a markup do you charge to these schools?

Ms. Bast: — The markup is around 16 per cent to cover the overhead costs. We're finding that the publishers are becoming quite competitive with pricing, so at this point some of the resources at the LRDC (learning resources distribution center) are in fact not that much less expensive than . . . or that much less expensive than what you can get from the publishers.

Ms. Draude: — So then are you finding that the schools are using the book bureau less than just . . . because of the learning program that we have now is it just as easy for them to do their own purchasing?

Ms. Bast: — There appears to be with the larger school divisions particularly that they are able to get the same deal as the LRDC in purchasing materials. But the smaller school divisions are still seeing a benefit.

Ms. Draude: — I'm wondering about the pension fund. I know that the whole world is revolving around the events of September 11, and I'm wondering if this . . . what kind of an effect this has got specifically on the old pension plan. But is this going to have a bearing on the province's indebtedness and what we're going to be expected to pay?

Mr. McLaughlin: — That is a loaded question and I guess if I knew the answer to that I could probably do quite well in New

York, although I probably wouldn't want to be in New York right about now.

The effects of September 11 have been felt on the markets worldwide. They will continue to be felt, I think, as long as there is uncertainty. But in every major disaster that's happened over the last 70 years, the markets, when they've crashed, have always gone back up, and that's the prevailing mood by the people that are advisers to us, that in time stability will come back and things will carry on as they have in the past.

Ms. Draude: — But today?

Mr. McLaughlin: — Today . . . Yes, we've seen it go down a fair amount. I haven't actually done a day-to-day sort of monitoring of the effect on the fund because that's something that we do only quarterly, and I haven't seen anything since September 11 particularly. But just in terms of watching the markets, I mean, it was an immediate effect. And last week they regained everything that they'd lost before September . . . or since September 11, and then early this week the markets are down again. So it's anybody's guess as to how long this will go on, but I think the uncertainty is the enemy of the markets, and certainly, you know, in that sense, the enemy of pension plans and their contributors.

Ms. Draude: — So then for the people of Saskatchewan there's still the prospect that it's going to cost more than originally anticipated.

Mr. McLaughlin: — Oh you raise an issue that's dear to my heart, I guess. The unfunded liability in the teachers' pension plan will be a problem for this province in 10 years regardless of what happens in the markets in the short term. The irony right now is that as the markets do well, the short-term cost to government is reduced. But it really has no effect on what happens in 10 years from now when all of the teachers are retired. The cost to the province will be the same on an annual basis, just given the way the funding is structured. And that should be changed at some point.

Ms. Draude: — Is . . . The written agreement, I guess, wasn't in place. I'm wondering — because it was late, was there actually a cost override?

Mr. McLaughlin: — That's very difficult to say. You know, you exchange information on 20,000 people, and the actuary then takes that information and crunches it into a whole bunch of different statistics, including financial and membership statistics and that kind of thing. It's only when they've completed their initial round of work that you really get a sense of whether or not the membership statistics are representative of what you sent them.

And so in our case the initial report to the commission, I think, was in April or May of 2000 and it took us until September to convince them that there was something wrong. And they went away and worked very hard and came back just before Christmas with the same numbers. And it took from Christmastime 2000 until about April 2001 for us to come to some agreement on what those membership numbers were. So you can appreciate my frustration in that whole process. Having provided the information and then having it not turned into

something meaningful was very disappointing.

Ms. Draude: — My last question was your original contract with this actuary, was it higher than you budgeted for?

Mr. McLaughlin: — The original contract? Well in this case there wasn't a contract. We last contracted with this firm in 1997 to do the valuation, and we've had a frank exchange with the auditor about how frequently we will tender that work. It's not appropriate for us to, given the complexity of the pension plan and the work it takes to get an actuary to come up to speed on the rules, it's really not appropriate for us to change actuaries like we would change our suits. You know, it's a long-term sort of relationship or at least we hope it is, which is beneficial for both groups.

So we had a request for proposal back in '97. They came back with a price. In '99 they agreed to do it for the same price. And there's always a caveat. If there's more work required to clean the data, then they will charge for cleaning the data.

So I don't have an exact number for you. I know that it was more than what we originally expected it to cost, which was in the neighbourhood of \$25,000. And I think it cost well in excess of 35.

Ms. Atkinson: — Yes, I have one question to the officials from the auditor's office. If the commission were to enter into a written contract, what might it look like?

Mr. Wendel: — What we would expect to see in a contract, who is responsible for what. Like, what are the deliverables? What are they going to produce? When are they going to produce it? And what is it going to cost? And then from there if you need to make changes, you would have a way of changing your contract for any additions that might come up.

Ms. Atkinson: — And then so to the commission: you've changed your actuarial group and you're now entering into a written agreement with them?

Mr. McLaughlin: — We are. What we had intended initially was to simply do an RFP, a request for proposal, entertain bids from various suppliers, and then pick one based on the price and also on the deliverables that were identified and the availability of their staff to do the work in the time that we allotted.

And we thought initially that that would be sufficient, that we would monitor the performance against the response to the request for proposal and make the payments in accordance with that same response.

I think that the auditor's suggestion that we do a formal contract is not, is not a bad thing to do. I think it has some advantages, and so we've agreed to do that, albeit with a caveat that it has enough flexibility in it that we can get the audit . . . or get the actuarial firm to do work quickly if we needed that. And as you know, it's not infrequent for us to require something fairly immediately from these people.

Ms. Atkinson: — Now to the auditor. Is that an acceptable response?

Mr. Wendel: — Certainly. That's what I was alluding to, is you need to have some mechanism to do changes to the contract as you go along. But that also should be formal, written, and agreed upon ahead of time what's to be delivered for the change. If it's going to be quicker that you need it, well that's going to cost you some money. Then you need a new date, and you agree on that.

Ms. Atkinson: — So everyone's agreed. Okay, then my final question to the commission. I note that there were overpayments to retired teachers. My question is: did you ever recover those overpayments?

Mr. McLaughlin: — We did. As a matter of fact, the changes that had been made to the Act were pursuant to a collective agreement, as all changes are, and they are prospective as opposed to retroactive. So anybody who is identified as having got an overpayment was logged and, you know, a repayment schedule was established. And so we're confident that we have been collecting those back.

Now always we rely on school boards to provide us with the correct information. And, you know, assuming that they've done that, we will have done our part as well.

Ms. Atkinson: — I just want to note that, while I understand that there were amendments to the teachers' latest collective agreement whereby teachers can basically collect their superannuation and teach in times of shortages, I just want to note that in Saskatoon I know of two situations where there are teachers, young teachers, that could certainly fill in and substitute for teachers that are on sick leave or stress leave or whatever. And what in fact has happened is the retired teachers that occupied those positions last year have been called back in till the end of the year. And I want to put it on the record, the public record, that school boards need to be cognizant of young graduated teachers with the skills and credentials that could get this teaching experience and occupy those temporary positions.

The Chair: — If there are no further questions, I would like to add to Ms. Atkinson's comments. And I recall raising that question when Education was before this committee before and I recall it being asked by members in the Legislative Assembly as to what mechanism . . . I guess my question is directed to you, Mr. Dotson.

Ms. Atkinson has raised a very good point. Not only in Saskatoon . . . And we were told that it wouldn't occur in large urban centres because there was, you know, there were adequate supplies of teachers and therefore superannuated teachers would be the last group that would be looked at to fill positions; but that this was necessary in certain parts of Saskatchewan where subject area, lack of substitute teachers, lack of short-term teachers, necessitated that change. And I think everybody understood that rationale.

What mechanism is being put in place to address the concern that Ms. Atkinson has raised?

Mr. Dotson: — To date, Mr. Chair, we have as a government and as a department implemented no particular nor specific mechanism to administer, enforce, monitor, or prevent the circumstance in Saskatoon that the member describes.

As all members of your committee will know, public policy on this matter has been dynamic and vexing for the last half-dozen years. At one point, four years ago or so, we thought we had it right, and apparently we did not. Subject area shortages, shortages in geographic locations, were such as to cause us to, not only us as a government and as a department but us as an education community — and I think all of the partners were unanimous in this — caused us to re-evaluate the then stringency of the statutory provisions that we had in place.

With the concurrence of all of our stakeholder partners — and I would say the uneasy, the uneasy concurrence, the uneasy, even reluctant, view of each of us, the department, trustees' association, teachers' federation and LEADS (League of Educational Administrators, Directors and Superintendents) — the reluctant conclusion that we all reached was that we needed to try something different. And we have now embarked upon something different.

The fact situation that the member describes is evidence that we perhaps haven't quite got it right yet. I repeat my answer to your first question was what mechanisms have we put in place at the department to monitor this: sir, we have put in place none. There is an eternal and necessary tension within our public education system between the latitude, freedoms, and independence by law permitted within the purview of boards of education on the one hand, and the broader, more uniform, more consistent province-wide overarching authority retained by the government through department statute and regulation.

And that is an understandable tension and it's not a particular regrettable one. It's one that I think serves us well.

But on any particular matter in any particular year, the balance is best served if it tilts a little bit more this way, or if it tilts a little bit more that way, it is a dynamic and evolving balance. And on the particular point at hand, I think it's still dynamic and evolving.

Have we got it right? Probably not. Do we need to make some improvements? Probably yes. What should those be? *Hansard* will record that I don't know the answer to that question, sir.

The Chair: — I think it's just a concern that as an accounting . . . as a committee we want the department to recognize that as changes have been made, there are problems that have surfaced. And if you're monitoring those, I mean, that's something that we all do.

Mr. McLaughlin raised an area that is also factual in that the . . . a large group of teachers currently in that teaching force of 11,000-plus will be superannuating in the next . . . I believe by about 2011-2012. A significant number of current . . . teachers will superannuate.

At the same time, I think the department has released statistics that showed that 30,000-plus students . . . we will have that much less in our K to 12 system. So the average pupil/teacher ratio of 15 to 1, that means 2,000 less teachers in that same period as well.

When we hear of a situation that Ms. Atkinson described and we recognize those two factors that I just talked about regarding

suggesting that the number of students is declining and the number of teachers that are going to superannuate is going to be large, what is there to attract young people to enter the college of education in either the University of Saskatchewan or the University of Regina, judging by the fact that it may become even more difficult to obtain a part-time job if there are going to be more superannuated teachers out there that will fill those short-term jobs?

Mr. Dotson: — I make several observations in answer to your question. First of all, we anticipate province-wide no shortage of teachers in the foreseeable future. That is the unanimous opinion of all of the partners in . . . the provincial stakeholder partners. It is the unanimous opinion of those organizations as recorded in the most recent report of the Board of Teacher Education and Certification.

Having said that, we do anticipate continuing shortages in parts of rural and northern Saskatchewan, location-specific. We expect to continue experiencing perhaps even increasingly acute shortages — I say perhaps, but they will be continuing — in senior, in selected senior subject areas in science, mathematics, and some others. We anticipate continuing shortages in some other areas like special education, Aboriginal education, Aboriginal languages, and in-school administration. That is pockets of supply inadequacy in an overall occupation-specific labour market where we are anticipating overall a balance between teacher supply and teacher demand over the next half-dozen or dozen years.

Boards of education are probably in the best position — that is an arguable point, some would observe that they are in arguably the best position — to decide which persons among the available pool of available substitute teachers are best suited to fill in for this maternity leave or that short-term absence and so on.

As a matter of public policy it would be my hope and expectation — and I would be pleased to share this hope and department expectation to boards — that in every case where it is reasonable that they would hire a younger, fresher . . . (inaudible interjection) . . . I beg your pardon, sir?

The Chair: — A non-superannuated teacher.

Mr. Dotson: — Younger, fresher graduate rather than a superannuate who, by the way, because of the salary grid will almost certainly in every case be a more expensive hire than with a younger, fresher teacher. That would be the department's expectation and I'm pleased to make that a publicly known expectation.

Having said that, the current balance of roles and responsibilities imposes that obligation of decision making on them, not on us. If it were thought best that we would make some of those decisions, I have some . . . we would be pleased to receive such advice.

The Chair: — Thank you for those comments. Any other questions or comments from any of the members?

Let's move to the recommendations then that are found on pages 92, 93, and 94. We have three recommendations to deal

with.

The first one on page 92:

We recommend that the Department improve its inventory valuation practices.

And we've heard comments. Mr. Harper, resolution?

Mr. Harper: — Mr. Chair, I move:

That the Public Accounts Committee move concurrence . . . (inaudible) . . . report.

The Chair: — Okay. Move concurrence. Any discussion? All those in favour? Opposed? Carried.

Recommendation no. 2 dealing with the significant projects on pages 93 and the couple of bullets on top of 94. Any discussion or further questions? Ms. Jones.

Ms. Jones: — No discussion.

The Chair: — No discussion? Resolution, please.

Ms. Jones: — I move:

That we concur with the Provincial Auditor and note that they are in a position to table . . . to meet the tabling requirements.

The Chair: — Noting progress towards meeting the goals identified. Any discussion? All those in favour? Opposed? Carried.

On page 94, recommendation no. 3:

We recommend that the Commission ensure it provides its annual report to the Assembly by the date required by law.

Resolution, Ms. Atkinson?

Ms. Atkinson: — So moved.

The Chair: — It's moved that PAC agree. Any discussion? All those in favour? Carried.

Thank you very much to the people dealing with chapter 4A.

And now we'll turn to 4B and a new person from the auditor's office.

Maybe, while we're getting set up, since we did have that delay in the morning, maybe let's recess for about 12 minutes. So reconvene here by 10:30 on that watch. We'll take your break now.

A Member: — Back on schedule now.

The Chair: — Well no, we'll still be behind schedule. Yes. Because 4:30 we were supposed to start . . . (inaudible interjection) . . . All right, 10:30, we were supposed to start. Yes. We'll take that short break right now.

The committee recessed for a period of time.

The Chair: — Okay. We'll reconvene for the portion of chapter 4 called 4B, and I ask Mr. Anderson for his presentation from the auditor's office.

Mr. Anderson: — Thank you. Good morning. So the second part of this chapter relates to our audit of the department's processes to maintain the provincial core curriculum. Now why is this important?

The core curriculum provides guidance on what students are to learn and when they are to learn it. Maintaining the core curriculum is critical to students' future success. The core curriculum needs to be kept relevant to reflect the knowledge and skills that people need. We've appeared before this committee in the past to outline the objective and the criteria that we've used for this audit.

The objective of the audit was to determine whether the department had adequate processes to maintain the relevance of the required areas of study within the K to 12 core curriculum. And we examined the processes that the department used from April '99 to January 2001.

Now I'd like to mention that on page 100 of the chapter there is a diagram that helps explain some of the language that we're using here. There are seven required areas of study which are: language arts, mathematics, science, social studies, health education, arts education, and physical education. So these are the required areas of study and they form part of the framework of the core curriculum.

The department uses the words core curriculum to refer to various components and initiatives that are designed to support students in achieving the goals of education. I think that diagram helps set out that framework.

Now how did we assess whether the department's processes were adequate? Well our audit criteria set out what we were looking for. The first criterion requires the department to have processes to determine what knowledge and skills students should develop through their education. We call these essential learning outcomes. The department needs to have ways to look ahead to see what students will need.

Our second criterion requires the department to identify areas where the education system has difficulty in helping students achieve those essential learning outcomes. To make the best use of resources, the department needs to identify priorities among the gaps.

The third criterion is about actually doing it, updating the curriculum to keep it relevant. The department needs to do this through guiding the timing and quality of maintenance activities and making sure the system has sufficient resources for the new curriculum.

Now throughout the criteria that I've just mentioned, these three that are up on the screen, the department needs to be making sure that two things are also happening. The department needs to manage all the risks that go along with maintaining the curriculum. And it also needs to communicate with its

stakeholders at many stages of the process. And I'll mention that on page 109 of the chapter, there's an exhibit listing these criteria and the subcriteria that follow underneath.

So what did we find? First, we found strong performance in many of the areas that we examined. Overall we concluded that the department had adequate processes to maintain the relevance of the required areas of study within the K to 12 core curriculum, except we were unable to determine if the department used information about resources when it maintained the core curriculum.

Now what does this mean? The education system and its partners such as school boards — the system — needs resources to deliver the core curriculum. What the department does to maintain the core curriculum definitely has an impact on the resources the system needs. For example, when the department releases a replacement curriculum, it takes resources, not just the department's but the whole system's resources, to both make the transition to the new curriculum, to get over that bump, and to deliver the new curriculum on an ongoing basis.

What we expected was that the department, as part of maintaining the curriculum, would have processes to assess the impact of its maintenance work on the resources that the system requires. And we did find that the department had processes to gather information about needed resources. But we found limited documentation about how the department used that information, how it integrated that information into its maintenance processes, which led us to our recommendation, which is that:

We recommend . . . the Department improve how it documents its use of information about resources in its curriculum maintenance processes.

And, Mr. Chair, that's the presentation.

The Chair: — Thank you, Mark.

Mr. Dotson: — Thank you, Mr. Chair. I will try to be brief.

First of all, Mr. Chair, the department welcomes the attention that the auditor's office has put, the interest it has shown, in this critically central part of our work. Secondly, we appreciate the nature and tone and mode of the auditor's office inquiry into this part of our work.

And third, we concur in . . . well, no. Third, we appreciate the complimentary comments that the auditor's office has made throughout this chapter in validating and authenticating — I guess validating is a better word — the success that the department has had in its curriculum on development and renewal processes.

Fourth, we appreciate the thoughtfulness that has gone into the recommendation that has been made.

And finally we concur in that recommendation. I would be delighted to elaborate on the many, many, many reasons we are proud of our curriculum, but I will stop there.

The Chair: — Thank you. Questions and comments from

members.

Ms. Draude: — Thank you. Thank you, Mr. Chair. And Mr. Dotson, when I read the audit objectives . . . And the office has determined, has said that the audit focuses on processes rather than results or outcomes. Now that is . . . I guess then they're basically relying on your department to make sure that the outcomes are something that basically what the stakeholders and what people in this province need.

So I read that you actually have . . . you determine the relevance of the outcomes with the key stakeholders. Who are the key stakeholders?

Mr. Dotson: — The institutional stakeholders include, and the principal ones are: our colleagues at the two universities, the Saskatchewan School Trustees Association and its member boards of education, the Saskatchewan Teachers' Federation, and in this matter, the provincial organization of directors of education — that is LEADS, the League of Educational Administrators, Directors and Superintendents.

Ms. Draude: — One of the stakeholders that probably is most important in the education process is the business community that is going to be taking these students on when they're finished. So at what point do you actually talk to those people to make sure that our students are leaving the system with the knowledge and the information they need so that they are actually a valuable part of our economy?

Mr. Dotson: — The business community, through the chamber of commerce and its designates, is involved in specific curriculum development undertakings and is also involved in a quite separate set of work . . . separate sets of work involving standard-setting for examinations, sample survey examinations of a large-scale assessment of student achievement in order . . . We're quite capable of developing the questions, which is a technical matter of objective expertise.

The matter of subjective public interest is: who is to say how well Saskatchewan youngsters should do on a particular question or a particular examination? That's a matter of judgment and in order to make those judgments we involve large panels of representatives of teachers, parents, trustees, and representatives of the business community, and very much value that input.

If I may, Mr. Chair, in answer to the member's question. Saskatchewan's core curriculum was conceptualized about . . . began to be institutionally conceptualized about 15 years ago through a very long, sustained, and intensive process of dialogue with our provincial community. It was that process that led to the conceptualization of the common essential learnings which are set out on the page that was referenced for you — literacy, numeracy, critical creative thinking, and so on.

More recently, a federally . . . a federal government-convened National Advisory Council on Science and Technology produced a national report on the skills required in the emerging knowledge economy. And that's a public document and I can give you the reference if members wish.

There is an identical alignment, an extraordinarily close

alignment between Saskatchewan's historic conceptualization of our common essential learnings as this province has conceived them and pursued them through core curriculum for the last 15 years on the one hand, and on the other hand, the skills required for the new knowledge economy as determined by a national panel of experts. I will cite only two.

The first essential skill, so-called required in the knowledge economy, is described thus: the ability to read and write, and to communicate effectively. We have a common essential learning called communications.

The final one on the list of essential skills is described thus: the ability to learn independently. Our common essential learning is called independent learning.

The alignment is almost perfect. You would almost think that they had taken Saskatchewan . . . They didn't do this but you would almost think that this national panel of experts on the knowledge economy, skills required in the knowledge economy — they didn't do it, but you would almost think that they did — that they had taken Saskatchewan's common essential learnings and put those into employer language for the 21st century.

Ms. Draude: — I would hope that it's basically the same type of thing that we see right across Canada. I would imagine when we talk about dealing with other provinces to collaborate in curriculum development it's something that you must be working with. And I'm just wondering what kind of a relationship you have with the other provinces.

Mr. Dotson: — We have a close and intimate relationship with our western provincial and territorial colleagues. We have a more distant but respectful and interactive relationship with our colleagues in Quebec and Ontario. Those provinces are sufficiently large that they feel, rightly or wrongly, that they don't stand much to benefit from a lot of close dialogue with others. And in Atlantic Canada, the four Maritime provinces are . . . collaborate very, very closely among themselves, and they're small . . . therefore small jurisdictions.

In the West, we have the Western Canadian protocol among the Education ministries in the three territories — now three — and the four westernmost provinces. And indeed our two colleagues, the executive director of our French language curriculum branch and the executive director of our curriculum instruction branch, are today engaged in Victoria with their Western Canadian protocol curriculum colleagues from the western provinces and territories. That's where they are they are this morning.

Ms. Draude: — Interesting, Mr. Dotson. One of the issues that the auditor has brought up is basically talking about making the best use of the dollars, and I guess that means integrated services. And we're seeing that in the Role of the School. It's suggested that, say, in sort of a different matter, but they're talking about it. I'm waiting with anticipation to see how the department is going to react to the Role of the School. But can you give me an idea of . . . if this integration of services is going to make a difference in the way you're going to be delivering the core curriculum and how you'll be working with the other departments?

Mr. Dotson: — Yes and no. The transactional learning experiences in a classroom founded on our goals of education, which have been in place in Saskatchewan since the mid-1980s, founded on our curriculum philosophy which has been in place for some 15 years, and our continuing reliance on the leadership of the department and the professionalism of teachers, will not change. But transactional learning experiences of children in classrooms was not much addressed by Dean Tymchak and his colleagues in the task force work on the Role of the School.

What can — and should — change, however, is the point that you make, Madam Member, about the embracing, nurturing support for that learning in classrooms provided by agencies, institutions, and professionals outside the professional teaching . . . (inaudible) . . . to support a child or a family or a cohort of youngsters in a school such that the learning experience that the curriculum deals with, that that learning experience can be a meaningful and enlightening one by virtue of addressing problems that children bring with them when they cross the threshold of the school.

So integrated services, integrated schooling services is something that was strongly emphasized, the philosophy of community schools, strongly emphasized in Dean Tymchak's report on the Role of the School and we are taking those seriously. And they should be taken seriously, not as modifications of core curriculum, not as adaptations of or additions to or revisions to, but rather as necessary nurturing, embracing support for the learning activity.

Ms. Draude: — The new concept that British Columbia is using in their education system compares some way with the Role of the School but it really puts more emphasis on parental choice and . . . which would mean that there was . . . Different areas of the province may have different areas that they want to focus on. Are you looking at that in conjunction with the recommendations of community schools which would treat everybody the same?

Mr. Dotson: — There are two kinds of communities in Saskatchewan, divided into these two groups. There is a group where geography and settlement patterns and numbers of children within a reasonable distance of a central location are such as to make choice among schools a non-starter.

Our rural population is spread, as we all know, sufficiently broadly — and an elementary school or, even more, a high school in rural Saskatchewan typically are sufficiently far away from the next nearest schools — as to make any meaningful choice available to parents not meaningful. So that's one class and that's true in the North as well.

Another class of communities are larger urban aggregations — take Saskatoon for example. Saskatoon has about . . . well Saskatoon has a fair range of choice. If a family wishes to pursue Ukrainian immersion education in Saskatoon, they have a choice. If families in Regina or Saskatoon wish to pursue French immersion education, they have a choice. We have about 12 high schools I think it is, more or less, in Saskatoon, one of which we talked about, Mr. Chair, the last time I was here with you, is Nutana Collegiate. And youngsters attend that high school from all over the city of Saskatoon. Youngsters in Saskatoon in that regard have a choice.

I just cite an example to you, Madam Member. I am told that there are only four high schools in Saskatoon that have a daycare on site. Now it is a misfortune but it is a truth that teenage young women find themselves with unwanted pregnancies from school catchment areas all across the city of Saskatoon. It is not a phenomenon that is restricted to any one school catchment area. And a family that wishes to support a teenage girl who herself has an infant, in her desire to complete her schooling may well seek a school that can be supportive to that young gal and her baby. In Saskatoon there are about four — there may be more than that — but about four of all the dozen schools in Saskatoon that have an on-site daycare centre.

And my point, Mr. Chair, is that there is an example of where choice is relevant to the youngster and relevant to the young girl's family. And it's only in a community with a number of tools, a population that can support a number of high schools, that we might be able to find that sort of choice.

Have we any predisposition to pursue on a broad basis school choice as has been pursued in the city of Edmonton? And now the same leader has taken that . . . has been invited to bring that concept with him from the city of Edmonton to the provincial ministry in British Columbia. The answer is thus far no.

Mr. Harper: — I think it's been recognized that the fastest growing segment of our population is the First Nations segment. And with that in mind is there any intentions by the department to look increasing at the Aboriginal content in the core curriculum particularly as it may apply to the history of the First Nations people in Canada and in Saskatchewan, perhaps to give the opportunity to all students to gain greater insight into that history, the culture, and the contributions that they have made to our society in the development of this province?

Ms. Thurgood Sagal: — This is certainly an area that the department is working on, and it started in the early '80s with a policy in that area. And I think I would also say that this is an area that the department and the other educational partners that Dr. Dotson has referred to earlier, that we are not happy with the progress that has been made, even though we have been making attempts to incorporate Aboriginal content and perspectives in curricula and support the development of materials about Aboriginal peoples and by Aboriginal peoples. This is an area that we think needs much more work. I think we would say we see more progress in the '90s than we did in the '80s, but we need to see much more.

Mr. Harper: — So with the desire to see much more, what activities are you undertaking to ensure that there is more activity?

Ms. Thurgood Sagal: — Some of the activities would include partnerships with different Aboriginal organizations or peoples, partnerships to develop resources, partnerships to develop curricula. One example I could give is a First Nations school-to-work. These courses are developed at the grade 10, 11, and 12 level. In the initial development they were offered as locally developed courses, and we're now exploring the possibility of offering them as regular provincial courses.

Mr. Harper: — Do you see the opportunity to provide regular provincial courses to all schools in Saskatchewan something

that would be near at hand? Because personally I believe that there's a need for all students to understand the history of First Nations people and the contributions that they have made.

Ms. Thurgood Sagal: — And this has certainly always been our focus; it has always been for all students. So it's in all curricula and it's available to all schools. Another example I might give is at the high school level, all students can choose from taking either social studies 10, native studies 10, or history 10, but they must take one of those three courses. And that would be the same at the grade 11 and 12 level. So yes, our focus has always been all students, all schools.

Mr. Harper: — But you mentioned they had a choice. That means that there could be some students that would not take any studies of First Nations people?

Ms. Thurgood Sagal: — They might choose social studies instead of native studies, yes. But even the social studies course will have Aboriginal content and perspectives embedded within that course.

Mr. Harper: — So then there would be a fair introduction to all students in Saskatchewan, the history of First Nations people here and their culture and the contributions they have made?

Ms. Thurgood Sagal: — I think we can certainly do more. One of the current projects to support that is the development of native studies courses starting at grade 4. And that will be available to all schools. At this point it's being developed by a group around the Prince Albert area.

Mr. Harper: — So do you have in mind any particular time frame in which we could expect that to be available in all schools across Saskatchewan?

Ms. Thurgood Sagal: — In the next school year, certainly.

Mr. Harper: — Oh. Very good. Thank you, Mr. Chair. Thank you.

The Chair: — Further questions or comments.

Mr. Dotson, one question from me that I hope won't take as long as the previous section did.

We listened to the auditor's office talk about the process of maintaining a current curriculum, and the department is doing well in that. And you've suggested through various initiatives of how you are addressing other concerns.

As MLAs, and I'm sure on both sides, government and opposition, we hear occasionally from families where either because of movement from one school to another school or from the fact that a student in grade 12 has written a departmentally prepared examination on the curriculum that you've now, you know, provided, that there seems to be a lack of the curriculum actually being followed in certain classrooms and certain schools.

Does your department have in place . . . I'll use that word process again, or process. Is there a process to maintain a check across the province that ensures that the curriculum that your

department and so many people have spent developing is actually being followed?

Mr. Dotson: — Yes, but not enough. We have a range of activities, evaluative, self-evaluative, publicly available self-evaluative, undertakings. We have a provincial learning assessment program, which is a large-scale student achievement examination administered every spring on a sample survey basis testing mathematics, testing literacy, testing this upcoming cycle, technological literacy.

And we publish those reports and are available in our *Indicators* publication, widely available. That helps us and others — the public, members of the Legislative Assembly and others, journalists — to form their own views and helps us form our own views about the extent to which students are achieving the learning outcomes that our curricula would expect.

Secondly, we have a program of curriculum evaluations; these are not student achievement evaluations, these are evaluations of the extent to which the curriculum is actually being used and taught as intended in classrooms by teachers. And we've undertaken several of those over the last half-dozen years and the results of those are published. We find there, for example, evidence of shortcomings.

The shortcomings might, for example, be, gosh it looks as though the curriculum is simply too full, there's too much here. Because if you ask grade 7 teachers all across Saskatchewan with respect to the social studies curriculum, are you getting . . . which of the units, of the expected units to teach, are you teaching in the course of a school year? And if we have a large proportion saying that they teach all but the last one or all but the last two, it begins to lead us to conclude that maybe our expectations of what can be reasonably covered in a classroom over a school year, at that grade level and with that degree of intensity, our expectations may perhaps have been too high, for example.

Other conclusions, other findings provide evidence to reflect internally and with others — with the public and with others — on what the meaning of this evidence is. My point is not any particular bit of evidence; my point, sir, is that, yes, we do undertake an evaluation of the curriculum in that regard, just as we do evaluations of student achievement on a large-scale student sample survey, sample survey basis.

I know there are some members of your committee with direct classroom experience. They will know perhaps better than some of the rest of us the extent to which individual professional teachers, even in the same school, even along the same corridor in the same school, will approach the teaching of provincial curriculum in elementary science or elementary social studies or elementary language art, English language art, differently.

That is if anything more true still at the secondary level, where teachers are more likely to be subject area specialists, as it were. And there is a difference in well-founded professional approach among teachers teaching the same subject to youngsters in the same school, or the school across the same community.

How much of that . . . How much of the want of what we call curriculum actualization — that is the phenomena of bringing to

life in a classroom with a child the intent that is embedded in the curriculum — how much of that gap or want is something that is correctible by enhanced professionalism and reflective practice among teaching professionals, and how much of that would require or benefit from other modes of intervention and leadership from, say, their directors and their superintendent or, at the provincial level, from initiatives of the department, are questions which are critical but which admit probably of no straightforward, objective answer.

The answer is almost certainly to make progress and to seek the sort of outcome, Mr. Chair, that you were intimating, that every Saskatchewan classroom would be fully actualizing the full intent and array of dimensions of the curriculum that are cited on the page referenced, almost certainly requires progress and effort on all three of those fronts.

The Chair: — Thank you. Ms. Draude, did you have one more question?

Ms. Draude: — Yes, one more question. Dr. Dotson, one of the concerns last year that we heard about in Saskatoon, and I know it's happening in Regina too, is the number of hidden children on the streets, the ones that we aren't catching. And when the Special Committee on the Sexual Exploitation of Children talked about an identification number in education so that these children can be traced, is this something that your department is doing in that area?

Mr. Dotson: — Madam Member, yes. We are moving forward on that.

The Chair: — Any further questions or comments? Seeing none, the chapter entitled 4B contains one recommendation on page 102, recommending that:

the Department improve how it documents its use of information about resources in its curriculum maintenance processes.

And I think we've had a fair discussion on that. Is anyone prepared to move forward with the resolution? Mr. Harper.

Mr. Harper: — Mr. Chair:

I move concurrence.

The Chair: — Moved concurrence. Any discussion? All in favour? Opposed? Carried.

Thank you very much, Mr. Dotson and Ms. Thurgood and Ms. Bast.

We'll now take just a short period of time here to get the officials for post-secondary into place.

The committee recessed for a period of time.

Public Hearing: Post-Secondary Education and Skills Training

The Chair: — Good morning, Mr. Yeates. Welcome to you and your officials.

We're dealing with chapter 5 of the 2001 Spring Report, Post-Secondary Education and Skills Training. And Mr. Wendel has indicated, of course, that there are no changes from representatives from his office, so I'd ask you, Mr. Yeates, to introduce your people.

Mr. Yeates: — Very good, thank you, Mr. Chair. On my right is Mae Boa who is executive director of finance and operations for our department. On my left is Lily Stonehouse who is the assistant deputy minister.

The Chair: — Great. Thank you very much and welcome to all of you.

Mr. Wendel, your presentation from the auditor's office on chapter 5.

Mr. Wendel: — Just a few opening remarks before I turn it over to Rodd to lead you through the chapter. The chapter is just the final results of our audit of the department. In our 2000 Fall Report, we had already reported most of our work at the department, so this picks up the Carlton Trail Regional College, and Saskatchewan apprenticeship and trade certification program, which is in their first year of operation, and a review of SIAST's (Saskatchewan Institute of Applied Science and Technology) annual report. The rest of the organizations for post-secondary reported in the fall. You've already considered them and I'll leave it at that. I'll turn it over to Rodd to lead you through the chapter.

Mr. Jersak: — Thank you. Pages 116 through 118 of chapter 5 of our 2001 Spring Report sets out our audit conclusions and findings for the Saskatchewan Apprenticeship and Trades Certification Commission and the Carlton Trail Regional College for the year ended June 30, 2000. In addition we provide the results of our review of SIAST's 2000 annual report.

This was the first audit of the commission. It operated for nine months for the period ended June 30, 2000. We report that its 2000 financial statements are reliable and that it complied with the law.

For SIAST, we reviewed its 2000 annual report to determine if it provides good information to assess performance. We note that report improved significantly from prior reports. We are pleased with the progress made and look forward to continued progress in making it a better report on SIAST's performance.

The remainder of my presentation will focus on Carlton Trail Regional College. The audit results for Carlton Trail are reported in the 2001 Spring Report because the appointed auditor of Carlton Trail did not have his audit work complete in time for us to report the results in the 2000 Fall Report along with our results of the other two colleges.

Your committee met on March 14, 2001, to discuss our similar audit findings for Northlands and southeast regional colleges as presented in our 2000 Fall Report.

In this chapter we focus on Carlton Trail. And we found first of all that their financial statements were reliable. We provide you with an update on the progress that the college has made on

recommendations that we made in prior reports, contained in chapter 4 of our 2000 Spring Report. In addition, we make three new recommendations for your consideration today.

I will now briefly discuss each of the four matters. The first one is that the performance measurement and reporting of the college needs improving. This matter has been reported in the past for many of the regional colleges and we note that in the past, in fact in February 1998, PAC concurred with this recommendation.

We think the colleges should identify the key performance measures and targets and they should develop systems to track the results against these targets. They should then report their results to their boards, the department, the Legislative Assembly, and the public. Although the college has undertaken some steps toward this recommendation, it has not yet fully complied with it.

The next recommendation that we make is in regards to the written rules and procedures of the college needing improvement. This area is a new area of consideration for the committee. At the time of the 2000 audit of Carlton Trail, it had not updated its written policies and procedures to ensure it has accurate financial information. Complete written rules and procedures would help to ensure the college that it has accurate financial information for decision making. They would also help to ensure that accounting and control procedures are done consistently.

During 1999-2000, the college examined its capital assets to verify their existence. It updated its detailed listing of capital assets. However, management did not independently review and approve these reconciliations to ensure their accuracy and completeness. Also the college did not ensure all entries recorded in its accounts were properly authorized and accurate.

It did not always correctly reconcile the amount of cash recorded in its accounting records to the bank's records. It also did not reconcile the amount of capital assets recorded in its accounting records to its detailed listing of capital assets, and it did not regularly agree the amount owed to the college, recorded in its accounting records, to the detailed records of amount owed to the college.

The college needs to carry out these procedures to ensure its records are complete and accurate. As a result, on page 117, we make a new recommendation, and that is that:

We continue to recommend that management at Carlton Trail Regional College prepare written rules and procedures to ensure:

the College properly authorizes and records transactions;
and

its senior management reviews and approves key reconciliations of accounting records.

We note that the appointed auditor of the college has advised our office that for the year ended June 30, 2001, which is the year subsequent to these results, that the college has corrected this matter.

The third matter that I bring to your attention is that the financial reporting of the college needs improving. This is also a new matter for consideration of this committee.

The college's interim financial statements were not prepared in accordance with generally accepted accounting principles. The interim financial statements did not show what the college owed and what it owned. The interim financial statements also did not include an income statement in the same format as the external financial statements, nor did it compare its budgets to its actual results.

Boards need timely and useful information to carry out their stewardship responsibilities. Interim financial statements prepared using general accepted accounting principles would provide the board with better information. This would assist the board in carrying out those stewardship responsibilities.

As a result, on page 118, we make a second new recommendation. And that is that:

We continue to recommend that the College use generally accepted accounting principles to prepare its financial reports throughout the year.

We note that the appointed auditor has advised our office that for the year ended June 30, 2001, the college has corrected this matter.

The fourth matter that I bring to your attention is that there has been non-compliance with The Regional Colleges Act. This is also a new matter for the consideration of your committee.

The Regional Colleges Act required the college to submit its 1999-2000 budget to the Minister of Post-Secondary Education and Skills Training by May 31, 1999. The college did not submit its budget until July 14, 1999.

We note that the college also was late in submitting its 2000-2001 budget. The minister received that budget on June 29, 2000.

On page 118 we make our third new recommendation, and that is that we:

... recommend that the College submit its budget to the Minister of Post-Secondary Education and Skills Training by the date required by law.

We note that the appointed auditor of the college has advised our office that it has submitted its most recent budget to the minister by the date required by law.

That concludes my comments at this time, and we would be pleased to answer any questions you have.

The Chair: — Thank you very much, Rodd.

Mr. Yeates: — Thank you. Thank you, Chair. Just maybe a few comments by way of introduction and to follow up on the auditor's office presentation.

First of all I think, as members know, when we attended the

committee last time we provided you with an update of the work we're doing on implementing a performance management system across the sector. And you'll see that reflected in some of the issues that have been identified here.

And what I would say is that all parts of the sector are making significant progress on implementing both more defined plans, performance measures, and reporting on those plans publicly as well. So we're pleased with that.

I would also comment that we're pleased with the transition for the Apprenticeship and Trade Certification Commission. We provide the administrative and financial support services to the commission. And we're pleased with the transition that's taken place as they've moved from the department to a separate commission. We think that's gone well.

SIAST as well we think have made good progress with their reporting. Their next year's report actually has just recently come out and we think the committee will find again that SIAST has made again substantial improvement in their annual reporting. So we think that will be noted next year. So we're pleased with that.

On the regional colleges in general, we believe that as a group they have made substantial progress with respect to financial and program reporting. Members will know that the auditor's office has moved to a rotating audit for the regional colleges. We're doing three a year now, which I think speaks to there's a higher level of confidence now in the financial management reporting of the colleges.

We, with the regional colleges, sponsor a governors' workshop every year, and we just held one this past October. And part of that session dealt with financial reporting, and interpreting and reading financial statements and financial reports. So that's something we will keep doing with the colleges. It's helping to train board governors on how to deal with financial information.

We also have a finance and accounting manual for the regional colleges that we've developed and maintained with the regional colleges. We're just completing an enhancement of that manual. There's actually a meeting tomorrow to finalize the newest version of that manual for use by everybody in the system.

In terms of the recommendations specifically for Carlton, well from our perspective there's not much to disagree with in the auditor's recommendations. We certainly agree with them.

We've been working with Carlton Trail to get their financial reporting and so on up to standard. I think, as Rob noted, in fact most of these things we believe have now been fixed. And I can also add that, in terms of the date of submission for the budget, that Carlton Trail did in fact this year meet the requested timelines for submission of the budget.

So each year we've seen some improvement. And I think, when the next audit is done, we'll be able to demonstrate that the issues the auditor has identified have in fact been addressed. So thank you.

The Chair: — Thank you very much, Mr. Yeates. Questions or

comments from members, please. Anything for anyone? I'd recognize the member from Last Mountain-Touchwood, Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. I was pleased to hear Mr. Yeates indicate that most of the problems that Carlton Trail have are being addressed and being resolved. It appears that this has been a problem with this particular regional college for quite some time.

And could you perhaps give us an indication of some of the steps they took to address some of these problems with you, so that we have an idea that perhaps it will continue; that they're meeting their budget or getting their budget in on time this year, hopefully that will continue and that sort of thing. So I wonder if you could just comment.

Mr. Yeates: — Certainly. I'd be pleased to elaborate a bit. I think, fundamentally, the most important thing that Carlton Trail has done is successfully recruit a professionally qualified director of finance. And as members of this committee probably would know, having that professional oversight has been very important. So they had some personnel difficulties in the finance area; that's what led to some of these problems in our view. So we think they've hired a very good person and that person has very quickly, I think, brought them up to the standard that's needed.

And really, for all of the regional colleges, they need professionally trained financial people in these positions as directors of finance or business officers, as they're called.

So we think that was the key factor that they needed to fix and address and they have. And really, for all of the colleges, they need to keep these kind of people in place. They need to retain them and recruit professionally qualified people when they do get a vacancy. So that's really been the main thing that's occurred, Member.

Mr. Hart: — I wonder, is Carlton Trail, do they have the worst record as far as regional colleges, as far as financial reporting and that sort of thing? Or in the past has there been problems with other regional colleges that . . . somewhat the same as what Carlton Trail has experienced here in the last year or two?

Mr. Yeates: — Carlton Trail has had the most difficulty in the past two to three years. I think there's no question about that. We, you know, we don't keep a sort of formal league standings here. But I think it would be fair to say they're the one that has struggled the most. But the entire system over the past year — I would say the past five years — I would say has improved dramatically in their financial planning, their financial reporting, and so on.

So we've seen, I think, pretty dramatic improvements. And we think that the committee will continue to see those over the next, next several years. As we get into these more formal performance management systems, we think you'll continue to see significant improvements.

Mr. Hart: — I wonder if I could just ask a couple of questions about SIAST. You mentioned that SIAST is embarked on a performance management strategy. And does that deal primarily

with the financial aspect of the operation, or how broad-scoped is this strategy that's being put in place?

Mr. Yeates: — It's a very broad-based plan, essentially based on a five-year strategic and business plan for SIAST. They've been doing that for a little while now. In the current version they're working on, which will go from 2002 to 2006, they will be including a more defined set of performance measures for the first time. They've had some — you'll see that in the annual report — but they'll have an extensive set of performance measures. But it is based on a strategic plan and a business plan that then ties the financials into what it is they're trying to accomplish from a business point of view.

So it's very, very comprehensive.

Mr. Hart: — I wonder — does part of the performance measurement, does it include a program evaluation and success of graduates after they leave SIAST, and that sort of thing? I wonder if you could comment on that.

Mr. Yeates: — Yes, they do now do a graduate employment follow-up survey every year. And they contact graduates six months following graduation. So they will continue to do that; they publish a report on that every year and that really is one of the key outcome measures for SIAST because they ask a whole series of questions about people getting work to begin with; is it work in the fields that they've specifically been trained for, you know; and so on and so forth.

So yes, that will continue to form a key part of what SIAST does in terms of measuring and monitoring what they do. They will also have measures in and around work that they do with their advisory councils from industry, in terms of the relevance of curriculum and so on. And I think, as you know, there are issues from time to time with an individual program in terms of how well the curriculum may be working.

So yes, they will be monitoring and keeping track of that, and going back and taking corrective action when that's warranted.

Mr. Hart: — Could you expand on the industry advisory committees that SIAST deals with? How broad-based are they? I guess what my concern is . . . or at least my question would be is: does SIAST deal with employers, larger employers? These industry groups, are they made up of smaller employers? Just to get a feel for the quality of, I guess, student or graduate that SIAST is putting out there and how well the employers find that these people are prepared for their occupation that they embark on.

Mr. Yeates: — Certainly. I can maybe speak to it in a general way, and I might ask Lily to add a little more detail, a little more familiar with SIAST's detailed operations.

But essentially SIAST has a very large number of industry advisory councils, somewhere in the neighbourhood of 160 or so. So basically for each one of their programs they look to set up an advisory body to the faculty. And the intent is that the council be representative of the industry that they are working to serve.

So that's what they try to do in each case. There's a continuous

kind of turnover in those councils just in terms of people coming and going, but they're always seeking to make those councils as representative as possible. But Lily, you might want to add some additional detail.

Ms. Stonehouse: — SIAST seeks representation from across the province — it's not specific to where the campus is located — and they seek expertise in the occupation they're training for. So they would go to an employer and seek someone who's working in the area that the program addresses. And in that sense they may not have the employer, him or herself, at the table — they'll have the actual expert at the table.

Mr. Hart: — I guess if I can just, Mr. Chair, follow up with one more question. And it deals specifically with the electronic communication technician program offered at Wascana. I just raised this issue with the minister in the last session and received his response.

Just who, as far as industry advisory councils, what type of people would you be talking to in evaluating that course? Who would SIAST deal with in course evaluation?

Ms. Stonehouse: — SIAST has a five-year rotational review, a comprehensive review of programs. When it does a review on a program it surveys employers of the graduates wherever they are, so right across the country and certainly across Saskatchewan. They also survey their students, both graduates and students who did not complete. So they do a very comprehensive look at this.

And they have an external, couple of external people on the review panel. One from the industry, so there'd be some Saskatchewan employer would be there, and the program advisory Chair usually.

The Chair: — Great. Thank you, Mr. Hart.

Mr. McCall: — No. I would move that the Public Accounts Committee concurs with the recommendations of the . . .

The Chair: — Okay. We'll deal with them one at a time and I'll get you to be first if you wish. Any further comments, questions? Okay.

As indicated, we have three recommendations. Those are found on page 117 and 118. You'll note that the words "We continue to recommend" is . . . the reason for that is that these recommendations were presented in a previous report as indicated by Mr. Jersak and that the PAC committee has not considered them. So this is our first opportunity to consider them.

Our first recommendation is on page 117 dealing with the management at Carlton Trail Regional College.

Mr. McCall: — I would move:

That the Public Accounts Committee concurs with the recommendation and that we also note considerable progress.

The Chair: — Good. Thank you.

Discussion? Okay. Resolution before you: concurring and progress.

Members: — Agreed.

The Chair: — Any opposition? Carried.

On page 118 we have two recommendations there: first one dealing with the financial report, accounting principles. And I think Mr. Yeates has indicated that Carlton Trail has a new financial adviser in place and should be moving in the right direction.

Resolution ready?

Mr. McCall: — Again, I would move:

Concurrence and note the considerable progress.

The Chair: — Thank you. Discussion? All those in favour?

Members: — Agreed.

The Chair: — Opposed? Carried.

Recommendation number three: the submission of budgeting and noted that the 2001 budget has been submitted now on time. And I think a question from Mr. Hart was dealing with the fact that this procedure should continue, with luck.

Mr. McCall: — Again I would move:

Concurrence and noting the considerable progress.

The Chair: — Discussion? All those in favour?

Members: — Agreed.

The Chair: — Opposed? Carried.

Thank you very much, Mr. Yeates, Ms. Boa, and Ms. Stonehouse for attending this morning and helping us through this section. And committee, since you've been so diligent this morning, we will recess until 1:30 when we will deal with Sask Ag. and Food.

The committee recessed for a period of time.

Public Hearing: Agriculture and Food

The Chair: — Good afternoon and welcome back everybody and welcome to new people in the room. We do have some new people from the auditor's office so I'll ask Mr. Wendel to introduce our guests that are with us this afternoon.

Mr. Wendel: — Mr. Chair, I have Michelle DeCorby here. She is here to observe. I have Andrew Martens, who will be presenting part of the Agriculture chapter, next to Brian. Rod Grabarczyk, he'll be looking after Crop Insurance. And we have two people from KPMG here today. We have Jamie Wilson and Stuart Pollon, partners of KPMG.

The Chair: — Welcome to everyone. And the topic for this

afternoon of course is Sask Ag and Food. And deputy minister, Mr. Gordon Nystuen, I welcome you and ask you to introduce your officials as well.

Mr. Nystuen: — Thank you very much, Chair. On my right I'd like to introduce Jack Zepp. He's our director of administrative services for the Department of Agriculture. Immediately on my left is the general manager of Crop Insurance, Doug Matthies. And on Doug's left is Laurier Donais, our manager of administrative services branch. And in the back row we have Ken Petruic. He is our manager of financial services, also in the Department of Agriculture.

The Chair: — Thank you very much, Gord. Mr. Paton, I don't want to exclude you.

Mr. Paton: — Thank you, Mr. Chairman. I've got Larry Boys, who is a manager in the Department of Finance joining us this afternoon as well.

The Chair: — Great. Welcome. Thank you very much. The order that we'll looking at this afternoon is chapter — as indicated on the agenda — was chapter 4, and then followed by 7 and 6. Chapter 4 deals with the Saskatchewan Crop Insurance. So I guess that's your presentation, Rod.

Mr. Grabarczyk: — Good afternoon, Chair and members. I will provide a brief overview of our comments in chapter 4, Saskatchewan Crop Insurance, which can be found on pages 63 to 75 of our 1999 Spring Report. And Andrew Martens will follow with a brief overview of chapter 6 from our 1999 Fall Report and chapter 7 from our 2001 Spring Report.

For the year ended March 31, 1999, KPMG, the corporation's and fund's appointed auditor, and our office, found the following opinions. The Saskatchewan Crop Insurance Corporation and the Crop Reinsurance Fund of Saskatchewan's financial statements are reliable. The corporation complied with authorities governing its and the fund's activities, and the corporation had adequate rules and procedures to safeguard and control its assets and those of the fund.

We also carried out an in-depth examination of the corporation's systems and practices for adjusting claims. The objective of our audit of the corporation's claim adjustment process was to determine if the corporation had appropriate rules and procedures to adjust claims.

Why did we audit this process? Well management asked us to do an in-depth examination of the systems and practices for adjusting claims. The claims adjusting process controls the corporation's largest expense, claim payouts, which for the 1997 crop year totalled 94.5 million, and recent reports estimate the claims will significantly exceed the premiums for the 2001 crop year.

Inadequate rules and procedures for adjusting claims can result in increased premiums, reduced insurance coverage, incorrect indemnities or claim payouts, and a loss of public confidence. Given the importance of this system, we were interested in carrying out this examination of the claims system.

How did we go about doing our audit? We used criteria that

management agreed to. We compared the corporation's rules and procedures to the National Crop Insurance Services, Inc. and other Canadian insurance agencies. The National Crop Insurance Services, Inc. is a not-for-profit trade organization representing the interests of more than 120 crop insurance companies in the United States. Its purposes include conducting research, training, and education activities that promote improved knowledge and understanding of crop insurance.

Overall, we found the corporation's rules and procedures for adjusting claims adequate. We do note some areas that need improvement. And in making our five recommendations, these recommendations are aimed at helping the corporation to improve its processes.

The corporation's audit division should report directly to the board, or to a committee of the board, on the adequacy of rules and procedures that management uses to adjust claims. The board should review and approve the audit division's work plan and resources. The board needs to receive regular reports directly from the audit division on the examination and investigations carried out by it. And management needs to provide better information to the board on operating division plans and the actual performance.

The board needs to receive detailed operating plans, approve them, and then receive regular reports showing actual performance against planned performance, with detailed written explanations of differences.

The corporation should also improve the guidance it gives to claim adjusters to enable them to identify and investigate suspicious claims. And adjusters and auditors need to leave clear evidence of the work they have done to adjust or verify claims.

The corporation's management, staff, and appointed auditor gave us excellent co-operation throughout our detailed examination of the claims system. And we are currently reviewing the corporation's progress in addressing our recommendations and will be reporting our findings and our conclusions in our 2001 Fall Report, Volume 2. We note that the corporation has made progress in addressing our recommendations.

That concludes my comments on this chapter. Are there any questions?

The Chair: — Before we get to the questions, our normal practice is that we'd ask the department through you, Mr. Nystuen, to respond to the chapter on Crop Insurance first.

Mr. Nystuen: — I think the auditor has raised a few very important issues, not the least of which is the magnitude of dollars involved in paying claims. And really in fairness to all people who are involved in the program, the justness of the adjudication process is critical to make sure that those who are entitled receive payments and that claims that may have some circumstances around them are appropriately dealt with as well. And so I think we both agree with the level of diligence that needs to be applied to this.

I think the second thing that we'd like to note is that the

direction that the auditor has given about how we should go through this process is something that we're both, from both management of the crop insurance program and the department, are in agreement with.

The Chair: — Okay. Thank you for those general comments. And before we get into the specific recommendations — which as indicated by Rod there are five of them in this chapter — we'd open the floor to members' questions or comments.

Mr. Stewart: — Some general questions. One or two surrounding the variable rate option in crop insurance. I know my office has received many complaints this summer and fall about that particular option. It's more expensive insurance and people are unhappy with the way that it's handled. I don't know . . . I wonder if we can get some information as to when rates are set for the crop year. And well, let's start there.

Mr. Nystuen: — With your question about with regards to when rates are set, with regards to the variable rate option or . . .

Mr. Stewart: — Yes.

Mr. Nystuen: — The regular program as well?

Mr. Stewart: — The variable rate option.

Mr. Nystuen: — Just the rate. The date is June 30 of the insurance year.

Mr. Stewart: — Mr. Chair, I wonder if that date . . . does the date necessarily need to be as early as June 30? In a market, particularly like the one we see this year, commodity prices are steadily on the rise, and it seems unfair to producers at least if barley is worth say two eighty at harvest time and the variable rate, and properly so, at the end of June is only two twenty; couldn't this time be moved back farther along in the summer, closer to harvest period to ensure that more realistic values would be set?

Mr. Matthies: — Mr. Chairman, In response to the question, I guess, when we came up with the variable price option, we were trying to balance the needs that farmers and their lenders were telling them for having, I guess, a known insurance value in the spring when they are making their banking arrangements, their lending arrangements. There was a desire that producers were telling us that, I need to know what my insurance is going to be. And the insurance program is basically whatever your historical yield is times your coverage level times the market price.

And so a lot of our customers have said that they have to know that in the spring, so we come out with a fixed price option and about two thirds of our customers buy that option.

We also recognize that there were a number of farmers that were saying, I would prefer something that does reflect a little closer what the value of the crop is when I harvest it. So what we did was we came out with a variable price product which sets the price at the end of June, which is about six months later than when we set the values for the fixed price option.

When we were developing this one, we had a couple of

different things we were trying to balance off. Before we can pay any claims, we have to be able to finalize what is the insurance coverage. So we have to finish that equation about price times yield times coverage level. And when we set the numbers at the end of June, that gives us the values that we can use to pay out or so that we can finalize payments for whether it's for establishment or hail or unseeded acreage. So we have a bit of a logistics issue in terms of balancing the need for a better reflection of the value of the crop with logistics of being able to actually finalize the coverage and pay the claims that are starting to come in.

The other thing I guess that we looked at when we were designing the variable price option and looked at the end of June, was a previous program we had run called a market price option. And under the market price option we used to move the price throughout the year to reflect what the value of the commodities were. So we would make a number of adjustments as the crop year progressed to reflect what the value of that crop was. When we started with that option, close to a quarter of our customers bought it, but after running it for a few years it lost favour amongst farmers, if you will, and so we were down to only 4 per cent of our customers having selected that.

So when we brought the variable price option, we were looking at what were farmers telling us when we ran the previous market price program, what are farmers' and our needs in terms of being able to process claims for the current year, and what are, you know, the relationships I guess that we have to have with the federal government as well in terms of sort of agreeing here's what the program will look like and what does all parties agree to.

The one other comment that I might offer is this is the second year we have run the variable price option in its current format. We did receive a number of inquiries after the first year from producers who were saying, well could you do it, for example, a month later at the start of the new crop year. So before we came into this year, we took a look at was there any significant price movements between June of last year and July of last year and at that time there hadn't been any. So for simplicity to farmers in sort of reading what is still a fairly new enhancement to the program, we ran it the same way for year two.

Mr. Stewart: — But I think you're saying that with a little streamlining it would be possible to move it back a month or so, a month or more possibly?

Mr. Matthies: — I think the biggest obstacle for us then is, how do we get to the point where we can then pay claims? Or do we need to look at . . . would we have to look at sort of a further interim payment mechanism? Because by the end of June we are into issues around establishment losses; we're seeing some early hailstorms usually, and if we haven't finalized the coverage, then we can't pay the claims. So we are, I guess, looking at issues around that.

However, there's a bit of a balance and certainly where we're hearing it the most this year — I think as you indicated — are on the feed grains. Because the feed grains, in particular with the dry conditions, seem to see the most change after June compared to some of the other commodities.

We are doing some homework around it, but I guess I . . . we've got some competing demands even amongst farmers in looking at it.

Mr. Stewart: — Thank you.

Mr. Kwiatkowski: — I would just like to follow up a bit on some of Mr. Stewart's questions. I too have received a number of concerns around the variable price option.

As a matter of fact some of these are even coming from rural municipal governments. In one case the RM of Bjorkdale expressed some serious concern around it. And I guess the bottom line is they're saying that for the increased cost they really aren't getting the benefit. And I guess I would just simply ask you to indicate where the benefit would be given the pricing, the timing of the pricing, those kinds of things — what you see as the benefit, with the increased cost?

Mr. Matthies: — The way the variable price option is structured — and again it comes back to price times yield times the coverage level you select — the premium rate then is attached to whether you buy the variable price option or the fixed price option. It's the same premium rate. So what the farmer has to think about when he makes his insurance decision in the spring is, what dollar value and subsequent premium am I going to be most comfortable with?

And like I said, about two-thirds of our customers buy the fixed price option because they don't want the uncertainty of a changing premium, or they prefer the certainty of telling their lender, for example, that my insurance value is X and it will cost me X, and they buy that.

However, like I said, about a third of our customers say, if I have a loss though, then I want my payout to perhaps more accurately reflect the value of that crop. And the trade-off is that if the price changes, so does your premium. The rate that we charge is the same but the price piece of the component, if it moves up, then your liability has gone up. You do have a higher insurance value, and because there's a higher insurance value there's a higher premium with it. So it becomes an individual decision of each farmer.

I guess I would offer an anecdotal comment perhaps that I hear from my field staff. Farmers that we have the opportunity to talk to are generally very responsive or receptive to the variable price option because they look at that issue of . . . in the design of it, the fixed price basically is the floor price. I know my insurance won't be worth less than the fixed price option.

And if they have any flexibility in their financial management plans and they're looking at, do I think I may . . . you know, if I have a loss I want it to reflect the value of the crop, perhaps, they seem to be quite positively receiving the opportunity to look at it.

It's not a guarantee. I mean, if you don't have a production problem you will pay a higher premium. But it's insurance. It's not an investment per se.

Mr. Wakefield: — Mr. Chair, good afternoon. I like the idea of producers or farmers being able to kind of adjust their risk

management to some of the variations that you've talked about. I think that's positive. I guess ultimately in my area, in the northwest, the acceptance of crop insurance isn't at the same level as other parts of the province. So they've accepted risk management maybe in a different way that doesn't seem to fit very well.

I guess one of the cornerstones that both Saskatchewan and the federal government talk about in terms of assistance to farms, rather than ad hoc, would be development and enhancement of programs. Can you tell me if there's anything that you're thinking about that would help facilitate the farmers in my area to subscribe to crop insurance as part of their risk management?

Mr. Matthies: — If I might offer, I guess, a couple comments. When we take a look at a pictorial representation around the province of where we have the most participation, or the level of participation in terms of how many acres are seeded in an area versus how many that we're insuring, there are, as you have indicated . . . the northwest and also the very southwest corner are the two parts of the province that stand out as more of an anomaly than any other area of the province.

Pretty much throughout the rest of the province we have a fairly consistent level of participation. But in those two areas we tend to be in the 50 to 60 per cent level; 50 to 60 per cent of the acres that are seeded being insured.

I had the opportunity last week to meet with a number of producers that included people from both of those parts of the province. And I actually was asking them that same type of question that you're asking me in terms of why the lower participation. And one of the comments they gave me was when they looked in their neighbourhoods, they felt that there was generally speaking a greater emphasis on livestock as well. So farmers were perhaps managing their risk through grains and livestock and not necessarily feeling the same need to look at the crop insurance program as a significant a part in their risk management programs.

The other comment that they gave me was, don't think that because the lower participation number is there that that means that half the farmers aren't buying it. The comment they gave me is that many of their neighbours will buy some insurance but they have made a conscious decision not to buy insurance on all of their crops. So we have a greater participation in terms of the actual number of farmers than the actual acreages. I may be insuring one or two but not three or four of my crops, for example.

So I would pass those comments back because those are ones that I received from producers themselves last week.

Things that we are looking at for down the road do relate to some coverage issues. There are, I think, one predominant theme that consumers have been telling us over the last few years as it relates to crop insurance coverage and that is to ask us to review the methodologies that we come up with when we say, here is your offered yields. And they're saying, we're not sure that the technologies that are being used today and the farm management practices that are being used today are reflected in the yields that you're offering.

So that is the area that we are doing most of our research in right now. Can we validate the comments that farmers are giving us and can we come up with the data that an actuary would be comfortable with in certifying if we were to make some changes in the coverage amounts?

Mr. Wakefield: — Thank you. That's quite encouraging. I certainly urge you to keep going in that direction to try to identify those changing conditions.

How responsive is the federal government in trying to assist kind of an overall risk management with farmers? They seem to talk a good game. Are you finding that's the case?

Mr. Nystuen: — If I would sort of make a couple of observations in our relationship with the federal government on these matters. The principle that they will come back to always is, this is an insurance program. Okay? We need to be able to define the risks that an actuary can validate. The federal government tell us that they are likely the largest employer of actuaries in the country, and crop insurance is one of those files that they use their actuaries on.

If we're able to do that, to substantiate that, then we can calculate into a premium and then it's just a matter of, is the premium appropriate for individuals to make risk decisions? Does the amount of capital that I put out appropriate how I deem the split of the benefits of the risk?

We in that context get good support from the federal government. Okay? The challenge that we have is trying to take them into new ways of thinking about doing insurance in ways that we can create valid risk profiles that actuaries can do.

Doug hasn't mentioned it, but he has done some work over the last number of years in tracking weather circumstances. And so, can we build a weather profile such that we can turn that into something that you can calculate a risk premium on? And therefore farmers don't have to insure against yield — they could insure against weather circumstances.

We've done some of that with regards to pasture or native grasses. Alberta had done similar work with regards to that and moved it out last year into silage for corn and grain corn within certain localities.

I think we're quite excited about that, because indeed with lots of weather data you can start to move down that pathway. The question that we will get to is one about if we can do the insurance calculations it comes back to the question about, can we convince the federal government to commit the appropriate resources then — because we've now shown that you can do it in an insurance model so let's get the funding into place.

And we've had some success. Our best success I think I would always go back to are things that follow those insurance premium models, because the federal government sees that as an appropriate risk management tool. They are much less interested in what they would describe as pure subsidies.

Mr. Wakefield: — One further question, if I could, Mr. Chair. The recommendations that we're looking at were from the auditor's report of spring 1999 and there seems to be quite an

anomaly in weather patterns and farm incomes over the last couple of years. And in the northwest there was several consecutive years of dry conditions, experienced now right across the province. There was an anomaly of too much moisture in the southeast of the province.

Is there a way to be able to allow a producer to insure himself, albeit at a higher risk, higher fee, if he in fact has a higher risk and needs to insure higher than say the 75 per cent of his income? If I'm in a high-risk operating situation, maybe I want to insure up to 85, maybe even to 100 per cent, if I'm prepared to pay the fee. Is that workable?

Mr. Nystuen: — I think that there are circumstances under which that model can work. One of the constraints that the federal government adds to this equation comes into the whole issue of what risk they're prepared to take. And let me describe it this way. They will say, we're prepared to participate — or in other words underwriting the cost of premiums — to a level. And I think their level is 80 per cent. Okay?

And so if we can describe insurance models that would have someone insure for \$150 an acre or \$200 an acre, that are actuarially sound, their position is, we're prepared to participate; however we won't go beyond 80 per cent. So if there's somebody who chooses to go beyond a certain level, they're saying okay, well now we expect the producer to carry that load of the premium. So in other words their support will go to that size.

And so the question becomes, can we create those models. And then once we create those models, whether or not the risk/reward, again for the producer, makes sense, so that they'll acquire that type of insurance. And I think between ourselves, the province of Alberta, and the province of Manitoba, we're quite interested in pursuing those models.

Because clearly when we speak to farmers that's what they say, is that if I'm insuring . . . or if I've got a crop that's worth \$200 an acre to me and the fact that you'll give me \$87 worth of insurance isn't exactly a lot of comfort. And so how can you describe or build the sorts of programming so I can do that. And I think that's the challenge for us.

Mr. Stewart: — Thank you, Mr. Chair. How is the program cost shared now between the feds and the province and the producers?

Mr. Nystuen: — Let me . . . and hopefully I can make this simple. Right now there is a funding formula between the province of Saskatchewan and the federal government that deals with safety nets. Okay? And they have what the federal government describes as box 1 funding and box 2 funding.

Within box 1 funding there is a ratio of 40 per cent from the province, 60 per cent from the federal government. And within that I believe the province's contribution is \$140 million and the federal government's contribution is 190.

Within that pool of capital we have programs such as the NISA (Net Income Stabilization Account) program and the crop insurance program that consume the bulk of the funding within that formula. Everybody is quite familiar with the funding

formula of how NISA calculations go forward and percentage of net insurable sales. The balance of the funding then is available to crop insurance program. Okay?

And so what effectively happens today is that we'll go through, and we're going to be going through that process now where we're going to look at next year's expected coverage levels — is it 20 million acres or 30 million acres?

The funding that's available from the province, the funding that's available from the federal government goes into a premium pool. Then the next step in that calculation is, what's the price, okay? What's our expected distribution between different crops, whether it be spring wheat, canola, chickpeas, or whatever, okay?

And so we'll get a total premium load. From that total premium load the farmer's portion ends up being the balance between the funding commitments available from the federal government, from the provincial government, and the farmer's portion is less, okay?

And so we have a couple of interesting circumstances. As prices climb that funding formula between the province and the federal government is fixed. Okay? And so insurance premiums for distribution to farmers will increase. Okay?

Currently it's about one-third, one-third, one-third. Okay? We have had times in the past where it has effectively been 50 per cent farmer premiums, 25 per cent federal, 25 per cent provincial. Again, it depends on the circumstances of coverage and price.

So that's about how it works.

Mr. Stewart: — Thank you, I appreciate that. Is the province's share actually paid into the crop insurance pool, if you like, or is it held for circumstances in which payouts exceed the producer and the federal government's share?

Mr. Nystuen: — Indeed the province's premiums are paid into the crop insurance fund and it is held within that fund. And then there are two reinsurance funds which effectively represents the excess between premiums and any indemnity paid.

Mr. Matthies: — If I could just offer a clarification on that. The crop insurance premiums are all initially paid into the crop insurance funds. There are two reinsurance funds which are the mechanisms that government use to backstop the program when claims exceed the premium pools. And a portion of every year's premium is paid into those two reinsurance programs, regardless of the type of year. And then we can draw it down, or it will build up, depending on the nature of the year.

Mr. Kwiatkowski: — Just given the amount of funding that's provided by the federal government, I'm just curious, does that limit your ability to be flexible in the design and implementation of programs? And, you know, once again I think of the variable price option. Was there any kind of limitation there because of, perhaps, input? Or maybe that's another question, as to what degree does the federal government influence the design and implementation of the various programs.

Mr. Nystuen: — Let me sort of stay away from the variable price options specifically. What the federal government does is, it requires approval of the general program design. Okay? And so the insurance principles that we have to abide by effectively have to satisfy the actuaries. Okay? If they do not, then they will not permit their funding to effectively participate in that part of the program.

And so we're always on the search for whatever design that we have to accommodate both the needs of producers, from what's an acceptable insurance product, to the risk profile that the federal government and their actuaries are prepared to take.

And so if we deviate from that what happens is we immediately make unavailable to the program a very significant amount of insurance money. Okay?

The Chair: — One of my own questions, Mr. Nystuen. We're only two weeks away from the deadline date for reporting of claims, and I know Mr. Grabarczyk made a comment about whether or not there were sufficient funds to meet the claims that you expect for this current crop year. Could you indicate to the committee how claims have been coming in across the province, and that is in terms of numbers, and what do you expect in settlements of claims versus the pool of funds that you talk about?

Mr. Nystuen: — How about if I let Doug deal with that.

The Chair: — Sure.

Mr. Nystuen: — This is his day-to-day job, and I think that we can all get the best understanding from him.

Mr. Matthies: — Mr. Chairman, in terms of our claim numbers this year, we have as of this morning approximately 34,000 post-harvest claims that have been registered by producers. In total, our claim volume is up substantially from last year. We're up probably about 25,000 claims overall, including all causes of loss, hail, post-harvest, pre-harvest, etc.

Payouts, as of this morning, we have paid out \$182 million for all causes of losses as of this morning. However, we still have approximately 17,000 post-harvest claims yet to deal with. We are getting claims in every day and we're knocking them off fairly well, I think, but we still have about 17,000 to go.

We will be running our first quality loss payments next week, so there are a significant amount of monies yet to be paid out. However at this time, we're not guessing or speculating. We're preferring to stick to, here's the facts; here's what we've paid out; and this is what we know.

The Chair: — Do you expect your claims to exceed \$600 million?

Mr. Matthies: — No, I do not.

The Chair: — Thank you. The other comment, you mentioned that this is an insurance policy. And no question it is. And I think we're hearing, as elected officials, we're hearing a lot more concern this year because there are farmers who have, you know, 100 per cent loss.

When you talk about interruption insurance — and that's what this is, this is a business interruption insurance — there are very few businesses that would purchase insurance that would have either a 20 per cent deductible or, of that matter, if you bought hail insurance to safeguard against one particular part of weather, you would be able to only get a 70 per cent coverage, which means you're carrying a 30 per cent deductible. Most businesses would laugh at that and say, you're trying to sell me that kind of an insurance policy? Forget it, because if I lose 30 per cent of my revenue, if there is a loss, I'm not in business any more. Yet we see that as the policy that farmers are expected to purchase — maximum of 30 per cent deductible and in fact even as much as 20 per cent deductible.

Questions that have been asked about the federal government and the pressure that the province might be putting on the federal government to obtain something that's a little more responsive to the needs of individuals that are in business; and, you know, we're talking about agriculture as being, you know, a farming operation that is a business. I understand what you said about the question, but is there any move to address the concern about the fact that very few people can survive a 20 per cent deductible if they've lost all of their revenue for that year?

Mr. Nystuen: — I think that there's a couple of important points. One is that indeed that is a very substantial deductible, okay, and we have moved to a position today where indeed you can take 80 per cent insurance. The statistics that we have from even the insurance that we do carry currently is that by and large the majority of our clients through crop insurance still choose the 70 per cent option even though a coverage closer to what would look like 100 per cent exists for them.

The Chair: — Do you qualify whether or not that coverage of 70 per cent is because they have purchased hail coverage as well, which then forces them into the 70 per cent?

Mr. Matthies: — If I understand the question, 92 per cent or so of our acres who buy coverage at 70 per cent or less do carry the hail option. So it would certainly indicate that producers have a preference for the spot loss hail piece, and that is not available to them if they buy 80 per cent coverage.

The Chair: — Just for clarification, because I think there are people who read the minutes of our meetings and would want to understand that if they're not, you know, keen on agriculture, that indeed a farmer who purchases hail coverage as spot loss hail, is forced to purchase to a maximum of 70 per cent and cannot buy 80 per cent. Correct? Okay.

Mr. Nystuen: — The second element to that, though, is that the position we find ourselves in is that if we are to move coverage beyond 80 per cent — and indeed those are discussions that we had both with Alberta and Manitoba; what are the implications for the insurance of the program? — is that premiums substantially rise as you move up that curve because indeed the indemnity risk substantially rises. And so the question becomes: if that's an option put out, will people still choose to buy that kind of insurance? Okay? And so I think that there's a question about whether or not that will be a viable product.

The second part that we're going to have to get to is that if we go with insurance beyond 80 per cent, what's the right structure

or format in order to do that? And that's, again, one of the questions that we've had with both Manitoba and Alberta — trying to sort of jointly solve — is that, are we better off to go to maybe a flat dollar coverage above the 80 per cent that allows you to decide whether or not it's ten dollars more or a hundred dollars more? And then is yield the most, let's say, price-effective determinant in that? Okay?

And let me give you an example. Where my family farms we're more likely to get frost than drought. And so if we were going to go from 80 per cent to 100 per cent coverage, well we'd probably want to have a frost clause, one that says you know, we want to buy \$30 more an acre, but if it freezes before the August 10, then we want to go with . . . then we want to be able to capture that claim. Short of that, then it's not an appropriate insurance tool.

And so I think the question that you're asking is one saying, you know, how do we structure the program so people can get the kind of insurance that they need so they can make their investment in production. And I think that that's the search that we're on, is to sort that out.

But then also sort it out in a fashion that the premium load gives them the best value. And I guess what we're not convinced from the work that we've done with Alberta and Manitoba that merely taking the current 80 per cent program and going 90, 95, 100 is the way to get the best value, okay.

The Chair: — I appreciate your comments very much. Good.

Mr. Kwiatkowski: — Given your explanation of the Crop Insurance Corporation as just exactly that, an insurance provider, how does the cost of administration as a percentage of total operations compare with that of other insurance providers, other insurance companies?

Mr. Matthies: — The figures across the country that I've seen are the government-sponsored insurance programs generally run an administration-to-premium ratio, which is I guess one of the benchmark numbers that people in the insurance industry have looked at, of around . . . admin costs would be in the neighbourhood of say 13 per cent of total premium dollars for the government-sponsored programs.

Within the area of other, I'll say, private sector insurance enterprises, the numbers have been much closer to, well, between the 20 and 30 per cent range. Part of that is perhaps the profit element.

Within our own province, I think we are able to reap the benefit, if you will, of an economy of scale. We have a large number of acres that are insured and that allows us to get a lot of efficiencies because of that.

The Chair: — Thank you. Any questions? Mr. Harper.

Mr. Harper: — I have a question, Mr. Chair. What's the total number of cultivated acres in Saskatchewan that would be producing cereal grade oilseeds and/or hay?

Mr. Nystuen: — It's about 35 million acres.

Mr. Harper: — And what percentage of those acres would be insured?

Mr. Matthies: — We have 71 per cent of all of the crops that are seeded for annual production are insured in the province this year.

Mr. Harper: — So about 71 per cent of the cultivated acres or seeded acres in any given year would carry some level of crop insurance coverage.

Mr. Matthies: — The number has actually been on the rise for a number of years. We've been as low as 55 per cent five or six years ago, and we've seen a fairly steady increase in the level of participation since then. Last year we were at 69, this year we're up to 71.

Mr. Harper: — Very good. Thank you.

The Chair: — Let's turn to the recommendations, seeing no further questions or comments from members.

We have five recommendations in chapter 4. Two of them . . . the first two are found on page 70. Fairly long recommendation in the no. 1.

Any comments about recommendation no. 1 from either the auditor's office or from the department? Anyone prepared to make a resolution?

Mr. Harper: — Mr. Chair, I would move:

That the Public Accounts Committee move concurrence and recognize the progress that's been made.

The Chair: — Concurrence and recognition of progress being made. Any discussion?

Seeing none, all those in favour? Opposed? Carried.

Recommendation no. 2 is slightly shorter:

We recommend (the) SCIC's management needs to provide better information to the Board on the operating divisions' plans and performance reports on how divisions are doing compared to what they planned.

Any comments? Questions? Resolution?

Mr. Harper: — I move:

We note concurrence and note progress.

The Chair: — Concurrence and noting progress as well. Any discussion? All those in favour? Opposed? Carried.

On page 72 is recommendation no. 3 recommending that the:

. . . SCIC should improve the guidance it gives to the claim adjusters to enable them to identify suspicious claims. SCIC should also establish written rules and procedures for investigating suspicious claims.

Interesting choice of words there, Mr. Auditor. Carefully

chosen, right?

Any questions or comments about recommendation no. 3? Ms. Jones? No comments? Any resolution from anyone?

Ms. Jones: — Move:

Concurrence and note progress.

The Chair: — Okay, concurrence and progress. Any discussion? All in favour? Opposed? Carried.

Recommendation no. 4. Again with regarding to adjustment:

. . . that adjusters leave clear evidence of work they have done to adjust or to verify claims.

What was the auditor's office looking at when they suggested clear evidence of work?

Mr. Grabarczyk: — This is . . . what we're getting at here was documentation in the files. For example would be if there was a hail claim and you'd be going out and doing a number of plant counts, that those plant counts would be documented so that you'd know how the adjuster arrived at the percentage of loss.

The Chair: — Any comments or questions? Resolution.

Mr. Gantfoer: — Concur and note progress.

The Chair: — Mr. Gantfoer, concur and note progress. Any discussion? All in favour? Opposed? Carried.

And the fifth recommendation on page 75, that the SCIC (Saskatchewan Crop Insurance Corporation) should ensure that adjusters . . . Am I reading the same resolution?

Mr. Grabarczyk: — No. 5 is aimed at the auditors, where the auditors are then taking a look at the work that the adjusters have done . . . (inaudible interjection) . . . I'm sorry. Can't read. Adjusters and auditors.

The Chair: — All right. This one says auditors. Thank you, Ron, for clarifying that. Any question about that recommendation. Resolution?

Mr. Harper: — I move concurrence and note progress.

The Chair: — Concurrence and progress. Any discussion? All those in favour? Opposed? Carried.

That takes us to the end of chapter no. 4 of Saskatchewan Crop Insurance.

I want to thank the officials from Crop Insurance for being present and assisting us.

We will now move chapter no. 7, which is the '99 Fall Report which deals with the Saskatchewan Pork transfer of net assets.

A Member: — Two reports . . . (inaudible) . . . 2001 report.

The Chair: — And also out of the 2001? Okay. We're going to

deal with both.

We'd ask for your presentation.

Mr. Martens: — Good afternoon, Chair, and members. I'd like to provide a brief overview of chapter 6 of the 2001 Spring Report that starts on page 121, as well as a matter concerning Sask Pork in chapter 7 of '99 Fall Report, Volume 2.

I'll give a brief summary of our findings and then discuss the matters where we make comments.

On page 219 of our '99 Fall Report, we report that Sask Pork's transfer of net assets to hog producers was made without authority. On page 124 of our 2001 Spring Report, we report our conclusions for the year 2000 for the funds and agencies that are listed on page 123.

Our conclusions are as follows. Their financial statements are reliable except for the Agri-Food Innovation Fund and the Saskatchewan Agricultural Stabilization Fund. The funds and agencies complied with the laws governing their activities and the funds and agencies had adequate rules and procedures to safeguard and control their assets, except for the Milk Control Board.

On April 6, 1998, SPI Marketing Group lost its monopoly to sell hogs in Saskatchewan and it was continued as the development board called Sask Pork. The government controls Sask Pork through the Agri-Food Council.

Sask Pork's powers are set out in the regulations under The Agri-Food Act. Under these regulations, all the assets and liabilities of SPI Marketing Group became the assets and liabilities of Sask Pork. Two days later, Sask Pork transferred net assets of approximately \$3 million to a new organization called SPI Marketing Group Inc. for no compensation. SPI Marketing Group Inc. is owned by hog producers.

In our opinions, Sask Pork did not have the authority to make this transfer. The order creating Sask Pork gave it specific powers. The order did not give Sask Pork the authority to transfer its assets to hog producers for no compensation.

On page 220 we recommend that Sask Pork should have received Lieutenant Governor in Council approval to transfer its assets to hog producers for no compensation. Sask Pork's management told us it had discussed the transfer with the Agri-Food Council and with the department. Management thinks it had the authority under the regulations to transfer the assets to SPI Marketing Group Inc.

In chapter 6 of the 2001 Spring Report, we report that the financial statements of the Agri-Food Innovation Fund are not correct. The 2000 financial statements overstate the fund's net assets and understate its liabilities by \$8.4 million. These financial statements give the message that the fund has extra money on hand that it can keep because it is no longer required to pay for future program costs. In reality the fund is required to either spend the \$8.4 million on future program costs or return it to the GRF (General Revenue Fund).

A bit of background. AFIF (Agri-Food Innovation Fund)

administers a federal-provincial cost sharing agreement. Any money contributed by Canada and Saskatchewan can only be spent on certain projects. AFIF has received money from both Canada and Saskatchewan before it spent money on those projects. AFIF may not keep this money or use it for any other purpose. Any unspent money must be returned.

In our opinion, any funding for a restricted purpose that is received in advance is a liability owing back to the contributor until the fund makes the specified expenditures. AFIF follows this practice for advanced funding it receives from Canada. Federal money received in advance of incurring program cost is recorded as a debt owing back to Canada until the program costs are actually incurred. This practice follows the accounting standards of the Canadian Institute of Chartered Accountants.

However, the fund does not follow this practice for advanced funding it receives from the GRF. To date, the GRF has paid \$28 million into the fund, which the fund has recorded as revenue. However, AFIF has only spent \$19.6 million. The remaining 8.4 that has been advanced must be spent on future program costs or must be returned to the GRF. It is not surplus money belonging to the fund.

In our opinion, this practice does not follow the accounting standards of the CICA (Canadian Institute of Chartered Accountants).

We recommend that the fund's financial statement should record money received from the GRF as a debt of the fund until the specified program costs are actually incurred or until the money is returned to the GRF. We reported the same concern with the fund's 1999 financial statements.

Our findings on the Saskatchewan Agricultural Stabilization Fund are found on pages 127 to 130. What is this fund? It is a fund administered by the department that reports the activities of six separate programs that are cost shared by Canada and Saskatchewan.

The law and agreements governing the fund state that any money paid into the fund can only be used for the purposes of these particular programs, or it must be returned. The concern we raise is the same I just outlined for AFIF, that is funding from the GRF is recorded as revenue before the related program costs are actually incurred. As a result, the 2000 financial statements of this fund understate revenue and overstate the fund's annual deficit by \$70 million. They also overstate net assets and understate liabilities by some \$22 million.

These financial statements give the message the fund incurred a deficit when it did not. For example, the estimated cost of the two-year AIDA (Agricultural Income Disaster Assistance) program was \$140 million. The department received 140 million from the GRF in 1999 and the department recorded the full amount as revenue of the fund even though it only incurred costs of \$70 million in 1999.

In 2000, the fund's financial statements show costs of \$70 million for the program, but no revenue since the revenue was recorded in 1999. Like AFIF these financial statements also give the message that the fund has extra money on hand that it can keep because it is no longer required to pay for future

program costs. In fact the fund is required to spend the \$22 million on program costs or return it to the GRF.

Our recommendation is similar to that for AFIF. We recommend that the department should record the money received from the GRF as a liability of the Agricultural Stabilization Fund until the department incurs related program costs.

And we also reported this same concern with the fund's 1999 financial statements.

And finally on page 130 we conclude an update on a matter reported previously, concerning the Milk Control Board. The matter concerns the need for a policy and procedures manual related to financial reporting. At the time of our 2000 audit, progress had been made in completing the policy and procedure manual and the work was continuing.

The Chair: — Mr. Wendel has a comment before we move to the department.

Mr. Wendel: — Yes, Mr. Chair, committee, the committee considered this issue in May of this year. When the Department of Health was here we talked about the Saskatchewan Health Information Network corporation. At that time they had an issue where they were receiving money for a specific project but hadn't yet incurred the costs. And our recommendation was that they shouldn't recognize the money as revenue until they incurred the costs.

So these two funds we're talking about are the same issue.

And at that meeting the Provincial Comptroller, Mr. Paton, advised that the Canadian Institute of Chartered Accountants has set up a project to look at transfer payments, these kind of transfer payments, because it seems like there's a problem across Canada, it's not just here. So we'll wait the results of that study and that report from the Canadian Institute of Chartered Accountants.

So that's where it stands. You may want to defer a consideration of the recommendations to another date.

The Chair: — You don't have an update for that, Mr. Paton, yet?

Mr. Paton: — The only update I would have is to confirm that indeed that task force by the Institute of Chartered Accountants has been established. They've just commenced their work. And I'm actually pleased to say that Chris Bayda is one of the members of that task force and will be representing these issues at the meetings.

And agree with Fred that this is an issue across Canada. It's not just one where you have disagreements in this province; it's a broad-spread problem.

The Chair: — Thank you. And that may shorten the discussions that we'll have on that very topic as we did back in May, if I recall.

Mr. Nystuen, any comments about the report thus far from Mr.

Martens?

Mr. Nystuen: — I guess the only thing that we would say, Mr. Chair, is that we find ourselves in a very interesting circumstance because it's our audit that says, you did all of these things that you probably should or shouldn't have done, and our department relies on the advice of accountants to point the way. And indeed, I guess that probably summarizes best where we find ourselves in this, is that we look to others for advice on how we should be accounting for these transactions and then we have to rely on that advice.

The Chair: — All right, thank you. With those comments we can entertain general questions first.

Mr. Wakefield: — I guess my question would be that if it's done the way you've described it, on recommendations of your accountant, why is it not done with the federal funds that are being transferred in? Apparently it's done a different way.

Mr. Nystuen: — The only thing I can say about that is that I expect that the federal Department of Agriculture gets its advice from its public . . . or its comptroller about how it should be handling that. And I think that that's really the source of confusion on this matter is that the accounting profession is split on what it should or shouldn't do.

The Chair: — Mr. Paton, comptrollers are on a hot seat and would you like to respond.

Mr. Paton: — Mr. Chair, I'm not sure if this committee wants to get into the debate at this time, but what it really amounts to is whether or not either of the parties have any restrictions on those funds. And the opinion is, is that when the federal government pays the money into the provincial fund, there are some restrictions on it. When we're paying the money into our own fund, we believe there are no restrictions. And it's that debate that has to be resolved.

Ms. Jones: — Thank you. What is PSAB?

Mr. Paton: — I believe it's . . . I'm not sure where you're reading that, but I think they're referring to the Public Sector Accounting Board. That's right.

The Chair: — Are there any questions regarding the information being presented on either of the funds?

I note on page 124 with interest, the top of the page, the audit confirms that the financial statements of various departments are there, but yet there seems to be a conflict with KPMG. KPMG believes that the Saskatchewan Agricultural Stabilization Funds are reliable. Is that . . . is there any reason for that?

Mr. Wendel: — I guess it comes down to the position we talked about earlier, Mr. Chair, which is a difference of professional opinion. And the Institute of Chartered Accountants is going to have to give us more guidance on that.

The Chair: — Okay. So still connected to that. All right. Thank you.

Seeing no further questions or discussion we have . . . In chapter 7 the only recommendation that we'll be dealing with is found at the top of page 220. It's recommendation no. 2 on 220. And that was dealing with the transfer of Sask Pork's assets to SPI Marketing Group Inc.

Any questions or discussion on that recommendation?

Ms. Atkinson: — Isn't this a bit after the fact, in that Sask . . . what you're recommending is that they should have obtained approval? But the assets have already been transferred.

Mr. Wendel: — I guess it would be after the fact. I agree with the member. But at the moment they have no authority for what they've done. They've done it, and our position is they don't have the authority to do what they've done.

Ms. Atkinson: — Well can we hear from the other . . . is there someone else that has a different opinion on that?

Mr. Nystuen: — Mr. Chair, just to give a small amount of background around this. Largely the funds that would have been held in SPI are check-off funds. Okay? And so when a farmer markets a hog, there is a portion of the selling price that would go to the industry.

That capacity was established under The Agri-Food Act in Saskatchewan. We have many pieces of legislation that are exactly like that. The transaction occurred when SPI went away from being a monopoly to being like all other check-off boards that are not monopolies.

There was a balance in the account that, in the interpretation of the department firstly, was producer funds. It came from the fact that it was money that had come from the sale of producers' animals. It was to do the work of producers, okay and so it was sitting in SPI.

So upon the conversion, the perspective of the department was, if the government was to repatriate that money to the government it would be taking money that was farmers' destined to do activities on behalf of specific farmers — and, for example, pork producers, okay.

In going through that process, the Department of Agriculture consulted the Department of Justice of all of the steps that we needed to go through and whether or not there were the authorities in place under existing regulations for the transactions that occurred to occur. And the Department of Agriculture received from Justice saying, yes, the department . . . or that SPI has the authority to do step one, step two, step three. And so we went through that process and the funds were transferred to Sask Pork.

So previously we were speaking about a difference of professional opinion about how accounting treatments should occur. Well now we've just stepped into a new realm, which is differences of professional opinion about whether lawyers believe there are appropriate authorities in place to do transactions.

The Department of Agriculture relied upon the Department of Justice to carry out this activity. In the Department of Justice's

opinion there was not the requirement of an order in council and so we did not get one. And that is what we would describe as what transferred.

Ms. Atkinson: — This is an ongoing problem. When you . . . you know, here we are, members of the legislature, or in the case of if you're a member of Executive Council, you're relying upon professional advice. And then you have auditors who disagree with each other and you have lawyers who disagree with each other and so on. So you just have to take a . . . you just have to decide what you're going to do.

And it seems to me that this is a recommendation after the fact. Would it not be . . . Maybe it's appropriate to recommend that when these kinds of transactions are taking place that departments should be mindful that they receive the necessary legislative authority through order in council or whatever to make these kinds of transactions.

But I'm not quite clear how after the fact we're going to fix the problem, really, given that you have two different lawyers . . . you have lawyer with two different opinions.

The Chair: — Seeing no comment from either group.

Ms. Jones: — Well I think since we're on the record, I'd like to state that I'm not so sure that after the fact that we've identified a problem. We've identified the problem that there's a difference of opinion. But I wouldn't be prepared to say that we've identified a problem.

Clearly it was felt that under the legislation and the necessary regulation they had the authority to make this transfer, otherwise it would not have been done. And, you know, the fact that Justice agreed with them I think is a good indication. We do rely on the Department of Justice to interpret our legislation to a very high degree.

And I mean it is after the fact as Pat has acknowledged, but I'm not too sure that an accountant and an auditor's opinion might . . . should necessarily override a Department of Justice opinion. So I have a little problem saying that this is a problem.

And I also am wondering . . . We're dealing with 1998. We have subsequent audits done on the same department. And I'm wondering if there is any sort of a continuing problem or if this was a 1998 issue identified and has not recurred and whether it needs any further consideration by this committee.

Mr. Wendel: — Just two comments. The first is we've also sought legal advice so it's not an accountant or an auditor's opinion alone on this.

But it comes from a principle that we always have and is you can only do in law what the law allows you to do. So this organization was created to do certain things. It has a number of powers set out in its order that it can do. And it didn't allow them to transfer the assets they had to an outside party, okay. If they wanted to have that authority, it should have been put in that particular order. That was our view.

Now it's only a one-time event. It happened back then. This is the first time it's up for consideration. There haven't been any

more. That's really . . . it's the principle that they need to be sure that they have the authorities and specifically laid out in the order that gives them their authorities before they do things, and that's the issue.

Ms. Jones: — And I guess I would say that they obviously believe that they did have the authority. So I don't know what we do with that argument between your lawyers and Justice's or Ag and Food's reliance on Justice's opinion. And I'm not too sure how as a committee we sort that out other than to note your concern.

Mr. Nystuen: — Mr. Chair, in trying to be helpful I guess what I would do . . . Jack has brought to my attention that a similar circumstance occurred when Canodev, which is of the Canola Development Commission, had a transaction. Now in that case, apparently a similar transaction had occurred, but after the fact the department had talked to Justice about had we done this appropriately. And the Department of Justice in that instance, let's say, was less clear about whether or not there was an authority to transfer. And so after the fact, the department went back and sought an OC (order in council) to authorize the transfer of assets. Okay?

Now, just sort of following . . . so that occurred. So then on this circumstance the department sought the view of the Department of Justice about whether or not we needed the OC in the first instance. And that was what created the circumstance where they said, well no, you don't. And therefore we proceeded rather . . .

So now we find ourselves in the spot where, you know, we may need to go back — if this Public Accounts Committee deems it's appropriate — and again seek our retroactive OC. But I mean the first circumstance we would hold out was different from the second because in the first time we didn't have . . . we didn't ask and get the opinion. The second time we did. But there's still the difference of opinion.

And I guess that's the part that . . . instead of having the comptroller's office and Provincial Auditor sort this out, maybe we should have the Department of Justice and the Provincial Auditor sort out some of these legal issues. Because again we find ourselves in that circumstance.

Mr. Gantfoer: — Thank you, Mr. Chair. Just a couple of points. Public Accounts always deals with things in the past. We have no authority or mandate to deal with things in the present or the future. And so we are always closing the gate after the animals have escaped. And I think the important part of it is that what we try to do is set principles that we can learn for future decision making.

And I would submit this isn't a huge deal other than the principle. And if it isn't clear, if there is a difference of opinion between two legal departments, if the authority is there or not, then get the authority. And the recommendation says that Sask Pork should obtain order in council authority because it wasn't clear that it's there. They didn't think it was there at all; the Justice department felt that there was sufficient authority. When in doubt, make sure and get the appropriate authority. And I think that's the principle that we can talk about. It's not to sit and pass judgment on how wrong this was.

I personally don't think it is a great problem other than it sets the tone and the standards for departmental behaviour into the future. And I think the role of Public Accounts over this last decade has moved the public accountability up a whole lot because those principles have been established and have been reinforced by the Public Accounts Committee, by and large on the recommendation of the auditor.

So my suggestion would be is we simply concur with the Lieutenant . . . the auditor's recommendation; and that's not a big deal or a condemnation of the department, it's just saying that that's a principle that we respect and support.

Mr. McCall: — I guess I've a slight variation on Mr. Gantfoer's comments. With the example of Canodev, Ag and Food, when it came to the example of Sask Pork, sought out the best opinion of Justice to get the best legal opinion on whether or not the authority was there to engage in such a transaction. Now the Provincial Auditor says that the authority was not there within the founding orders of Sask Pork.

But given that Justice would have been attenuated to the . . . in the situation, given the experience with Canodev, I guess what I would want is more information on what Justice founded their opinion on. Because there must have been something . . . Given that they'd been down this road once before, there must have been something with regards to the Department of Justice's investigation of this situation that led them to believe that they were giving you the best advice possible. So is there any more that can be . . . any more information that can be given as to what the Department of Justice founded their advice to Ag and Food on?

Mr. Nystuen: — Now I'm in a spot where I should talk to my lawyer. I guess what I'm . . . And I don't know this, whether or not we have shared with the Provincial Auditor the legal opinion that we did receive from the Department of Justice. Do you know that? . . . (inaudible interjection) . . . Had not? Because I think that that would be the appropriate first step, is to share that opinion with the Provincial Auditor.

Mr. McCall: — That being the case, I would:

Move deferral on this.

Because I don't think we have all the information that we need to make the best decision on this recommendation.

The Chair: — The resolution by Mr. McCall is that we defer a position on that recommendation at the top of page 220. Any discussion? All in favour? Agreed.

Okay, let's turn to chapter no. 6, and there are two recommendations in chapter no. 6. And both of those recommendations deal with the topic that Mr. Wendel and Mr. Paton have identified in that there's a bit of disagreement as to what is proper as far as accounting principles.

Is it the committee's wish to defer decision on recommendation no. 1 on page 126 and recommendation no. 2 on page 129? Mr. Harper.

Mr. Harper: — Yes, Mr. Chair:

I move deferring.

The Chair: — Move deferral, both of them. We'll include both in the same resolution. Any discussion? All in favour? Opposed? Carried.

With that, I think that brings our discussions and deliberations with Sask. Ag and Food to a close. I want to thank you and your officials for coming down, Mr. Nystuen, and helping us through this.

We will adjourn at this time, till tomorrow morning at 9 o'clock. But before we do that, I would ask members to stay because we are going to use a bit of your time to discuss matters relating to some of the topics that we'll talk about tomorrow, not connected to actual Public Accounts agencies. And then we'll let you go for your coffee break and you'll be done for the day, Ms. Jones.

But we're adjourned now, so that the next items are not on *Hansard*.

The committee adjourned at 3 p.m.