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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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The committee met at 13:30.

The Chair: — Good afternoon, everyone. We'll reconvene for the afternoon session. And first I'll begin with asking Mr. Wendel from the auditor's office to introduce staff that he has with him this afternoon.

Mr. Wendel: — Thank you, Mr. Chair. Right over here is Victor Schwab, who is replacing Rod Grabarczyk who usually is here. Mark Anderson, who will be making the presentation on working together to gather information for public reports. Judy Ferguson, who will be making the next presentation on infrastructure, and Brian Atkinson, who attends with me.

The Chair: — Great. Thank you very much, Mr. Wendel.

Mr. Paton, we'll get you to introduce yourself and your staff.

Mr. Paton: — Thank you, Mr. Chair. Attending with me today as usual is Chris Bayda from Finance.

The Chair: — Thanks, Terry. And welcome, deputy minister from Social Services, Bonnie Durnford. Bonnie, would you introduce the individual with you as well.

Ms. Durnford: — Yes, thank you very much, Mr. Chair. Joining me is Shelley Hoover, who is the assistant deputy minister of Social Services. Thank you.

Working Together to Gather Information for Public Reports

The Chair: — Welcome, Shelley. Okay. As is our traditional format we'll ask Mark, Mr. Anderson, to give us the presentation from the auditor's office.

Mr. Anderson: — Thank you. Chair, members, officials, we are here to talk about work that our office has done in the area of how government organizations come together to pursue common goals.

More particularly I want to talk about how these organizations work together to report publicly on what they have achieved. And this is chapter 16 at page 311 of our 1999 Fall Report, Volume 2.

So why did we do this study? More and more the government recognizes that to solve issues and move forward, it needs to bring a number of its organizations together. We call these cross-government or intersectoral initiatives.

When more than one organization is involved it becomes more complicated and more difficult to do certain things. Each organization brings to the initiative its own way of doing things. Each organization brings its own rules, its own policies, its own accountabilities.

One particular challenge that we're interested in relates to how these intersectoral initiatives report their activities and their results to the public. Through reporting, an intersectoral initiative enables the participating organizations, legislators, and the public to better understand and assess the initiative's

collective performance. This ultimately promotes better performance.

But the problem is, participating organizations often define concepts differently. They collect different information in different formats. They have different communication objectives, schedules, and needs.

Now in an earlier report which was chapter 6 of our 1999 Spring Report, we described the best practices that intersectoral initiatives should use to overcome obstacles to gather information for public reports. The chapter we are discussing today describes how one particular intersectoral initiative, Saskatchewan's Action Plan for Children, used these best practices to gather information to report publicly.

Now, why the child action plan initiative? First, the action plan involves nine different government organizations working together with close links to many more. It's a good example of an intersectoral initiative that faces the challenges that we've described.

Second, the action plan is an intersectoral initiative that has been operating for several years, while some other initiatives are relatively new.

Third, the action plan has been successful in reporting. They have quite a few different reporting vehicles and they've been reporting for some time.

And finally, when we approached the members of the action plan, they agreed to share with us the lessons they had learned along the way. They agreed that other intersectoral initiatives could benefit from their experience and they also expressed an interest in further improving their own reporting processes.

Our objective was to study how processes used by Saskatchewan's Action Plan for Children reflected best practices for gathering information for public reports. I'll mention that the chapter lists the best practices at page 314 and over on to page 315.

In brief the best practices are: to clarify purposes for gathering information; to gain agreement from partners to provide information; to remove barriers to assembly of the information; and to gain agreement from partners to report information publicly.

Now I would like to point out that these best practices do not, in practice, fall neatly into the order that I'm presenting them in. It's not a linear process.

First best practice is to clarify the purpose for gathering information. When organizations that work together gather information to report publicly, they need a clear understanding of why they are reporting. Organizations can differ considerably in what their communication objectives are.

Now we've found some useful practices in place at the action plan. For example, the action plan uses a policy framework to guide what it reports. They also use formal written work plans and communication plans. These are discussed and approved

jointly.

The second best practice is to gain the agreement of the partners to provide information. To report successfully, the partner organizations have to agree on who is responsible for gathering and who responsible for providing specific information. Many intersectoral initiatives have a coordinating group where this takes place. In the case of the Action Plan for Children, it is the steering committee.

The steering committee's role is key in terms of gaining the agreement of partners to provide information. Each participating department has someone on the steering committee and what we've found is that these individuals took responsibility for getting the necessary approvals from their departments. And in fact, they also took broader ownership and played a liaison role within their broader sector.

The next best practice is about removing barriers to assembly of the information. Incompatibilities between organizations make public reporting more difficult. I'll mention that when you have a clear purpose set out at the front end you can avoid some of these difficulties.

In the case of the action plan, the plan uses a coordinator and subcommittees, primarily a communications subcommittee, to bring together the information and to meld it into something that works for all of the participants. Differences in language between sectors can make this a difficult task. And one example is . . . one example involves the word children, which means to the health sector ages 0 through 18, for the education sector ages 5 through 18, and for the justice sector ages 12 to 18. As with the other steps, this assembly of information involves much consultation, collaboration, and negotiation.

Finally, best practices include gaining agreement from partners to report information publicly. Different organizations looking at the same information can interpret the information differently. This poses a challenge to creating reports that are acceptable to all of the organizations and getting the necessary final approvals. We found that the action plan first builds a consensus on how to interpret the information it has gathered, and it has also set up structures or procedures to obtain the approvals necessary for public reporting.

Overall, we've found that the processes used by the Action Plan for Children to gather information for public reports reflect best practices. By studying the challenges faced by this intersectoral initiative, we were able to highlight best practices for others facing similar challenges, and at the same time we were able to provide some constructive advice to the Action Plan for Children.

Now this chapter does not contain a recommendation for this committee's consideration. Rather, in this chapter we encourage managers involved in other intersectoral initiatives to use the best practices set out to help them improve their own reporting to the public.

Finally, I'd like to acknowledge the excellent co-operation we received from members of the interdepartmental steering committee that oversees the initiative.

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

The Chair: — Thank you very much, Mark.

Ms. Durnford and Ms. Hoover, comments from your department?

Ms. Durnford: — Well I should have made it clear when I was introducing myself and Ms. Hoover, Mr. Chair, that we are here as the lead department on the Action Plan for Children. The Minister of Social Services is the lead minister for this initiative and we carry the responsibility for coordination and moving the agenda forward. So that's why we're here today.

I don't have a lot further to say other than we enjoyed working with the Provincial Auditor's office. Public reporting on this issue was something that was described or endorsed by government at the outset with the action plan and was really a critical element of what we were trying to do at the time in terms of encouraging sort of broader government and community partnerships and responsibility for children. So in order for that agenda to move forward we very clearly had to think our way through on some of these public reporting issues.

So with that I'll stop my comments, and I'd be more than pleased to answer any questions you may have.

The Chair: — Thank you very much. As Mr. Anderson has indicated, the chapter 16 of the '99 Fall Report does not contain any recommendations for us other than the summary that appears at the end of the chapter on page 320. And this is just your opportunity to clarify or to question any of the auditor's office or as Ms. Durnford indicated, the lead Department of Social Services. General comments or questions?

Mr. Wakefield: — Thank you, Mr. Chair. I just have, I guess, a statement or a comment and a question. Working with different organizations, different departments, putting them all together and working together I think is a very positive way to do this. It lets you understand the things that are happening in others and the problems they're having so that maybe a solution can work together . . . can be worked out together.

My question would be — what has gone into this so far I'm sure is very time consuming — what proportion of your time would be put into an action plan reporting rather than program implementation?

Ms. Durnford: — It's when we go through the process of public reporting it's obviously very . . . there's a lot of work that goes into the preparation of the public report. But perhaps what I should do is take you back and explain how the steering committee operates on a general basis.

So the . . . how we've generally organized ourselves is, as the auditor's staff has indicated, there's nine departments or agencies all working on this agenda. Each department has a representative on an interdepartmental steering committee and the Department of Social Services chairs that interdepartmental steering committee. The steering committee meets on a regular basis, once a month for generally three to four hours depending on the agenda, sometimes a little bit longer. And the work is generally done in the steering committee context so that

parameters will be set for public reporting.

So we'll decide if it's time for a public report to be issued. We would decide what the content would be and we would describe that. We would then assign the process of collecting the information and developing the report to a subcommittee of communications directors. And they would understand the task and so they would begin to, to pull all of the pieces together.

In terms of the actual time spent, I don't know that I can give you a specific estimate but this is certainly work that's included on people's regular agendas. We don't sort of suggest that we've added staff to the steering committee or to the interdepartmental process in order to allow it to move forward.

I think when we started the process there was a very clear understanding amongst departments that given we were talking about children's issues and the mandate for children spread across so many agencies, that we could do a lot better if we came together at various points to plan and think through some of our actions.

So that's how we've handled it in the past.

Ms. Hamilton: — Yes. I guess with everything, what's important once you find a model that is working — and it's from the comments that are in the summary that this has worked in a reporting sense and allows the plans and the activities and the results to be reported to the public in a very sound fashion — whether this model is something that is captured through the work that you've done or through something that we have, that if another intersectoral, interdepartmental group is formed, they could be presented with the information to capture the model that's been developed here.

I guess I would be asking both that of the auditor's office and the lead department.

The Chair: — Who wants to be first? Mr. Wendel or . . .

Mr. Wendel: — That's one of the purposes of our Chapters Committee, is to put this out as best practice for those organizations that have to report publicly. And this will help them. They can use this chapter as a guideline.

Ms. Durnford: — Certainly I think it's valuable experience. I think this was the first intersectoral initiative of its sort in government. And in many of my colleagues . . . I chaired the steering committee for a period of time and others have as well and it is, when you bring together that many different departments and agencies all with different mandates and different ideas around how to proceed, it is very much of a challenge. And I think that we have established some practices here that others can learn from.

So I would hope that the material that's been put together by the auditor would inform future and current activities.

Ms. Hamilton: — My comment would be then, I'm wondering if it's of value to have a letter, perhaps, from the Chair and Vice-Chair of the committee to the departments or to executive government that would say that this is something that we value and would encourage to be used when there are other such

initiatives that are planned. Or somehow this gets translated to people. I don't know another mechanism.

The Chair: — If I could ask Mr. Paton, with this kind of a model, is . . . I mean, we've talked about your accountability work with various departments. Is this something that is an initiative that your department is looking at?

Mr. Paton: — This isn't something that the Department of Finance, I believe, is currently looking at, but definitely something that I think departments would be interested in seeing. Often when chapters or reports come from the Provincial Auditor they're not read by other departments. They're not seen by other departments.

One option might be to send a letter to the departments. But you might want to make recommendations to the legislature in terms of how your committees viewed this report, and through that avenue encourage the communication through to departments.

The Chair: — Mr. Harper . . . Were you finished, Ms. Hamilton? Or did . . .

Ms. Hamilton: — Well, just that if a motion is required to do that, I think that would be important.

The Chair: — Yes. We'll move to that if that's what we're going to . . . I know Mr. Harper had a question first.

Mr. Harper: — Yes. I wanted to suggest something along the same line, that perhaps we want to look at some communications from this committee to a level of government. And I believe probably through the Legislative Assembly would be the correct process. And I . . . because I find this a very exciting way where you can get actually different departments to work together for a common goal. I can see many benefits in that.

So I think it's something that is quite positive and I think I'd want to recommend that perhaps to the Legislative Assembly for executive government to consider using in the future where other models . . . where this model can work in other situations.

Mr. Anderson: — And I was just going to add that there are many other examples that currently exist of intersectoral initiatives.

The Chair: — Seeing no further comments or questions, as I said, there are no recommendations and it's our responsibility to indicate that this has been reviewed.

We have a suggestion that through our report to the Legislative Assembly that we highlight this — the process identified in this chapter — and encourage that as a model for other intersectoral reporting period. Is that . . . does that require a motion here, or is that just a consensus that will be agreed upon as recorded in our minutes? Okay? Agreed?

Any other comments or questions of this chapter and . . . any other questions? None?

Thank you very much, Ms. Durnford and Ms. Hoover and Mr. Anderson. And we'll move to the next section.

The committee recessed for a period of time.

The Chair: — Okay. We'll call the meeting back to order, and I want to thank the officials from the various departments for adjusting their time schedules to come before us earlier than requested. First I'll ask Mr. Wendel to introduce one of the members from his staff.

Mr. Wendel: — Yes, members, since the last introduction, Jane Knox is joining us from our office and she does a lot of our work in infrastructure.

An Overview of Infrastructure Risks

The Chair: — And the presentation from the auditor's office will be done by Judy Ferguson, who's been introduced to all of you already once today.

And I'd like to introduce Mr. Glen Veikle from the Finance and Treasury Board branch, and introduce the person that's with you this afternoon, Glen, if you would.

Mr. Veikle: — I have Naomi Mellor from the performance management branch in Finance.

The Chair: — Thank you. Welcome, Glen and Naomi. I'd ask Jim Nicol, who's the acting director of senior management services and executive assistant to the deputy minister to the Premier, to introduce the lady that's with him.

Mr. Nicol: — I'm joined by Bonita Cairns, who's Department of Executive Council's director of administration and information systems.

The Chair: — Welcome, Jim and Bonita. And from the CIC (Crown Investments Corporation of Saskatchewan) branch.

Mr. Swystun: — Blair Swystun, executive director of finance and administration, Mr. Chairman.

The Chair: — Great. Thank you very much, Blair, for coming.

Okay. As I indicated, Judy is going to do the presentation from the auditor's office. Judy, it's all yours.

Ms. Ferguson: — Thank you, Chair, members, and government officials. This afternoon I have the privilege of presenting to you chapter 4 of our 2000 Fall Report. In this chapter we briefly describe what we mean by public infrastructure. In addition, we identify key risks that government faces with their infrastructure. We think it is important that members and the public understand these risks.

First off, we define infrastructure, public infrastructure, quite broadly. When we use the word public infrastructure, we use it to mean all physical assets that the government uses to deliver public services. This includes assets owned, constructed, and leased by the government. It also includes where the government is providing money to other organizations to operate or pay for infrastructure and those types of assets there.

We think it is important for legislators and the public to recognize that the government owns, operates, and funds a great

deal of infrastructure. Its investment in infrastructure is very significant, over \$14 billion.

If you go to page 192 in the report, you'll see there that there's an exhibit there. And the exhibit briefly sets out the infrastructure by different types. You'll see it includes machinery and equipment, vehicles, capital leases, material supplies, plants and buildings, construction in progress, land, and other, is one type of grouping. And the other type of grouping is roads and bridges, and dams. And all together it's a lot of infrastructure that they manage.

What's not on that listing is infrastructure where the government does provide funding to others for infrastructure, such as schools where they provide fundings to build schools. Those infrastructures tend to be managed by other public organizations. Unfortunately the extent . . . a nice summary extent on that infrastructure isn't publicly, or readily publicly available.

We think it is important for the government to be aware of infrastructure risks, not only because the government's infrastructure is very significant, but because infrastructure can be difficult to manage. Infrastructure is typically long-term in nature. It can affect the cost, timeliness, and level of services that the government provides. It involves ongoing costs to operate and manage, ongoing costs to replace it once it can no longer provide the desired level of service or desired quality of service. Also infrastructure often involves many different parties.

In this chapter we do not include specific risks unique to information technology or IT infrastructure. IT infrastructure does have some different risks than we set out in this chapter, and our office is looking at those risks separately.

In this chapter what we've done is we've grouped the risks into five main categories. They are: identifying infrastructure needs — basically looking at long-term planning; second, clear responsibility; maintaining the capacity of infrastructure; maintaining good information; and lastly, keeping the public informed. I'm going to provide a little brief summary of each of these five categories.

Identifying infrastructure needs, which is long-term planning. Why is needs identification and long-term planning for infrastructure important? Well identifying infrastructure needs should be an integral part of the overall planning process. To make the decisions about infrastructure, the government needs to know what services the public needs, not only today but in the future. It then needs to determine what information is necessary to support the delivery of these services. Where does it need this infrastructure? How much infrastructure does it need and when? Today, next month, next year, or five years from now?

Planning for infrastructure does not stop after its initial purchase. It must also include planning for its ongoing operations, planning for its maintenance, planning for its renewal, and ultimately for its disposition. For some infrastructure this may span over several decades. For other public infrastructure it may perhaps only be a couple of years.

Decisions about each of these stages of infrastructure must link into overall planning decisions. This is important to help ensure infrastructure contributes to the government's achievements of its plans and its priorities. It should also help the government to successfully allocate public resources in a way that will ensure the public's needs are met.

Currently the government's planning focuses generally primarily on one to three to five years. Unfortunately this time frame does not coincide well with the long-term nature of some of its infrastructure. For example, dams and roads are built to last for decades if properly maintained.

Resource decisions that are based on a shorter time frame may not sufficiently match the longer term financial implications of infrastructure. Long-term planning, planning that is tied to services that are expected to be delivered, is critical to ensure infrastructure is available when needed and money is spent on infrastructure in a way that contributes to the overall achievement of the government's plans.

The second category, setting clear responsibilities for infrastructure. Why is this important? Many different public organizations such as departments, Crown corporations, and agencies, hold and manage infrastructure that the government uses for the delivery of services. At times one public organization may hold the infrastructure that another organization depends upon to deliver. For example, SPMC, the Saskatchewan Property Management Corporation, holds the provincial correctional centres, while the Department of Justice provides the correctional services.

At other times the responsibility for infrastructure can be moved from one government organization to another. In health reform we saw that the responsibility for the hospitals moved to the health districts.

In addition, who pays for what aspect of infrastructure can vary. The government provides money to operate and to buy infrastructure, even though it is owned and managed by other public organizations. For example, it provides funding for new schools that are managed by school boards.

These arrangements can result in complex accountability relationships between the government and the organization holding the infrastructure. That makes it critical for there to be a clear understanding for who is responsible for what and to whom.

If you go to pages 194 and 195, what we've done is we've provided a listing of some of the key decisions that must be made surrounding infrastructure. For each of these it is important that an organization have a clear understanding who is responsible for each of these key decisions.

For example, each party must understand who is responsible to whom for the overall performance of the infrastructure to ensure that infrastructure provides the expected level of service; who is responsible for whom for deciding when to build or buy additional infrastructure; who is responsible for whom for paying for or financing that initial purchase or ongoing costs or later major repairs that may be needed; who is responsible for whom for deciding when to dispose of the infrastructure or

when it is no longer of use to the government or to that particular agency. And lastly, who is responsible for whom to ensure that the associated costs with the infrastructure are reasonable.

Given the longer term nature of infrastructure, it is important that these responsibilities address the decisions necessary over the entire life of the infrastructure. Once the responsibilities are clearly understood and set out, the government must then have mechanisms to hold the organizations accountable for the responsibilities assigned. If this is not done well, the government risks not achieving its overall goals and objectives and incurring excessive costs and perhaps not even using the infrastructure wisely.

The third area that we focused on is maintaining the capacity of infrastructure. What do we mean by capacity? We use capacity to mean the ability of the infrastructure to provide the quality and quantity of service at an acceptable level to the public over the life of the infrastructure. Thereby to maintain capacity of an infrastructure, an organization must know the level and nature of the services expected and when. Again that linkage into planning.

To make the best use of infrastructure, it must undertake cost-effective steps to ensure the infrastructure is in place and can operate to meet the expectations. Again that link back to the planning process.

At times, due to limited resources being available, governments sometimes choose to defer infrastructure. This can result in infrastructure that does not function properly when it's needed. It can also result in the government spending higher costs at a later date because of deferring the cost they spend now to a future period.

Deferring maintenance can increase the risk of health and safety issues for employees and the public, and in addition at times there can be greater risks for environmental concerns. As a result, governments must carefully analyze the benefits and risks of deferring infrastructure before making these decisions and assess what the impact would be on the capacity of the infrastructure in meeting its overall objectives and plans.

The fourth area that we looked at is maintaining good information. Again why is it important to have good information specifically for infrastructure? Not unlike other areas, the government needs good information to make good decisions. In this case it needs to make decisions about infrastructure over the life cycle of that infrastructure.

Some of the information is financial, and I've referred to it earlier. For example, information about costs to buy or finance the initial infrastructure, ongoing costs to operate, costs to repair or maintain, and disposition costs — the time it costs money to dispose of infrastructure.

In the past, governments have not always kept records of all of this financial information. This is gradually changing. For example, governments traditionally didn't keep track of the costs to build our transportation system.

Some of the information that it needs is non-financial. For

example, information about the current state of the infrastructure. At what capacity can it currently operate? How long will it last? What level of service can we expect it to provide now or provide in the future? How well is it performing or operating?

This information is important, not only at the planning stage, but later on as you're monitoring the infrastructure. Monitoring to ensure that it's meeting your expectations. For example, you need this information to determine if the provincial transportation system is safe and reliable, and if it isn't, what steps do you need to undertake to make it safe and reliable?

Collecting and maintaining good information in a way that can be used to help make decisions is important. It will help reduce the risk of poor decisions, of wasting public money, and of being unable to provide the required public services when needed.

The last area that we focused on was keeping the public informed. The public are often the primary users of the government's infrastructure in that they are often the users of the government's services. At times they are also those that are employed to build the infrastructure or employed to operate the infrastructure.

The public recognizes that infrastructure is expensive and essential in providing public services. They express interest in infrastructure — they want to know how well the government is managing their infrastructure and at what cost. They also want to know what the current state of the infrastructure is. It is important that they are kept properly and adequately informed.

Government should provide the public with infrastructure . . . with information on infrastructure. When the public has good information about infrastructure, they can better understand and assess the government's decisions. Without this information, the public may lose confidence in the government's decision and its ability to manage infrastructure.

So what's next? Over the next few years, we plan to examine and report on how well the government manages various aspects of these risks that we raise in this chapter. We have started some of this work. In our upcoming fall report, you'll find that we have two chapters that link into infrastructure. In one chapter, it sets out the results of work that we did at two health districts where we looked at the adequacy of the capital equipment plans.

In another chapter, what we're doing is we're setting out the content of good public reports on infrastructure and our upcoming plans to look at a couple of government organizations' public reports on infrastructure to see how they compare to the good content.

You will notice that we did not make a recommendation in this chapter before you. Rather we hope that this chapter will help you understand — and the public understand — the importance of infrastructure and the risks that the government faces in managing them. We think managing infrastructure is important and we look forward to working with government officials in this area.

That concludes our presentation and we'd be pleased to respond to any questions.

The Chair: — Great. Thank you very much, Ms. Ferguson.

Mr. Veikle or any of the officials — if you want to begin, Mr. Veikle, in making your comments, if you have any, and then we'll just throw it open to discussion.

Mr. Veikle: — Thank you, Chair. I've just got a couple of introductory comments and then I'll turn it over to Naomi who will go into a little bit of detail on the report.

I guess from my perspective the key in all of this is ensuring that the decision makers have the kind of information that they need in order to ensure that they understand what the current state of infrastructure is and what the plan is to manage infrastructure into the future.

And so from that perspective Finance is very much in agreement with the direction that's being proposed by the auditor. There is . . . we just think it makes good sense.

I'd also note that as . . . (inaudible) . . . upon, one of the steps that we've taken in that is we've developed a set of guidelines to assist departments in terms of identifying what the status is of their current infrastructure and to also assist departments in identifying the gaps and putting together a plan as to how to address those gaps into the future. So we think that with these guidelines we'll be able to put a pretty comprehensive picture of the current state of infrastructure and the plan for future infrastructure in front of Treasury Board and cabinet and make sure that decisions are very well informed from that perspective.

With respect to another point that was made in the presentation around assigning responsibilities and holding actors accountable around infrastructure, we think that that is also a key in managing your infrastructure. And in fact that is the cornerstone of the whole accountability project.

So from Finance's perspective, we agree with the direction that's being proposed by the auditor and in fact we have been taking steps to move down this path over the past period of time and we believe that we are improving in terms of how we manage our infrastructure.

Ms. Mellor: — Thank you, Mr. Chair. As Glen mentioned, to support good capital planning and management, in October of 2001 we did issue to departments a set of capital planning guidelines for the first time. These guidelines were developed by the Department of Finance in consultation with SPMC and a number of departments.

I think the intent and the general content of those guidelines lines up quite well with the points that the auditor raises in his report . . . or in his chapter on infrastructure risks.

Certainly individual departments do have already in place internal processes to plan for and manage their infrastructure. The intent of our work is to set some system-wide standards and expectations in terms of the information that departments should be maintaining on their capital assets, the processes that

they should have in place to plan for these investments, and the key pieces of information that they should be bringing forward to decision makers.

Very briefly our guidelines identify three key steps involved in developing a capital management plan. First, that departments assess their existing assets, capital assets. Second, that they identify gaps between their existing assets and their required assets. And third, that they identify options and costs associated with closing that gap. And that they prioritize their proposed acquisitions.

Within each of those steps we do outline the type of information departments should be collecting and analyzing in order to develop its capital management plan. And we also identify the information that should be brought forward to government decision makers for their review.

So I would note that we're very early on in this component of our planning work and we recognize, as I think the auditor does as well, that it takes some time to implement good planning processes. Nevertheless I think that the intent and the content of our guidelines do cover most of the key points that are raised in this chapter, and we expect continued progress over the next couple of years. Thank you.

The Chair: — Thank you, Naomi. Any comments from Blair or Jim at this moment? No. Okay, we'll open the floor to questions or comments from any of the members of the committee.

Mr. Gantefer: — Thank you very much, Mr. Chair. And thank you . . . And I'm not sure who to direct this to, so I'll just throw it out there and anyone who wants to pick it up is welcome. In the auditor's report in chapter 4 on page 192, there's the exhibit of infrastructure assets that are held, I guess, broadly by the government.

I'm wondering if you could explain a little bit the differences. And I understand from the comments in the report that they do not include some third party assets like schools. I would imagine on the buildings and things of that nature, that the University of Saskatchewan, University of Regina — I'm assuming they might be in this list — I wonder if you could explain a bit what's in this list. And I'm not sure who best to . . . maybe Judy is the right person to explain the list or the exhibit.

Ms. Ferguson: — Thank you, members. If you actually . . . if you go to the source there, it does explain what's in there in terms of its, what . . . Basically what is in there is whatever is in the summary financial statements. We have added in the universities just because they are large, so they are in the list there.

Mr. Gantefer: — Is there Crown assets in here?

Ms. Ferguson: — Yes they are, yes. So the assets that are held . . . All the entities that are within the summary financial statements, that would include all of the CIC Crowns and its subsidiaries, all government departments — but you have to keep in mind how they record their assets a little bit differently — and the Crown agencies such as SPMC would be in here.

Mr. Gantefer: — So would schools and hospitals?

Ms. Ferguson: — No, schools would not be in here in that schools, the assets are managed by school boards and they are actually owned by the school boards themselves, so that isn't in here.

Municipal roads are not in here. Hospitals are in here in that they are managed by health districts, you know, and they are part of the summary reporting entity.

I think what you . . . the reason . . . I think your question is relevant in that the government does hold the assets in a number of different ways. Sometimes it holds it directly. In other cases it's just funding somebody else to . . . and using them to deliver services.

Mr. Gantefer: — I don't know if the right word is how some of these assets are capitalized. For example, schools have the asset and the government I believe covers the cost of the asset over time by way of covering the cost of debentures that the school board issues for the asset.

Are there various funding mechanisms . . . Some things seem to be funded out of current operating costs; some are current . . . are General Revenue Fund capital costs. Is there a consistency across the acquiring of assets in terms of how they're capitalized and acquired?

Ms. Ferguson: — I'll attempt to answer that in part. We haven't looked, as an office we haven't looked for the consistency. The way that we've . . . are looking at it in this chapter is those types of arrangements, that's where it is important that the responsibilities be clearly set out, and who is responsible for what.

If the government is funding the initial asset, how is the funding for the ongoing costs going to . . . where is that funding going to come from? Is that going to be picked up from the property taxes or is it going to be picked up by the government? It's those types of things that we as an office are saying, make sure that they're clearly set out and understood by all the parties involved.

For capitalization, from a government point of view, they're going to capitalize what's in the reporting entity and follow their accounting principles set out there. Perhaps Terry might want to respond to that further.

Mr. Paton: — The only thing I might add to Ms. Ferguson's description is the list that she's prepared here for the most part does follow the summary financial statements of the government. That consolidates roughly a hundred entities. And each of the those entities have different accounting policies. So they might be capitalized in different fashions but in each situation they've gone through due process with their auditor, which in many cases is the Provincial Auditor, in terms of whether or not their policies are appropriate or not.

The summary financial statements takes all of those numbers and consolidates them in. The only exclusion or difference is that in this list is included the universities, and that is not included in the summary financial statements.

Mr. Veikle: — If I could just respond to I think what you . . . part of the question . . . where the question was heading. What we currently . . . when it comes to schools or universities we currently pay for that infrastructure in the year that the infrastructure is built, so it's not amortized over some period of time. If we build a new school, we pay for it as it's built. It's expensed out of the budget as it's built.

Mr. Gantfoer: — So out of a revolving fund or whatever, the actual expenditures incurred in the fiscal year are expensed and that's the end of it. What is the debenture system for school boards then, when the new asset is approved?

Mr. Veikle: — School boards could come to SMB (Saskatchewan Municipal Board) and finance the initiative through debt. However that approach we have generally not . . . we've moved away from that approach over the last several years towards putting the capital in upfront and avoiding all the interest costs associated with that.

Mr. Gantfoer: — These days, what interest costs? So then the actual capital expenditure that it talks about here in '99-2000 of 652 million would be, by and large, expenditures that were incurred in that year.

Mr. Veikle: — Sorry, where do you see 652 million?

Mr. Gantfoer: — On page 193. In the second line down it says that in 1999-2000 the government reported that it spent more than 652 million to buy infrastructure.

Mr. Paton: — Mr. Chair, if you want maybe I can address part of that.

That number, and again I would want the auditor to clarify that, but that number relates to the additions that took place within the summary financial statements during the year. So within the government proper and places like SPMC (Saskatchewan Property Management Corporation) and other Crown agencies, I know that the government organizations had additions during the current year of about \$169 million roughly . . . pardon me, 191 for the year that Judy's referring to. And the balance must be from the Crown corporation additions.

So the question that I think you were referring to about schools wouldn't be included in that number. That's a different . . . that's grants, as Mr. Veikle pointed out. Those are grants that we would provide to schools and so on. The 652 are the entities that we've consolidated. That's their additions during the year.

Mr. Gantfoer: — Is there an accounting principle somewhere that says that you expense the actual total infrastructure expenditure in the current year rather than, you know, highway last 20 years, the hospital last 10 years, and that you . . . For accounting purposes like in business, you depreciate it or whatever. Is there an accounting principle under PIMS why government expenses everything in the current year?

Mr. Paton: — Again, Mr. Chair, currently that is the standard for what we usually refer to as government, excluding the Crown corporations. Currently Crown corporations capitalize their assets and depreciate them in a similar fashion to what a private enterprise would. And that's why we actually account

for things a little bit differently in our statements. The Crown corporations, we pick up their net equity as opposed to doing a full consolidation. It's because they account for things differently.

Currently, government does expense all of their capital additions in the year. Is that appropriate? That's a good question. It's a standard that's currently under review by public sector accounting bodies, and there's a high likelihood that that will change during the next coming years. I know that the research is currently underway and I expect a new standard to be issued, probably within the next year, that would require governments to capitalize their assets.

So is it a good policy since we're moving away from it? I'd say it's probably not a good policy.

Mr. Gantfoer: — Thank you.

Mr. Harper: — In your process here, do you have a system that will ensure that . . . perhaps the example I want to use is the government does a tender for a construction of a new infrastructure facility. And is there any mechanism in place to ensure that the conditions of that tender are being met, that the quality of materials being supplied is that which was outlined in the tender, and that the workmanship is of the quality that will ensure the infrastructure will live its expected lifetime?

Mr. Veikle: — That would be . . . There is no consistent approach taken across all government departments on that aspect. But that . . . each individual department would be responsible for working with its interest groups or whatever in ensuring that occurred. I think you can imagine when a school board tenders for a school, they would want to ensure . . . you know, that school board would want to ensure that all the conditions of the contract were met. You know, so it's going to be out there at the level of where the capital project is actually occurring . . . (inaudible interjection) . . . Yes. And when it comes to government capital or there's . . . We get a lot of experience through SPMC and they'll work with departments to ensure that the project is carried out appropriately.

Mr. Harper: — So there's no standard mechanism then to ensure that, across the government departments and third party initiatives, that the conditions of the contract are being met and that the quality of material is there to ensure that the investment that is being made in that particular infrastructure will be an investment that will cause the infrastructure to live its lifetime or its expected lifetime.

Mr. Veikle: — I'm not aware of any Act or handbook or anything like that that would set out those terms and conditions across government generally. Each individual department may very well have its own policies and procedures around that.

Mr. Harper: — Is there any guidelines then, to the best of your knowledge, within various departments that would cause them to have a long-term vision and long-term planning when they are looking at doing infrastructure projects based not only on the need of the present but what they prescribe as the need 5 or 10 or 15 years from now?

Mr. Veikle: — Certainly. Whenever . . . Education, for

example, if it were to come forward indicating that it needs a new school, we would certainly want to look at their demographic projections as to whether there would be a demand for that school in 10, 20, you know, years down the road. So yes, we look at that on a case-by-case basis through the budget development, the decision-making process.

Mr. Harper: — So whether it be third party or government departments themselves, they have to present the plan and support that plan for the infrastructure with the need over a long-term basis?

Mr. Veikle: — Certainly.

Mr. Harper: — Great. Thank you.

Ms. Atkinson: — Perhaps the Provincial Auditor could answer this question. Can you indicate to us what year we moved away from this notion of amortizing infrastructure over a period of years to the policy that we would pay for that infrastructure in a particular fiscal year? And did that not come about as a result of recommendations from the Provincial Auditor?

Mr. Wendel: — Yes, members. There's some history to that.

Ms. Atkinson: — There is?

Mr. Wendel: — Yes. In, I think it was the 1980s, the government began financing school boards . . . I forget, I think it was . . . or hospitals and I'm not sure if it was school boards — hospitals for sure — by advancing the money upfront to Saskatchewan Property Management Corporation and calling that a loan, and they would lend the money to the various hospitals to build the hospital. And then there would be a guarantee of a grant coming forward from either SPMC or Department of Health — I'd have to go back in memory — to give them enough money to repay it.

So what you ended up with is assets on the books of the province that were represented by physical assets like property, plant, and equipment. The accounting principles at that time were that you didn't capitalize property, plant, and equipment. So this was a mechanism to get those assets on the books.

There's been a lot of rethinking of what assets should be on the books. Like what the CICA, the Canadian Institute of Chartered Accountants, was trying to measure back then was net debt, which was your financial assets less your liabilities, or your liabilities less your financial, which gave you your net debt.

So you would ignore capital assets. So the way . . . what was happening then is these buildings were being incorporated as a financial asset and reducing the net debt. Now while net debt is still important going into the future, as Terry was saying, I think we're moving . . . the accounting profession is moving to getting these assets on the books and amortizing like all other organizations so that we can get a better idea of our costs. And I think over the next year or two, that will be coming.

So that's kind of the history behind this. And we were certainly recommending that that come off the net financial assets of the province, and those were removed and I think . . . I forget what year, but it would have been in the 1990s. I'd have to go back

and look.

Ms. Atkinson: — I do remember because I was a member of executive government when we were trying to deal with debt, deficit, and physical infrastructure, and I recall the term — I think it's called accrual accounting — where you have to . . . if you want to do something, you can't amortize it over a period of years; you had to take it out of that year's budget.

And I would respectfully argue that some of the infrastructure risks that we have right now has come about as a result of changes in the way we accounted for infrastructure and how we paid for it. So I'm pleased to hear that government into the future will be able to perhaps amortize important public infrastructure over a period of years and won't be expected to pay for it out of that particular year's budget.

But my question, given that that's what's going to happen, what does that mean in terms of adding to the province's debt? And will that have a impact upon the province's credit rating if the methodology should change?

Mr. Paton: — Mr. Chair, the change that's being proposed won't necessarily change the debt of the province. Currently when we build and we're, you know, required to finance something, we go and borrow money to build a school or build a hospital; that's currently the way the province operates when we provide those grants. We do have to borrow money even though we take it out of our net debt.

I think what's going to change in the future is there's actually going to be two measures that is going to be available. One is what's the, I guess, the net debt that we currently report, what's our current financial situation; but it's also going to recognize the fact that we do have these other assets and that they will be depreciated in the future. So the change to account for this differently doesn't change the amount of debt that the province has.

Ms. Atkinson: — If I could just follow up, Mr. Chair. As I understand it now, if the province of Saskatchewan were to decide to build a new hospital at, let's say, Carrot River, and that hospital were to cost \$5 million, you would not amortize that over a period of years. That would come out of the Department of Health's capital construction budget. It would not be added to the debt of the province because it's coming out of that year's budget.

So what I'm talking about . . . If we change our method of accounting and we take that \$5 million and you capitalize it over a 20-year period so it's not coming out of a fiscal year, my assumption is that you then add to the long-term debt of someplace. Is it the province of Saskatchewan? Is it the health district? Where is it?

My assumption has been, the last several years when we're doing infrastructure in the province, we're not borrowing money, it's coming out of the GRF (General Revenue Fund) to pay for that infrastructure.

Mr. Paton: — What I was trying to explain is when you say that money comes out of the General Revenue Fund or the GRF, we are either using our cash reserves or we're borrowing

for it. So from a debt perspective it does impact the province. If we didn't do that spending we would have more cash on hand.

The change that's being proposed relates to the current deficit of the province or the surplus of the province, the current year's operations. I know it's a little confusing but, you know, borrowings and debt are different than what the operations, the surplus, or the deficit of the province is.

Definitely under the current proposal, when you build a hospital like the one you described, that \$50 million would hit the deficit of the province for the current year. Under the proposed solution, it would not. It would be amortized over a future period. So that whether it be, you know, 10, 15, or 20 years, you amortize those costs over those years. But you've still used the cash to pay for it this year or you've still borrowed money to pay for it this year, and that's the debt concept, you know.

One is what is your expense, what is your net deficit or your net surplus. That will change under the new rules. The amount of debt that you borrow to build the hospital or the amount of cash that you use to build the hospital won't change under the new proposal.

Ms. Atkinson: — Well that is as clear as mud. And I don't want to get into . . . I think it's really important when we have these discussions and we answer and ask questions, that the public can understand what we're all saying here. And I must admit I don't understand what you're saying. So therefore, if I don't understand, I don't think the public understands.

So I guess my understanding of how this has worked in the past, the province of Saskatchewan raises about \$5 billion annually through taxes and sales taxes and royalties and cigarette tax and liquor tax and capital corporate . . . or corporate capital tax, capital income tax, so on and so forth. Now all of that money doesn't come in at once; I understand that.

But we haven't been going into what I call deficit. At the end of the year we don't have to borrow money to pay for that year's capital construction and operations. In that year's capital construction and operations, as far as I've always understood, since about 1994 we have taken money to pay for a hospital or a school out of that year's budget.

So if you were building a new school at, let's say, Lloydminster — and there were many schools constructed in Lloydminster — the money came out of . . . it might have been in two phases. It might have come out over a two-year period, but the province didn't have a deficit at the end of the year to pay for that school. It was paid for in that one fiscal year or those two fiscal years.

What I hear you saying now is that we're moving away from accrual accounting and that we won't have to pay for that school in a one- or two-year period. We will pay for it over a 10- or 15- or 20-year period in the future, which means that each year through the estimates the Department of Education will somehow be paying this money to the Lloydminster School Division to pay for that school — that's what I hear you saying — which will be quite . . . that's how we used to do it. Then we changed how we did it and it sounds as though we're going back to doing it that way.

The Chair: — Before I get to you, Mr. Paton, can I ask Mr. Wendel to comment first, Terry?

Mr. Wendel: — I'm not sure if I'll confuse it more but I'll try not to. I think what's coming is we'll actually be measuring this deficit two ways and you'll continue to get what you get now, the net debt. In other words, know that what you were speaking of, that we will have expensed these hospitals in the year we acquire them . . . or school boards.

So you will still get that measure but you're also going to get another measure, okay, which will be what the amortization and the cost of providing the service so we can get a good, full costing. But you're going to get both measures so you'll be able to see progress both ways. I think that's my understanding of what's coming.

The Chair: — If I might, Pat. And you know, you've raised a very good point here. If the . . . And you've mentioned estimates and I've asked Mr. Paton and Mr. Wendel to comment here. If the government currently in its estimates says that it will be spending \$24 million on capital construction for schools, if there is a change in how that system is now reporting its construction and its amortization, will there still need to be a \$24 million line item in estimates for capital? Is that the simpler way of asking the question?

Mr. Paton: — First of all I want to clarify one thing. We're talking about schools or used schools as the example. That's probably not a good example because the way we currently operate when we build schools is we provide grants to the schools. It's an operating grant to the school board. We're providing grants directly to them. Under the proposed rules we're still going to provide grants to those groups. So that's probably not going to change.

Where you see the change is where it's government capital, the items that are included in the summary statements currently. So if you look at the list that the auditor provided on page 192, that doesn't include the schools and those are the items that will end up getting capitalized on our financial statements. So it's . . . I just want to clarify.

The Chair: — Then let's just take that to SPC (Saskatchewan Power Corporation) line item, okay. Estimates for SPC include a capital. Follow that up then. How will that be different than the school boards?

Mr. Paton: — Let's take it to a department. Maybe that's . . . I want to bring it right home if I can. Health . . . How about Highways? Health is again a little bit more complex because the districts are involved and it's again a little bit different. But in Highways we have a capital asset such as roads that we are constructing that are very closely held to government. They are a General Revenue Fund asset, you might say.

So currently what we're doing is when we build a road, we're expensing that full amount in the current year. So if you go through a hundred million dollar project where you're building roads, that full amount is currently expensed. Under the proposed accounting principles, that hundred million dollars will not be expensed in the current year; only a portion of it will be.

Now we will still borrow the full amount of money to construct the highways so we will either borrow or use current cash reserves that we're taking in for taxes and so on. We'll still have that measure. That's where Fred Wendel referred to the fact that we'll have two measures. We'll see what our current net position is. Have we been able to finance through current operations or have we had to go into debt? That will be disclosed.

But the amount that will be in the estimates — I'm anticipating because this is out into the future — there will be probably be two things that has to be approved. One is do you approve the building of the hundred million dollar road and do you approve the amount that has to be expensed in the current year which would be 5 per cent or 2 per cent, whatever the amortized amount is?

So when these items come forward to the legislature, you'll be looking at it from two aspects: the amount of money that's going into new construction and the amount that's going to be recognized in the estimates as an expense for the current year.

Ms. Atkinson: — Okay. So that's a little clearer. So it is possible that if we had a budget of \$140 million for roads . . . No, say we were going to construct \$140 million worth of roads but those roads are expected to have a lifetime of about between 15 and 20 years so you could expense it over a 15- to 20-year period. Will this allow the province of Saskatchewan, because of the changes in accounting, to construct more roads and not add to our long-term debt? Or we will add to our long-term debt but will it have an impact upon our credit rating?

Mr. Paton: — I think the only extent that it'll have an impact on your credit rating would be to the extent that you increase your spending. Like under the new rules, 10 per cent or 5 per cent of that project would be expensed in the current year. If you decided that you were going to build \$300 million worth of roads, that will obviously affect your credit rating because you're . . . but it's because you're borrowing more money.

As I said earlier, either you have to finance that through your current cash flow that you've taken in through taxes or other revenues, or you have to borrow the money. So I think the counterside of that is when you change accounting policies like this. And another key aspect is how much are you borrowing and how much are you building and to the extent that that changes, could affect a credit rating.

Ms. Hamilton: — I'm getting a little clearer as Member Atkinson is stating. But another part of that is also, then, if you're identifying infrastructure risk, there's a large inventory, say for example . . . we'll use Highways as the same example.

Does that mean then, if you've identified that we have 30 million or \$300 million worth of work that needs to be done on our roads, which is calculated as a liability, does that somehow then add to the provincial deficit, or debt, for that year, or it's a separate category?

Ms. Ferguson: — It really doesn't have accounting implications until you make a decision to enter into a commitment to actually do something. Like, for example, you decided to contract with somebody to actually build the

highways or, you know, further . . . Really what we're talking about there is that you need that information to make the planning decisions so that you're providing the level of services that you're hoping to provide, or that your public expects you to provide. Okay. So the information needs there are a little bit different. It's not an accounting situation, but rather information that you need to make good decisions.

I think that's what Glen and Naomi were talking about earlier, the guidelines that they're putting out to assist organizations in that area.

Ms. Hamilton: — Thank you.

Mr. Wakefield: — I just wanted to follow up on that a little bit. If we're going to go into a new way of reporting this, is there a changeover risk? Is there a risk that the information is going to be misconstrued or not being able to be detected?

Mr. Paton: — Mr. Chair, no, I don't think that's quite the risk. I think part of the risk is that, as the members have pointed out, accounting is always as clear as mud. And it's going to be difficult for the, I think for the public to understand a new model that any government is following, that's one of the difficulties. And this is a relatively major change. The net debt model that Mr. Wendel referred to has been followed in the province I think since 1957 and has been kind of a key cornerstone to governments.

What you might find is that after a transition period, this might be easier for public to understand. It's closer to what you, you see in the private sector, the types of financial statements that most people are accustomed to handling. So government statements currently are, are different. They're moving more towards a model I think that, that the public are probably more aware of.

You know small businesses follow this type of accounting; it's what everyone's accustomed to, you know, putting assets on their balance sheet and depreciating or amortizing them. The transition period will be difficult.

Now this is also assuming that this goes ahead, but everything that I've seen indicates that it probably will over the next year or two. And some provinces are, are actually moving ahead of the standard and they're adopting this before it's a . . . an accounting principle that's accepted within, within Canada.

That's something we've never done; we've always tried, tried to hold to the standards as best as possible. When we get, I guess, better knowledge as to when this is going to be adopted, we'll have to look to see when we adopt it for the province of Saskatchewan. But it's a fairly major change.

Mr. Wakefield: — Maybe just to follow then, Mr. Chair. I think it is important for the public to understand what the implications are, what the situation is precisely; and if we can do it in such a way that that understanding is made easier, I would certainly concur that would be a positive.

There is an assessment of need. I think we were talking about that; I think Mr. Harper talked about the need. These projects, using a highway as an example, we have to understand would it

contribute to efficiency, economic development, safety, all those kind of things. Is there, is there a business plan that's actually put forward for public consumption whenever there is an infrastructure plan being put in place?

Mr. Veikle: — Generally we budget on a one-year basis. The information that we provide to the public is a one-year budget and we don't as a general rule publish a four-year infrastructure plan or anything like that. But we certainly do internally look at the long-term plan around infrastructure. So each year we'll go through a process with each department and develop a long-term plan as to what infrastructure risks it has facing it in the future and how we intend to accommodate those risks.

Mr. Wakefield: — Do you think that contributes to the public understanding of the efficiency of that investment? It is their investment.

Mr. Veikle: — I think making those plans public would probably help to inform the public. The decision . . . The approach that we've taken so far is to just publish the one-year budget though.

Mr. Wakefield: — In those plans, is there any attempt to try to do I guess an analysis of efficiency or an analysis of cost effectiveness by comparing it to partnerships or joint ventures? I'm thinking in terms of areas that have toll roads, that kind of thing.

Mr. Veikle: — Just before I answer that, I'd explain . . . I mean while we publish a one-year budget, we may . . . I mean we often make multi-year commitments around a hospital or a school or whatever, and we certainly inform the public that, you know, over the next four or five years, or whatever it is, we'll be building this infrastructure. So it's not that we don't publish anything multi-year.

But with respect to options around partnerships or anything else, when departments come forward and identify that they've got some infrastructure gaps or some needs for infrastructure, we will work with them and try to develop all of the options, you know, be they leasing options, partnership arrangements, whatever the case might be, and pick the one that's going to best suit the province's needs.

The Chair: — Just changing the topic a little bit, on page 194 about midway down there's an infrastructure risk identified as adequately safeguarding, you know, from misappropriation and damage. And this report is a year old and I know that since this report we've had September 11 and the ramifications of terrorist attacks and interest in crop dusting planes and all this other stuff.

Has your department looked at risk assessment from a point of view of protecting the structures that we have, whether they be a dam or something that is attackable, I guess, by terrorists and others? Is there . . . while it seems of very little concern to Saskatchewan people, is your department looking at this at all?

Mr. Veikle: — I think you have to understand the model that we have here. We charge departments with responsibility for managing their infrastructure. And so there has been no central directive, that I'm aware of at least, from the centre, from

Finance or Executive Council, that asks for a comprehensive review of risks around that sort of scenario.

It would, however, not surprise me at all to learn that Sask Water has gone out and actually done an assessment of any potential risk around dams or that sort of thing. SaskPower probably has taken steps and, for all I know, has invested money in ensuring that its risk is minimized.

The Chair: — I was just wondering whether there's any comment from CIC regarding that, seeing that a large amount of our infrastructure is in CIC hands.

Mr. Swystun: — Mr. Chairman, I think Mr. Veikle's quite right. I'm not aware of specifics, but certainly I'm generally aware that a number of our Crown corporations, SaskPower being a prime example, have taken steps to tighten security — doing things like discontinuing tours through power plants, ensuring that security measures that were previously in place are in fact being followed, and security practices are being maintained.

The Chair: — There is some internal risk assessment being done as a result of the actions of terrorists.

Mr. Swystun: — I believe that's definitely the case, yes, Mr. Chairman.

The Chair: — Thank you.

Okay. As indicated, this chapter does not contain any recommendations other than the comment at the very end which I think Ms. Ferguson had identified as what's next. And of course, continued risk assessment by the auditor's office and the positive comments that I just heard.

Ms. Atkinson: — Just one final comment about a question or a comment that Mr. Harper made about accountability and making sure that when you enter into agreements by . . . with third parties, that the quality of the work is there. And I think that that is an issue that needs to be followed up upon to ensure that third parties that enter into contractual relationships with various government departments fulfill those contracts and there needs to be accountability.

So I really support an observation made by the Provincial Auditor that organizations need to be accountable for their performance. And I think that will be something that government will need to think very clearly about, how we ensure that there is accountability for performance by third parties that have contracts for delivery of service or goods or materials or construction or whatever. It's a good observation.

The Chair: — Thank you for that. We've had a fair discussion on that one regarding standards and codes and all that, as to whether or not things are being met.

Any further comments or questions? Okay. Having reviewed this chapter, that will be our decision and it will be noted in our minutes that the review of the chapter has taken place.

Thank you to the officials for adjusting your time schedule and coming and allowing us to get through this chapter sooner than

expected. Great. Thank you very much.

Meeting is adjourned until tomorrow morning at 9 a.m.

The committee adjourned at 15:31.