



Standing Committee on Public Accounts

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2002**

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Thunder Creek

Milton Wakefield
Lloydminster

Hon. Mark Wartman
Regina Qu'Appelle Valley

The committee met at 10:00.

Public Hearing: Finance

The Chair: — Okay. I'll call the meeting to order. As indicated under our agendas that we have before you, we have two full days of various chapters from the 2001 Fall Report and I would encourage or ask if all members have their Fall Report. If you don't, we have additional copies available right here so that each of you can have . . . just wait to ensure that everyone has that.

Right. And I would like to welcome Mr. Yates who is in for Mr. Wartman and Ms. Hamilton who is in for Ms. Junor this morning and all other members being present.

The first chapter is Finance and before we begin with Finance, I would like to ask our auditor, Mr. Wendel, to introduce staff from his office, please.

Mr. Wendel: — Good morning, committee. I have a number of people with us this morning. I have Rodd Jersak over there who attends all of our meetings . . . all of your meetings, rather, and coordinates our activities here. Over on the side there we have Leslie Wendel, who leads our work at the Department of Finance and Andrew Martens, who also leads our work at the Department of Finance; Ed Montgomery, who will be making the presentation this morning, who oversees the whole Department of Finance along with CIC (Crown Investments Corporation of Saskatchewan) and the larger organizations. And that's my officials.

The Chair: — That's your officials. Thank you very much. Mr. Paton. Mr. Bayda, we'll introduce officials from your office, please.

Mr. Bayda: — Thank you. I also have a number of officials here this morning. I've got Jane Borland here, Lori Taylor, and Tamara Stocker, and they're all with the comptroller's office.

The Chair: — And as indicated, chapter 12 of the Fall Report is on Finance. And we have Mr. Ron Styles, deputy minister. And I'd ask Mr. Styles to introduce your official as well.

Mr. Styles: — To my left is Terry Paton, the Provincial Comptroller, and to my right is Brian Smith, executive director of the Public Employees Benefits Agency.

The Chair: — Great. Okay. We'll begin with chapter 12 and ask Ed, Mr. Montgomery, to give the presentation from the auditor's office.

Mr. Montgomery: — Good morning, Mr. Chair, and committee members. I plan to give you a brief overview of the matters included in chapter 12 of our report. The presentation will include all our recommendations in this chapter. And for your convenience, we should have already handed out copies of all the slides used in the presentation.

In this chapter, we report on the Department of Finance for the year ended March 31, 2001, and its special purpose funds and Crown agencies with either December 31, 2000, or March 31,

2001 year-end. A list of these special purpose funds and Crown agencies is provided on page 306 of our report.

Some of the agencies we audited also have appointed auditors, and we worked with the appointed auditors using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.

The appointed auditors were KPMG for the Public Employees Pension Plan and the Municipal Employees' Pension Commission, and Deloitte & Touche for the Saskatchewan Pension Plan and the Workers' Compensation Board superannuation plan.

Overall, we think the department does a good job of managing its responsibilities. The department and its Crown agencies had adequate rules and procedures to safeguard and control their assets. Also they complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing, except for the matters reported in chapter 12.

In addition, the financial statements for the special purpose funds and Crown agencies were reliable except for the matters noted for the General Revenue Fund financial statements.

The first recommendation I want to bring to your attention is set out on page 311 of our report. We recommend that the department account for pension costs in the General Revenue Fund financial statements in accordance with the Canadian Institute of Chartered Accountants accounting standards for the public sector. This recommendation is set out on page 311 of our report.

We've made similar recommendations for several years and we continue to reserve our auditor's opinion on the General Revenue Fund financial statements for this matter.

The General Revenue Fund is responsible for the liabilities of several pension plans. These include the Teachers' Superannuation Plan and the Public Service Superannuation Plan. We reserve our audit opinion because the General Revenue Fund does not record all the costs related to these pension funds or their unfunded liabilities. Generally accepted accounting principles for the public sector require that these pension liabilities be recorded in the General Revenue Fund. At March 31, 2001, the unfunded liability for these pension plans was about 3.9 billion. Our auditor's report on the General Revenue Fund's financial statements states that pension liabilities and the accumulated deficit are understated by 3.9 billion and that pension costs for the year to March 31, 2001 are understated by 112 million.

The Public Accounts Committee reviewed this matter in March 2001. At that time, PAC did not concur with our recommendation and noted that there are other proper methods of accounting in addition to the standards of the Canadian Institute of Chartered Accountants advocated by the Office of the Provincial Auditor and that the department was accounting for the pension costs in accordance with these standards.

The other standards referred to is the cash basis of accounting.

The cash basis of accounting is not generally accepted among Canadian governments. Apart from Saskatchewan, the only other government in Canada that publishes financial statements that do not follow the Canadian Institute of Chartered Accountants accounting standards for pensions is Manitoba. We continue to encourage the department to fully record the government's pension costs and liabilities in the General Revenue Fund's financial statements.

The next issue in chapter 12 is a new topic to this committee. It concerns our audit reservation on the General Revenue Fund financial statements for the transactions recorded with the Fiscal Stabilization Fund. The GRF (General Revenue Fund) financial statements shows a liability of 775 million owed to the Fiscal Stabilization Fund and an expenditure of 775 million for the current year. However, it is not appropriate to record the 775 million as an expenditure because the Fiscal Stabilization Fund must return the 775 million to the GRF. The substance of the transaction is that the GRF owes 775 million to the Fiscal Stabilization Fund and the Fiscal Stabilization Fund owes the 775 million back to the General Revenue Fund.

In our opinion, instead of recording an expenditure of 775 million, the financial statements should show a receivable of 775 million owed from the Fiscal Stabilization Fund. If the transactions had been properly recorded, financial assets and the surplus for the year would increase by 775 million, and expenditure and the accumulated deficit would decrease by 775 million.

The stated purpose of the Fiscal Stabilization Fund was to stabilize the fiscal position of the government from year to year. However, making transfers from one fund to another and back again has no effect on the government's overall financial position.

The government's total net worth for 2001, which amounts to an overall accumulated deficit of 7.9 billion, is unaffected. Therefore we recommend that the General Revenue Fund financial statements should show transfers to the Fiscal Stabilization Fund as an asset, not as an expenditure.

In addition, the General Revenue Fund financial statements should record any transfers back to the General Revenue Fund as a reduction of that asset and not as revenue. This recommendation is set out on page 312 of our report.

The third topic in chapter 12 relates to a recommendation we've made in previous reports. We continue to recommend that the department include the General Revenue Fund's total pension costs for the year in the estimates.

Currently the department does not include the estimated total pension costs in the estimates but includes only the amount that the government expects to pay members or transfer to a pension plan for that year.

The Public Accounts Committee considered this matter in March 2001 and disagreed with our recommendation. We think this matter is important because the government uses the GRF's budgeted surplus or deficit as one of its key performance indicators. We continue to encourage the department to record the pension costs in the estimates on an accrual basis and

include the total estimated pension costs in the estimates.

In previous reports, we recommended the department prepare an annual report. I am pleased to report that the department now prepares an annual report and also that it issues it on a timely basis.

The last recommendation in this chapter relates to the Members of the Legislative Assembly superannuation plan. This matter was also included in chapter 9 of our 2001 Spring Report on page 160 and was considered by the Public Accounts Committee in November 2001. At that meeting the Public Accounts Committee agreed with our recommendation and the department told the committee it was seeking legislative changes.

Mr. Chair, that ends my opening comments.

The Chair: — Great. Thank you very much, Mr. Montgomery. Mr. Styles, comments from the department on chapter no. 12.

Mr. Styles: — We'll wait till you address each of the individual recommendations, if that's okay.

The Chair: — Okay, thank you. We have before you chapter no. 12 which is pages 303 to 316 and there are four recommendations in total. So before we get into our specific recommendations, we'll ask for individual questions or comments from members.

Mr. Gantfoer: — Thank you, Mr. Chair, and welcome to Mr. Styles and your officials. I would like to direct my questions initially to Mr. Montgomery in terms of the new section that is addressed in your report on the Fiscal Stabilization Fund.

Now you indicate in your assessment of the fiscal year 2000-2001, when the Fiscal Stabilization Fund was established, that in essence what resulted was really a book entry change — that the \$775 million was improperly stated as an expenditure and should have been stated as an asset to the General Revenue Fund. Is that right?

Mr. Montgomery: — That is correct, Mr. Chair.

Mr. Gantfoer: — So when the fund was created, the \$775 million, where is that money?

Mr. Montgomery: — Mr. Chair, at March 31, 2001, no money was transferred to the Fiscal Stabilization Fund. So there was no money sitting in the Fiscal Stabilization Fund. There is certain monies sitting in the General Revenue Fund; however, there is not 775 million.

Mr. Gantfoer: — So the 775 million that was attributed to the Fiscal Stabilization Fund was simply a book entry and that money didn't exist as a separate account?

Mr. Montgomery: — I think at that time the . . . yes, it was a book entry.

Mr. Gantfoer: — So would the money that went into the Fiscal Stabilization Fund that came from Liquor and Gaming . . . again those monies didn't exist as separate funds. They only

existed as book entries.

Mr. Montgomery: — Yes. There was no money transferred to the Fiscal Stabilization Fund. All the money is within the control of the department and its General Revenue Fund. I think they do this for good cash management practices.

Mr. Gantefer: — So the money was part of the net worth, if you like, of the general province's assets and liabilities?

Mr. Montgomery: — Mr. Chair, overall the province has a significant accumulated deficit. It does not have 775 million lying around ready to spend on other things. They perform good cash management practices at the Department of Finance and they pay the bills and pay down the debt as they go along.

Mr. Gantefer: — So if there is no money in a separate account, when money is taken out of the Fiscal Stabilization Fund where does it come from?

Mr. Montgomery: — At the moment there's only a book entry, so again unless there was any money in there they would make another book entry. They would, in essence, reduce the liability owed by the Fiscal Stabilization Fund and that would be the book entry.

At the moment there's 775 million owed to the General Revenue Fund by the Fiscal Stabilization Fund. If they were to reduce that, it would simply be a reduction of 300 million or whatever the number was in the receivable.

Mr. Gantefer: — So in the General Revenue Fund, if you're going to do a book entry that says you're bringing \$400 million from the Fiscal Stabilization Fund into the General Revenue Fund, that money really doesn't exist.

Mr. Montgomery: — Currently that's my understanding. There is no money in the Fiscal Stabilization Fund.

Mr. Gantefer: — And if you show that then as revenue into the General Revenue Fund, do you have to borrow that money in essence to get it actually there in the revenue side?

Mr. Montgomery: — Because the government has a significant accumulated deficit, when . . . to get . . . when they need funds, they will have to go into the market to borrow more funds.

Mr. Gantefer: — So to transfer 400 million from the Fiscal Stabilization Fund into the General Revenue Fund now would require a \$400 million borrowing in the . . . in the market, as you said.

Mr. Montgomery: — I couldn't say the exact amount but there would be . . .

Mr. Gantefer: — Well, I'm just using that number . . .

Mr. Montgomery: — . . . there would be a need for . . . to borrow more funds.

Mr. Gantefer: — So in essence the debt would be increased in order to transfer that kind of money from the Fiscal

Stabilization Fund to the General Revenue Fund.

Mr. Montgomery: — Yes. If the money was needed to stabilize, yes, it would.

Mr. Gantefer: — In your report you indicate that transferring these funds back and forth have no effect on the overall net worth or the overall financial position of the government, and that would indicate to me that, when you said that if their money is going to be taken from the Fiscal Stabilization Fund, in essence it has to come by way of debt.

Mr. Montgomery: — That's correct. If you had two bank accounts and you move money from one bank account to the other, overall you're no better off.

Mr. Gantefer: — But if you've put it against long-term debt, then you'd have to borrow against long-term debt in order to take it out.

Mr. Montgomery: — If you needed some funds to pay for a rainy day or whatever, you would need to borrow some extra funds.

Mr. Gantefer: — So if it was properly accounted for when it went in, in 2000-2001, it should have been shown as an increased asset and was used to pay down debt. And now when you have to draw from it, it actually would increase debt.

Mr. Montgomery: — Yes. What I'm trying to say, Mr. Chair, is that essentially the transfer of money back and forth from one fund to another does not really provide any extra funds. So therefore, if you need extra funds to meet commitments or . . . then you will need to borrow those funds. And at that point, the debt would go up.

Mr. Gantefer: — You make the comment as well, that you're . . . and the direct quote on page 312 is in the second paragraph before the recommendation. You say:

This is worrisome because the Government uses the amount of the . . . (General Revenue Fund) surplus or deficit as one of its key performance indicators.

So in essence by doing the type of bookkeeping entry that has been occurring, you manipulate the General Revenue Fund's deficit or surplus, do you not?

Mr. Montgomery: — Yes, we've reported in our audit opinion that we believe the GRF surplus is incorrect because of this transaction.

Mr. Gantefer: — So the reliability of that indicator then is at risk because of the way this book entry is being recorded.

Mr. Montgomery: — Mr. Chair, that is our opinion.

Mr. Gantefer: — Mr. Chair, I wonder if since the Finance department wasn't able to give comment if they might want to comment on the questions and answers received on this issue.

Mr. Styles: — The government established the Fiscal Stabilization Fund to stabilize the fiscal position of the

government from year to year and to facilitate long-term planning. We're all aware of the kind of volatility that we experience on our revenue side, okay, depending on whether it's corporate income tax, personal income tax, or a variety of other sources.

Long-term planning is a critical element of responsible fiscal management. The fund provides a mechanism whereby the province can set aside GRF operating surpluses in years when Saskatchewan's financial position and economy are strong. In years when fiscal challenges are great, the government will use fund withdrawals to stay focused on long-term plans while continuing to balance its annual budgets.

In effect the fund is available; the GRF is in a sense a fiscal shock absorber. And again it allows to offset temporary revenue declines and meet exceptional expenditure requirements. We still have the requirement to balance over a four-year period as well, underneath The Balanced Budget Act.

We believe the accounting for the transfer from the GRF to the fund as an expenditure is appropriate, considering the integral role the fund plays in long-term fiscal plans and the overall well-being of Saskatchewan. Monies from the fund may only be transferred back to the GRF and must be appropriated by the legislature when the spending plans are prepared. There's no circumvention of spending authorities and everything is very transparent. There is full and transparent disclosure of GRF transfers to or from the fund in the GRF financial statements. Volume 1 of the Public Accounts also includes a schedule of transfers and accumulated balance for the fund.

The issue of cash management is distinct from the discussion, I think, that we're having around the accounting treatment, if I may say so. If I can turn your attention to page 25 in the 2001 Public Accounts, it lists . . . schedule 5 shows deposits held for a variety of government entities — 24 in total. The total amount held on deposit is roughly \$1.4 billion.

For all of these funds, one of which is the Fiscal Stabilization Fund, the money that is deposited into those accounts is used as part of the cash resources of government rather than going out and borrowing those additional cash requirements.

Theoretically, I guess, you could leave cash in these accounts, but the return that you would get in terms of investing in this cash versus going out in the market and borrowing, okay, would result in a net cost to the province. This type of cash management strategy has been in effect here in Saskatchewan for many, many years and is adopted and used by jurisdictions across Canada.

Mr. Gantefer: — Thank you, Mr. Styles. But when we report the combined position of the Government of Saskatchewan and we look at the accumulated deficit of \$7.9 billion as recorded in the year under review, the fact that the \$775 million was all part of that — it's not a separate fund — it was used or would go against that combined accumulated deficit in the year under review. And so that when we record it as being an expenditure, it really isn't an expenditure; it's a balance sheet issue, as the auditor has pointed out.

And so in the year under review, in essence to the General

Revenue Fund, there would have been in excess of an \$800 million surplus and should have been recorded as such. And if we end up in a situation currently where we have to take, for discussion, \$400 million out of that so-called fund, it means that in essence for the current fiscal year we're in a deficit position, does it not?

Mr. Styles: — Again I go back to the initial announcement of the Fiscal Stabilization Fund in the March 2000 budget address, and the government at that point in time announced its intention to strengthen the accountability and openness of the stabilization process.

In previous years the government had used the Saskatchewan Liquor and Gaming Authority or its predecessor, the Saskatchewan Liquor Board, to stabilize its fiscal position. Now that the fund has been established, the SLGA (Saskatchewan Liquor and Gaming Authority) no longer is used for stabilization. Rather, it pays its dividend into the GRF on an ongoing basis.

This was a move to again strengthen accountability and openness. The government has been very transparent about why the fund was set up and what it's being used for. And again it's being used to provide some stability against resource price shocks — events like that.

Mr. Gantefer: — According to the auditor, the fund doesn't exist. It's a bookkeeping entry. What exists is the overall accumulated deficit in the year under review of \$7.9 billion. And it doesn't matter how you do the bookkeeping entries across the piece; that was the reality according to the auditor's figures under the year under review. And if you're going to draw from that, it means you increase the long-term deficit by whatever amount you're going to draw.

So if you're taking \$400 million out of a fund, the Fiscal Stabilization Fund that doesn't exist except as a bookkeeping entry that the auditor indicated, in essence you're increasing debt in order to do that. As when, in this year in review, when you put 775 as a bookkeeping entry, in theory, it didn't exist except as a bookkeeping entry, again, from the Liquor and Gaming.

Mr. Styles: — If I can, I would separate out the issue of cash management, okay, which is distinct, I think, from the observation that the Provincial Auditor has made. The Provincial Auditor has a different observation, or opinion, I guess, on the treatment of the GR Fund. But the issue about cash management is very much distinct from that particular observation, and the Provincial Auditor may want to comment on separating this out properly.

Mr. Gantefer: — Well then to the Provincial Auditor, to Mr. Montgomery or Mr. Wendel: is this a cash management issue or is this a balance sheet issue?

Mr. Wendel: — There's a couple of topics going on here, but I think we've said that the Department of Finance does a good job of its cash management, and the practices that they're using, they've been using for many years. They have, as Mr. Styles has said, they have a number of organizations where they pool all the money, and they use that money to pay down debt as

they go so they don't have to go borrow and have money sitting aside earning low returns.

The issue here that we're talking about, the financial statement issue, is . . . we're taking exception with the fact that the department is booking the transfer or the recording of an entry that . . . as an expenditure when they say that we owe . . . we're going to set up a fund. We're going to record an expenditure of \$775 million. And the only thing this fund can do is return the money back to the General Revenue Fund. It has no other purpose.

And given that's its sole purpose, that wouldn't be an expenditure; it would just be an advance to them. So what you've really got is this fund saying, I owe you \$775 million, and the other fund saying, I owe it back to you. So there is no expenditure.

And it goes back . . . and the discussion you're having is, overall, the concern is, we're again focused on the General Revenue Fund. And if you continue to focus on the General Revenue Fund, you cannot tell whether or not the government's living within its means. You have to see the entire picture. And that's why we keep taking everybody back to the summary financial statements. That's where you have to go to know whether the government's living within its means or running up the debt, okay. That's where you'll have to go.

And whether there's money in this fund I don't think is an issue. I think you need to go back to focusing on the summary financial statements to know the financial position of the government and whether or not, overall, they're living within their means. In other words, are they running up a deficit, are they operating with a surplus?

Last year they operated with a \$500 million surplus overall. The General Revenue Fund says they had a \$15 million surplus that's reported in these financial statements. So you need to see the overall picture. I think that's . . . that's my comment.

Mr. Gantefoer: — Thank you, Mr. Wendel. Then specifically on the auditor's suggestion that it's inappropriate to record monies transferred to the Fiscal Stabilization Fund as an operating General Revenue Fund expenditure; that this should be considered as an asset issue . . . or balance sheet issue rather than an expense side issue, would you comment on the appropriateness of using the Fiscal Stabilization Fund then as an expenditure and conversely as revenue with . . . if the money's coming back as opposed to a transfer of assets.

Mr. Styles: — I'd offer two comments. I guess first I'd go back to maybe some of the original comments that I made on this. The government was very sort of open and transparent about what it was going to use the fund for and has defined it as a Fiscal Stabilization Fund where it will draw revenue out of it in years where that is required.

Secondly, back to I guess our view on this, okay, I guess I would draw you to the Act — The Fiscal Stabilization Fund Act itself — which sets out the requirements for the Department of Finance in terms of accounting for it. And that Act stipulates any amount transferred from the General Revenue Fund to the fund, pursuant to section 5, is deemed to be an expense of the

General Revenue Fund. And any amount transferred from the fund to the General Revenue Fund pursuant to section 8 is deemed to be the revenue to the General Revenue Fund. So the Act that's in place right now, the law as we are required to follow it, stipulates what the treatment will be.

Mr. Gantefoer: — But the auditor in his report says this is worrisome because the government uses the amount of the General Revenue Fund — surplus or deficit — as one of its key performance indicators. And by moving the book entries between this fund back and forth you potentially skew that performance indicator. Is that not correct?

Mr. Styles: — At the present time, our intent is to use the Fiscal Stabilization Fund to again account, to act as a fiscal shock absorber for changes in . . . large changes in revenue that provides stability on your expenditure side so that you can set out longer term plans and put yourself in a position to be able to deliver those.

Mr. Gantefoer: — But the Provincial Auditor indicated that this fund doesn't exist except as a book entry. So what you're doing is just moving money back and forth in order to skew the deficit or surplus in the General Revenue Fund.

Mr. Styles: — The only other comments, you know, I can offer on this, I guess, is the fund does exist. It's set up in law. It's a non-cash accounting entry in effect, okay, but again that's a cash management issue from that perspective.

The government's been very open and very transparent again about what it's using the fund for. The dollars that flow back out of the fund into the General Revenue Fund are a subsidy appropriation procedure and process. And so from our perspective it is serving the purpose that the government intended it to serve.

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

Mr. Yates: — Thank you, Mr. Chair. I have a number of questions and I'd like to start by asking the Provincial Auditor the first question.

Would it be, in the Provincial Auditor's opinion, good, prudent cash management practice to avoid borrowing money and paying a higher interest rate on the borrowing of money to use existing money you would have in various funds to pay the province's bills from month to month?

Mr. Wendel: — Yes, Mr. Chairman. As I said earlier, we think the Department of Finance does a good job of cash management. They pool all the money from all the various funds. They use that money to keep their borrowing down.

Mr. Yates: — And would that avoidance of borrowing and failure to need to borrow actually save the province money and save the taxpayers of Saskatchewan money?

Mr. Wendel: — I think it would keep their costs down. Yes, I agree with that.

Mr. Yates: — Okay. So in essence, the practice is saving the taxpayers of Saskatchewan money.

Mr. Wendel: — I think the practice the Department of Finance uses to manage the pool of cash certainly goes to saving the government money, yes.

Mr. Yates: — Okay. My next questions have to do with the whole issue of understanding and transparency of the financial statements of government.

Now, it is very possible or is it, in your opinion, possible for Members of the Legislative Assembly and members of the general public to clearly get access to all the information they would need to see the financial position of the government, at any time?

Mr. Wendel: — I would say, not at any time. I would say that annually the government puts out a good summary financial statement that shows the state of affairs of the entire government.

Mr. Yates: — So that during the normal course of its accountability process, the citizens of the province or Members of the Legislative Assembly can clearly draw from the documentation provided to them the financial situation of the province. Nothing's hidden. Nothing's . . . It's all there for people to see, open and transparent?

Mr. Wendel: — I think as I said earlier, Mr. Chairman, I think annually, okay, there is a good financial statement showing the fiscal position of the government. But that only happens once a year. There are many other times when the government makes information public but it's not focused on the summary financial statements.

And that's one of the things we talk about in this report, where we say we think when the budget comes forward on the Consolidated Fund or the General Revenue Fund, you should also get the entire picture to show overall whether or not that budget that's to be coming forward will result in the government living within its means. So you need to see it at that time too.

Okay. Now you don't get to see it at the budget time because again you're focused on the General Revenue Fund. You're not focused on the entire government's financial position. So in that respect, I think, it isn't complete in that respect.

Mr. Yates: — Okay. My next question has to do with the . . . I'd ask the Provincial Auditor if the transactions carried out as a result of the Fiscal Stabilization Fund are in compliance with the Act as it was passed or the law as it is in place today. Is in fact the transactions going in and out of the Fiscal Stabilization Fund, are they currently in compliance with the Act or the law as it is today?

Mr. Wendel: — Yes, Mr. Chairman, we think the transactions that the department has recorded certainly do comply with the law. Now we don't think there's anything in the law requiring them to report their financial statements they way they have. We think that could be done in compliance with The Balanced Budget Act, to a note to the financial statements. That was our view.

Mr. Yates: — Okay. Thank you. Now my final question has to

do with the whole issue of schedule 5 and deposits held. Is there any particular reason why the Fiscal Stabilization Fund is singled out among all the various funds that are held, and the money used on a cash flow basis? Is there any particular reason why one particular fund was singled out and mentioned in today's . . .

Mr. Wendel: — Yes, Mr. Chairman, there is a reason why the Fiscal Stabilization Fund was singled out. The rest of the funds and agencies that are listed there have a purpose, and they have a purpose in law, and they have a program they're to deliver, and this money is just being held temporarily until that program is delivered.

But the Fiscal Stabilization Fund, the only thing they can do with the money they get is give it back to the General Revenue Fund. They have no other purpose, okay. And in that respect it doesn't meet the definition of an expenditure within the accounting terms.

Mr. Yates: — Thank you, Mr. Chair. I have just one final set of questions and they have to do with the issue of volatility, revenue volatility. Is it not prudent, as it would be in an individual's home, for a government that has a volatile revenue source to . . . as we know, resource revenues can be volatile; they can go up and down on the market. We can have years where oil's \$30 a barrel; you can have years when oil might be \$20 a barrel, significantly affecting a province that is as dependent as we are on resource revenues in a significant way.

Is it not prudent management of the fiscal situation of the province to, when you may find yourself in a situation where you have a significant amount of revenue coming in due to the \$30 a barrel oil, and knowing that it fluctuates quite significantly in the market, to put some money away, as you would in your own home in a savings account, to deal with those unforeseen circumstances or situations, some of which we saw in fact over this last year with a significant downturn in the economy after September 11?

Mr. Wendel: — Mr. Chairman, my understanding of the question is, you know, I think it is a good idea if you have a surplus to set some money aside. But as we've said, the government doesn't have a surplus. The government has a \$7.9 billion deficit. And I think what the Department of Finance is doing is keeping debt low as it goes, is the appropriate course of action from a management perspective. I think they're doing a good job of that. They're managing our cash well, and I think they do a good job of that.

Mr. Yates: — Thank you.

My final questions have . . . my final question is for the Department of Finance. Could you estimate for me the savings to the people of Saskatchewan of not having to borrow that amount of money that we use for cash management, on an annual basis.

Mr. Styles: — Just a very sort of brief estimate, okay — probably in the range of 20 million.

Mr. Yates: — Thank you very much. That's my final question, Mr. Chair.

The Chair: — Thank you very much, Mr. Yates.

Mr. Wakefield: — Thank you, Mr. Chair. This is a really interesting discussion because as we try to relate what is being said and the concepts, you try and think of it in your own terms as to how it affects a similar situation that might apply to your own . . . yourself personally.

What I would like to do is to try to make sure that I've got a grasp of what we're trying to talk about here in simple terms.

The government found itself in an enviable position that there was a certain fund that was . . . or a certain amount of money that had been accumulated through the Liquor and Gaming. And I understand that that amount of money was decided to . . . a certain amount of money was decided to be redirected into something called the Fiscal Stabilization Fund. Is that accurate? I'll ask the auditor: is that accurate so far?

Mr. Wendel: — Yes, Mr. Chairman, I think that's accurate.

Mr. Wakefield: — Then, as is prudent, and as has been described, rather, that money was not put into a fund. There was no fund established called the fund, that's set over in a bank account as we would have a savings account and such that Mr. Yates referred to. It's not a savings account. It is a . . . just a name. And the prudent use of that money was to be used by the government departments or the government itself to pay down probably the debt because it had an ongoing debt.

Now . . . so here we have a situation where there was some found money. Not really found because it was always accounted for, but it was redirected into a situation or a position where it was reducing the debt. As the debt in the General Revenue Fund starts to . . . or the revenue in the General Revenue Fund starts to change — and you need to bring some of that money back into the General Revenue Fund so that it doesn't appear to be in debt — what you've done is reduced the ability to keep the long-term debt paid down. So it has to actually increase as it moves into the General Revenue Fund.

Have I got you totally confused? Am I going in the right direction?

Mr. Wendel: — I think so, Mr. Chairman, yes.

I think what you're saying is you've got these different pockets of money, and to know where you're at you need to look at the whole. So you can move money between one bank account and another bank account, but overall you have no more money. You're still at overall one situation.

Like you're still . . . it would be like you having a business account and a savings account and a personal chequing account. And you'd go to your banker and say, well I'm doing really good in this account and I'd like to borrow some money. But you forgot that you got this . . . you didn't want to tell him about this big loss you had over here. Well I'm sure the banker would want to know your entire situation before he would give you a nickel. I think that's where you're . . . seems to be what you're talking about.

Mr. Wakefield: — That's where I'm going. And in my own

case, if I need to have a personal expenditure that was exceptional for this year, rather than to have my personal account go into debt, I would increase my long-term debt, house mortgage, whatever it is, to compensate so that my personal account would look good.

And I think what I'm saying is that the General Revenue Fund is maintained so that it is looking positive or not in debt, but in the meantime the long-term debt fluctuates up and down. And as money moves out of the, quote, "Fiscal Stabilization Fund" which is paying down that, then the debt has to increase to compensate for that.

I noticed there was something in the mid-term financial report, November 2001. There was an entity under borrowing and debt and a statement is made:

Certain entities maintain deposits with the . . . (General Revenue Fund). As funds are withdrawn from these deposits, the government must borrow to replace these funds, therefore increasing debt. The current forecast shows an increase in the funds required by the Saskatchewan Crop Insurance Corporation (\$100.3 million) and the Fiscal Stabilization Fund (\$95.0 million).

How does that . . . I'm trying to struggle with that, Mr. Styles, that statement with regards to what we've been discussing about this Fiscal Stabilization Fund and being off on its own.

Mr. Styles: — I'll again go back a bit. The issue of accounting treatment or representation, however you want to describe it, okay, is different than the issue of cash management, okay.

The cash management strategy has not changed. It is no different this year than it was last year or the year before. When money . . . when dividends were left in the Saskatchewan Liquor and Gaming Authority, associated Liquor and Gaming Authority, okay, the cash associated with those dividends was again pooled by the province and used to satisfy our cash requirements.

So nothing has changed. The advent or the establishment of the Fiscal Stabilization Fund changed nothing from a cash management perspective. Nothing is different as a result of the establishment of that fund than was going on two, three, four, five, and many years before that. It is the question of the accounting treatment that has been raised by the Provincial Auditor and the province has stipulated in its Act how it's going to deal with that. It has been very transparent with respect to the transactions.

The revenue that flows back into the GRF is subject to the same appropriation process as any other expenditures that the government makes. So I think those are the only sort of points I can add to the debate.

Mr. Wakefield: — Mr. Chair, then if the revenues into General Revenue Fund this year seem to be moving in a direction where they're down considerably and money is transferred, book entry transferred from the Fiscal Stabilization Fund back into general revenue to compensate for those downward revenues, what is happening to where that money was in place then, because the

government is using that money in a different situation? What's happening? Is that not increasing a debt somewhere?

Mr. Styles: — No. The bottom line is, on a net basis, you would have to increase the amount of borrowings that you're making in that particular year if you've experienced that kind of a change. That's all predicated as well on the fact that the increased expenditures would all be cash expenditures, okay.

You can also run into a non-cash expenditure that would not require any increased borrowing. So again, the cash management strategy is again very distinct, okay, from the accounting treatments.

Mr. Kwiatkowski: — Thank you, Mr. Chairman. To the auditor, in 2000-2001, your assertion is the government understated the deficit by 775 million when it transferred that amount into the Fiscal Stabilization Fund? Is that correct?

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

Mr. Kwiatkowski: — This year the government is suggesting that it will transfer at least 359 million out of the Fiscal Stabilization Fund to the General Revenue Fund. Does this then mean that the General Revenue Fund surplus will be overstated by that amount?

Mr. Wendel: — Yes, Mr. Chairman.

Mr. Kwiatkowski: — So then, for all intents and purposes, anyone using the General Revenue Fund as a performance indicator is not getting an accurate picture of the finances of the province.

Mr. Wendel: — That's one of the warnings we have on the General Revenue Fund financial statements and we say you shouldn't use them to understand and discuss the overall financial position of the government because they don't give you that.

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

Mr. Harper: — Thank you, Mr. Chair. My question is for the auditor, and I . . . it's almost kind of a personal question because I see my own personal finances following much to the lines of the provincial government.

For example, I have a house mortgage and every year at the annual date of my house mortgage I pay my house mortgage down by the extra 10 per cent that I'm allowed to do. So I've been fortunate enough to be able to do this now for seven years. And then this year I experienced an unexpected requirement for extra funds so I approached my banker and we redid the mortgage to include the extra funds I now required this year.

I'm . . . it's my belief that I have been able to use my funds fairly shrewdly in being able to reduce my mortgage, therefore save the interest payments throughout the time, but also having the ability of being able, in a rainy day as I experienced this year, being able to go back to that mortgage and be able to receive the funds I required to meet my unforeseen needs. Would you say in your opinion that that is a fairly shrewd management of funds?

Mr. Wendel: — I think what you're describing, Mr. Chairman, is . . . I don't see anything unusual of that, that you had paid down your mortgage if you had some extra cash. You might also choose not to pay it down and set up another fund because you have some expenditures you think you're going to have in the future. You know, you might decide to set it over there. You might do any number of things.

But I think what the Department of Finance does, if you're drawing that analogy, is they do pay down the debt as they go, and they do try and keep that as low as possible. They try and make sure there's no cash sitting around and they do try and keep the debt down, keep interest rates down . . . or interest costs, rather.

Mr. Harper: — Yes. Well the reason I chose in my own personal finances to pay down my mortgage rather than setting up a separate savings account is because my mortgage is at 7.2 per cent interest and the best I can get on a term today is something like 2 per cent — two and a half. So I thought it was a better use of my funds to pay down the higher interest, which was on my mortgage, but safe and secure in the knowledge that if a sudden requirement for funds came about, that I would be able to return to that mortgage and draw on that — those extra funds there. So in my opinion I think that's fairly shrewd usage of finances.

Mr. Wendel: — Yes, and I think, Mr. Chairman, what I had commented on was that's, in fact, what the Department of Finance is doing. And I certainly . . .

Mr. Harper: — So basically what you're saying is my own personal financial scheme is similar to what the government is doing. They are paying down the higher interest rates, but also with the knowledge that on a rainy day they have the ability to go back to that fund and draw on it to meet their needs of the rainy day when over the long term, there's cost savings for the taxpayers of Saskatchewan.

Mr. Wendel: — So you know, Mr. Chairman, I think, you know, I agree with your cash . . . what you're talking about as a cash management practice, and I think it's very similar to what the Department of Finance is doing for the overall government's financial condition to keep costs down.

Mr. Harper: — Thank you, Mr. Chairman.

Ms. Jones: — Thank you. To the auditor, you've stated several times that the province does a good job of cash management, of managing its finances, and you did again at the moment in responding to Mr. Harper.

And so my question, just to kind of decide what it is that we're wrangling about is: is this a matter of when you see the overall picture; in other words, whether you see the province's . . . the state of the province's finances every day as recorded in the General Revenue Fund balance or whether you see it once a year?

If we're bringing down your objection to the lowest common denominator, the most simplistic form, is it a matter of when you see it, or whether you see it? Because I think you've said once a year there's a good job of disclosing all of the

government's finances, but that it's misstated or you don't get an actual, an accurate picture by looking at the General Revenue Fund. And yet you say that it is recorded, and you can see it in the summary financial statements.

Mr. Wendel: — We make several comments, Mr. Chairman. First, we're taking exception to the accounting for the transfers back and forth from the General Revenue Fund and Fiscal Stabilization Fund.

The other comment we're making in here is again, you shouldn't use the General Revenue Fund to understand and assess the government's financial performance, because you can't understand it from just using the General Revenue Fund.

We've said for many years the Department of Finance puts up an excellent set of summary financial statements that shows you the entire government. Once a year you get to see that. What you don't get to see is you don't get to see it other than that once a year, okay. You don't get to see it when the budget comes down. You don't know what effect that budget will have on the overall financial condition of the province. And when the mid-year report comes out it's only again focused on the General Revenue Fund. You don't know overall what the forecast for the entire government is.

So those are the comments that we're making in here, conceptually. Okay?

Ms. Jones: — So it is a matter of when you see the overall picture.

Mr. Wendel: — Yes.

Ms. Jones: — And when you look at the way the government accounts for its transfers to and from the General . . . or the Fiscal Stabilization Fund, I believe the comments were that it's done in accordance with the Act — the Act that was passed that established the fund. That's how they determined that they would do those accounting . . . or how they would account for the transfers back and forth.

So they are in accordance with the Act and you can see the picture. It's a matter of how often during the year you see it. Would that be fair?

Mr. Wendel: — Mr. Chairman, I had talked about this briefly before. And I think the Department of Finance's view is that by law they have to record them as they've recorded them in the financial statements, okay, the transfers to and from the Fiscal Stabilization Fund.

Our view is the law doesn't require that. You wouldn't have to do that to comply with the law. I think you could do that as a note to the financial statements, okay. And the only reason is the law says you have to consider it for the purpose of The Balanced Budget Act. Okay? So that was our view of the law.

Now they haven't done anything outside of the law, okay. I don't . . . we have . . . in fact we say it in the report — they've complied with the law.

Ms. Jones: — So, Mr. Chairman, then, they are doing it within

the way the Act says they will or can or should. But that isn't the way you would prefer them . . . the auditor, I'm sorry, that isn't the way that the auditor's department would prefer that it be done. So it's a matter of, it is within the guide . . . it is within the law. It's just something that you prefer that it be done a different way. I'm sorry, something that the auditor's office would prefer be done a different way.

Mr. Wendel: — I think, Mr. Chair, that would be a fair comment. I think what we're saying here is that in our view this isn't an expenditure within the definition of generally accepted accounting principles. And in that respect it should not be recorded as an expenditure.

Ms. Jones: — Thank you, Mr. Chairman.

Mr. Kwiatkowski: — Thank you, Mr. Chair. I'd just like to quickly follow up with the Provincial Auditor on my previous questions.

So if the government this year transfers \$359 million to the General Revenue Fund from the Fiscal Stabilization Fund, and the stated General Revenue Fund surplus is less than \$359 million, then the General Revenue Fund is actually in a deficit position. Is that correct?

Mr. Wendel: — Mr. Chairman, that would be correct.

The Chair: — Seeing no further discussions, let's now turn specifically to recommendations. We have four recommendations, the first being on page 311. And this one states that:

We recommend that the Department account for pension costs in the General Revenue Fund financial statements in accordance with the Canadian Institute of Chartered Accountants accounting standards for the public sector.

Are there any specific questions or comments to either the department or the auditor on this recommendation?

Seeing none, is there anyone prepared to put forward a resolution? Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I would move at this time a motion of nonconcurrence for the recommendation.

The Chair: — Any discussion of that resolution? Mr. Gantefoer.

Mr. Gantefoer: — Thank you, Mr. Chair. Mr. Chair, I recall that this committee has gone over this issue in the past and I think that, as I recall, we're pretty much split on the way it should be reported.

We think that the auditor makes a valid point and that his overall statement and the overall thrust, of not only these pension recommendations but the Fiscal Stabilization Fund reservation, is a sincere effort by the Provincial Auditor to move our jurisdiction to a situation where we look at the complete financial picture of the province when we make decisions.

The way we've structured our situation in Saskatchewan traditionally might have been acceptable. And I certainly agree with the comments about cash management, that that has to be ongoing and that the department is doing it and doing it well.

But the point that the Provincial Auditor is making is that it's important for us to consider the complete picture of the financial position of the province, not just once a year when we receive the report but when we consider the General Revenue Fund expenditures as well. Because I think that has a significant and important impact on how we regard the General Revenue Fund debate, if we're excluding or not properly recording, according to sound accounting principles, issues like pension liability or current pension expenditures and need to record them — or indeed doing a book entry between a Fiscal Stabilization Fund or not, and not recognizing the fact that indeed we do have gyrations in the financial position of the province and that we should make decisions for the General Revenue Fund, understanding that as they do occur.

And so I think that there's sort of an overall theme in what the Provincial Auditor's office is trying to get Public Accounts to support and that is that we move away from just focusing on the General Revenue Fund in making decisions about where the government's fiscal position is and consider much more appropriately the entire picture of government, which includes all of the entities under the government's responsibility, that we'll be in a better position. And certainly this recommendation, you know, implies that the pension issue is considered in that same light.

And I also note that I believe a good number of provincial and federal jurisdictions in this country have indeed moved their budgeting process to the combined picture. I believe there's seven other jurisdictions in the country that have moved that way and I think ourselves and two Maritime provinces are currently the only exception to that. And I think it's an important point that the auditor is making and in light of that I certainly would not support nonconcurrency. I do concur with the general thrust of the Provincial Auditor and this recommendation in specific.

Ms. Hamilton: — Thank you. I ask because I'm at this time in and out of here in bits and pieces. I'm not getting the total overall picture of where other provinces might be going but there have been other discussions that I've been a part of here where there are practices that are moving away — or governments that are moving away in some areas from the accrual accounting methods. And we had a discussion about that when minister Atkinson was part of the discussion in the committee. So from time to time I think there are areas where different principles are applied or not applied and we see other provinces that are doing that.

Yes, I am going to speak in favour of the motion that has been moved because I think for us we're saying that we recognize we do provide summary statements as an overall picture. But the situation of the province now, we're looking at how we cash manage to the best of our ability and to be able to save taxpayers' dollars. And we hear that we are following the legislation. We bring those expenditures to the legislature. We have the appropriations that are used to do that. And so I think that this is the way we're doing things, that we feel cash

management-wise would be most prudent for the province and the kind of situation we find ourselves in.

I guess the last comment I would make is somewhat a cynical comment. I'm not certain what kind of system we used when we overspent to almost a billion dollars in the province and then had to account for that in a way that had us paying very high interest rates for quite a while. So that's just I guess the last comment I would make, that I still feel hard done by every time we're looking at those kinds of statements in an overall way.

So to the motion before us, I'll be supporting it, Mr. Chair.

The Chair: — I just want to make one comment to the benefit of all of our committee members. We've had discussion before with officials from the auditor's office, with officials from Finance in Mr. Paton's office regarding a presentation to all of us that will occur sometime soon from both of the departments regarding the request by PAC for more information on this type of accounting. And that will happen.

And we had agreed that we wouldn't spend a lot of time today discussing the pros and cons of that system because we have not received the reports and the information from both the Department of Finance and from the auditor's office. And that is going to happen. I have made a suggestion to Ms. Woods that we might want to do that at a time when the Audit Committee, which has just been recently appointed, might be available to also hear those presentations to better help us in understanding what both of those will be saying. So that's for your information.

This is still going to happen. So we're not at that point of voting for that or whatever.

I have just one question regarding these numbers, Mr. Wendel. You state that the current \$112 million pension expenditures is an understating of the cost. And I think Mr. Montgomery made reference to the actual cost of pensions for individuals that is needed.

Now you're seeming to imply that there is additional funds that come in from some other source and that's why this fund is not stating its entire cost. Could you clarify what you mean by that.

Mr. Wendel: — I think, Mr. Chairman, what Mr. Montgomery was talking about was the accounting for pensions is pay-as-you-go kind of accounting. That's what the Department of Finance does. So if there's pensions to be paid, like to the actual people, that's an expense; or if they decide to put some money in the Teachers' Superannuation Plan, even beforehand, that's an expense. What we're saying is you need to book the actual expense, what the services that were provided during that year — not the cash payments but what pensions those people earned that year. You need to focus on expenses as opposed to what you're paying to retirees and future retirees in funding. Is that . . .

The Chair: — Mr. Smith, I might ask you a comment. Could you clarify what is the amount needed versus . . . for one given fiscal year for pensions versus the amount that the government actually puts into its line item as an expenditure for pensions. And I guess specifically we know that that line item exists in

the Education budget.

Mr. Smith: — Mr. Chairman, I'm not an accountant so I would prefer to stay away from those numbers but maybe to add some information: for the defined benefit pension plans, an actuary calculates every year the cost of providing the pensions earned in that year and an actuary may determine that for an individual John Doe it may cost \$200 to provide the pension benefit being earned that year. The contributor John Doe and the employer may be putting in \$100 but the cost of earning that pension in the year is \$200. So the difference is \$100; that's what we're talking about. There's cash going in of \$100 but to provide those benefits at some later date the actual cost is \$200.

So again we're talking about cash versus the cost of providing a benefit. And the numbers are published in the financial statements and maybe the Provincial Comptroller, Mr. Paton, could comment what those numbers are.

Mr. Paton: — Yes, Mr. Chairman. The numbers aren't readily available in one line within the Public Accounts where I can show you those very clearly, but we could provide information to the committee that details where the pension expenditures exist in the current year and the amounts of those.

The Chair: — I think that would be useful for our members to understand the system that works. And as Mr. Smith has pointed out, the fact that a liability might occur of \$200 and yet there is only a credit of \$100 coming in, what happens to the makeup? And I'd appreciate for future reference for this committee if we could get an explanation of that.

Mr. Paton: — Just, you know, a bit of clarification. If you turn to page 19 of the Public Accounts, we're currently talking about the General Revenue Fund. The total liabilities that the General Revenue Fund has for pension liabilities are shown in the Public Accounts and the 112 million that the auditor is referring to is the difference between the year 2000 balances and the year 2001 balance. So the 3.801 versus the \$3.912 billion, the difference between those two is the \$112 million that the auditor is referring to.

The Chair: — Thank you, Mr. Yates, further comments?

Mr. Yates: — Thank you, Mr. Chair. I moved a motion of nonconcurrency for a number of reasons, and I think I'd just like to point out a number of things. That the government does disclose its pension obligation in the notes to the General Revenue Fund, that there is no unknown or hidden agenda. It's clear; it's transparent; you can see it.

It shows in the financial statements as we just saw on page 19 when . . . that every Member of the Legislative Assembly has access to, that the general public has access to, to . . . any individual in the province of Saskatchewan can in fact get access to the summary financial statements.

And the government also very clearly budgets and fully records its annual pension requirements, what it requires each year. And that is very open and transparent, open and accessible to any member of the public, any Member of the Legislative Assembly.

And what we are really dealing with is how you account the accrual, the issue of accrual . . . accrual accounting, pardon me, and whether or not we should move to a different methodology of accounting. And one of the things that you have mentioned is that we're going to have a full discussion about that, and when that is fully understood, then make some determinations on the process.

And sort of, for all of those reasons, Mr. Chair, I believe at this time that it is appropriate to move a motion of nonconcurrency to the recommendation until we have a full discussion on the accounting methodologies and a full understanding of whether or not we want to move ahead.

The Chair: — I would be prepared to ask for the question, but I want to clarify your comment just now that says that the government indicates its total responsibility, and based on the comments of Mr. Smith and the comments on page 310 that says, the financial statements do not include the GRF's total pension costs for the year. That almost suggests that an expenditure line that we would see in the General Revenue Fund does not include all of our pensions costs. Is that true? Mr. Styles or Mr. Wendel.

Mr. Yates: — My statement was it's . . . (inaudible) . . . found in the financial statements.

The Chair: — No, but you indicated that government, in its request for expenditures, clearly shows all of its pension costs. And I'm wondering is . . . If that statement is true, then this statement's not true.

Mr. Styles: — The GRF financial statements disclose the cash payments; the notes disclose the increased liabilities.

The Chair: — Okay, great. Thank you for clarifying. Further comments? Question for . . . first, Mr. Gantefer.

Mr. Gantefer: — Mr. Chair, just following on your comment and your reminder that we're going to have this discussion on accounting procedures and things of that nature in the near future, perhaps rather than voting nonconcurrency with these motions, because they really imply that a fair bit, perhaps we should defer making those decisions until after we have the briefing from the department and from the auditor's office, because that may indeed impact on our decision as to how we might approach these recommendations.

The Chair: — I have a motion on the floor, so it can only tabled or changed by the mover. Mr. Wakefield.

Mr. Wakefield: — Mr. Chair, I would be reluctant to vote on this right now, because if we vote nonconcurrency then we're actually going against something that the auditor has stated that is not properly recording the pension cost by overstating and understating. Now I don't want to go into that discussion again, because we're going to be going into it. I would move we table the vote on this motion until after our discussion with the . . . the upcoming one.

The Chair: — We have a resolution to table that will supersede the existing one to begin with. No discussion. All those in favour of tabling? Opposed? Motion is defeated.

Back to the original which is nonconcurrency. Question. All those in favour? Opposed? Carried.

Recommendation no. 2 on page 312. This is the one regarding the recording of transfers to the Fiscal Stabilization Fund as an asset. Mr. Gantefoer.

Mr. Gantefoer: — Thank you, Mr. Chair. I move that we concur with recommendation no. 2.

The Chair: — Concurrence recommendation moved. Any discussion? Seeing none, all those in favour? Opposed? Motion is defeated. We must resolve this. Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I move a motion of nonconcurrency with recommendation no. 2.

The Chair: — Moved by Mr. Yates that the PAC (Public Accounts Committee) committee not concur with recommendation no. 2. Any discussion? All those in favour? Opposed? Motion is carried.

Recommendation no. 3 is on page 313. This is regarding the total pension costs for the year in the estimates. Discussion? Resolution? Mr. Gantefoer.

Mr. Gantefoer: — I would move that we concur with recommendation no. 3.

The Chair: — Any questions or comments on concurrence with recommendation no. 3? Seeing none, all those in favour? Opposed? Motion is defeated. Mr. Yates.

Mr. Yates: — I would move a motion of nonconcurrency with recommendation no. 3.

The Chair: — Moved by Mr. Yates, nonconcurrency. Any discussion? Seeing none, all those in favour? Opposed? Motion is carried.

On page 315, recommendation no. 4. As noted here, we had this one discussed and agreed to and then the department told us it was seeking legislative changes. I don't know that anyone has responded to that. Do we know the outcome of that comment, Mr. Styles?

Mr. Styles: — We're still in the process of seeking changes but no final decision has been made yet.

The Chair: — Anyone prepared to move recommendation on recommendation no. 4? Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I would move a motion of concurrence with recommendation no. 4.

The Chair: — Moving concurrence. Any discussion? No progress made thus far as reported by Mr. Styles. All those in favour? Opposed? Carried.

That takes us to the end of chapter no. 12, on Finance.

Mr. Styles, are you staying for the pensions discussion as well?

Mr. Styles: — Yes, I am.

The Chair: — Okay. We'll move directly into chapter no. 5 on pensions. We still have a fair amount of time before noon hour.

Mr. Wendel's officials, I understand, change. So I'll get Mr. Wendel to indicate who our officials will be and we'll move directly into a presentation on chapter no. 5.

Pensions

The Chair: — All right, we'll reconvene. We'd ask Mr. Wendel to introduce his officials, noting that the officials from the department are the same as who are for Finance.

Mr. Wendel: — Thank you, Mr. Chair. We have two new people with us now, Brian Atkinson who attends our meetings, and Bashar Ahmad who leads our work in pensions, gaming, and insurance. And he's here to make a presentation to you about pensions and some future work we're planning to do.

The Chair: — Okay. Thank you very much, Mr. Wendel. And, Mr. Ahmad, we'll go directly to your presentation. As indicated in this chapter . . . By the way there are no recommendations. This will be for information purposes for PAC members.

Mr. Ahmad: — Thank you, Fred. Thank you, Chair. Good morning, Chair, and committee members. I will provide an overview of chapter 5 of our 2001 Fall Report Volume 2. This chapter is on pages 61 to 71.

In this chapter we set out what we plan to do in the pension area over the next few years. Over the next few years we plan to audit the governance practices used by the government pension plans. Our objective is to assess whether the government's pension plans have adequate governance practices.

We have developed the criteria we will use for this audit. We discussed the criteria with the pension plans and have obtained their agreements. The agreed planned criteria are as follows:

Pension plans should have rules and procedures to ensure that:

(1) Board members have adequate knowledge . . . (Expectation is for the) boards and management to have a clear understanding of what they do, why they do it, and to whom they are accountable.

(2) The board approves an appropriate delegation of authority. We expect tasks to be properly delegated and authorized . . . (as required under the planned) legislation and plan arrangements.

(3) Board decisions are properly documented. We expect . . . boards to have clearly set out their role and responsibilities in writing.

(4) (Board members operations) . . . board (members to) monitors operations on an on-going basis . . . (Expectations are that the) governance practices to include timely reporting by the management to the pension plan board.

And lastly:

The board has an . . . external communication policy. We expect the pension plan board to approve a written external communication policy.

Members of the committee, the pension plans have complicated arrangements. They need appropriate management and oversight to fulfill the pension promise. All pension plans, including the government pension plans, need sound governance practices in the oversight and management of the plans. We think our work in this area will help the pension plans to continue to improve their practices.

That concludes my comments. Thank you.

The Chair: — Mr. Styles or Mr. Smith, any comments on this chapter?

Mr. Smith: — Mr. Chairman, we agree with the processes that the Provincial Auditor will be going through.

The Saskatchewan municipal employees' pension plan is the 100th largest pension plan in Canada and has close to a billion dollars in assets.

There's a phenomenal amount of money involved in pension plans and the governance of pension plans is becoming a big issue and we totally support what the auditor is doing. In fact, we're just about finishing the first year of a two-year program to do exactly where the auditor is going. It is very labour intensive to get there and I think that a lot of plans will be spending a lot of time doing this all across Canada.

The Chair: — Questions or comments?

I have one, Mr. Smith. Last fall there was a draft circulated, a working paper I believe it was called, regarding input that was being sought for changes to regulation of pensions and pension funds. And I know that when you refer to the boards here you're talking about a separate thing.

But could you indicate, for information purposes of our members as well as the public, as to how this is moving along and when you would expect to see regulation changes and how those regulations might be affected by the input that was received and circulated on the Web site, the response to it?

Mr. Smith: — Mr. Chairman, I think we're the wrong department to respond. This is a Department of Justice initiative and The Pension Benefits Act is part of the purview of the Department of Justice. It is their process. And I think that the regulations will change some time this year but I'm not sure when, and the Department of Justice would have to respond to that question.

The Chair: — Thank you. We have Justice coming this afternoon, so we'll ensure that that question gets directed at the correct officials.

Are there any other questions or comments on chapter no. 5?

With that, I would like to thank Mr. Ahmad and Mr. Styles, Mr.

Smith, Mr. Paton for being part of discussions this morning on both Finance and pensions.

And we will recess for lunch at this time. We will reconvene at 1:30.

The committee recessed for a period of time.

Public Hearing: Justice

The Chair: — Good afternoon, everyone. We'll reconvene for this afternoon's session. But before we introduce guests who are here for . . . and officials who are here for the Justice chapter, I want to make mention of something I learned just before lunch. And that's with regards to Mr. Brian Atkinson who is seated over there. Saturday, February 9, Brian received recognition from his professional association. I believe he's been admitted as a fellow chartered accountant, and this is because of meritorious service to the community and the institute. So I think on behalf of all of the PAC members and everyone here, congratulations, Brian. Well done.

Members: — Hear, hear!

The Chair: — And as customary I'll ask our . . . I'll ask our auditor, Mr. Wendel, to introduce officials for this afternoon's section.

Mr. Wendel: — Thank you, Mr. Chair.

Over on the far side is Rodd Jersak, who coordinates our activities at the committee. And over there next to the wall is Mike Heffernan, who leads our work at Social Services and in Justice, Brian Atkinson, who you just acknowledged, and Glen Nyhus, who leads our work at the Department of Justice. And he's going to be making a presentation to us in a few minutes on this chapter.

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

And a number of officials from the Department of Justice. I'd ask for introductions, please.

Mr. Whyte: — Thank you, Mr. Chair.

To my right is Elizabeth Smith, the director of administrative services, Department of Justice. To my left is Rod Crook, executive director of registry services. And to his left is Ron Kruzeniski, the Public Trustee. Behind me along the wall are, from the left — your right — Keith Laxdal, associate deputy minister of finance and administration; Mike Pestill, who is the manager of financial services, public law, and community justice; John Baker, the executive director of law enforcement services; and Stella LaRocque, the assistant director of administrative services.

Thank you.

The Chair: — Thank you very much, Mr. Whyte.

Okay. We're dealing with the 2001 Fall Report and that will be chapter 9. And I'd ask Mike for . . . no actually it's going to be Glen making the presentation. Great. Thank you very much.

Mr. Nyhus: — Thank you. Mr. Chair, members.

Chapter 9, the Department of Justice, begins on page 233. In this chapter we report on the department and its 10 funds and agencies. Page 233 shows the total spending by the government on Justice services.

On page 235 we report our audit conclusions and findings. We found that the financial statements of 9 of the 10 funds and agencies that the department manages are reliable. To date, we have not completed the audit of the office of the Public Trustee's financial statements. I will say more about this audit in the last part of my presentation.

We also found that the department had adequate rules and procedures to safeguard and control its assets and complied with its governing . . . excuse me . . . and complied with its governing authorities except for the matters that we report in this chapter.

We report seven matters for the department. Four of these matters were also reported in our Fall 2000 Report.

Briefly these are: the department needs to improve its procedures for ensuring the accuracy and integrity of its court information systems; the department needs to improve its procedures for collecting court-ordered fines; the department needs tested and approved contingency plans for its information technology systems; and the department needs to improve its annual report.

On January 13, 2001, the Standing Committee on Public Accounts considered these matters and agreed with our recommendations. We continue to make these recommendations in this report.

We also make three new recommendations.

The first is reported on page 236. We report that the department should follow its established procedures for recording the tickets it issues to law enforcement agencies.

Also we report that the department does not have procedures to ensure that all tickets issued by law enforcement agencies get recorded in its fines systems. These two weaknesses could result in lost revenue and undermine the deterring effect of fines.

We recommend that the department follow its established procedures for recording tickets distributed to law enforcement agencies and strengthen its procedures to ensure that the department records all tickets issued by law enforcement agencies.

The second new recommendation is on page 242. We report that the department needs to strengthen its oversight of internal audit. The department uses a senior management committee to review and approve of the work and reports of the internal audit group. We noted that this committee did not meet between May 1999 and June of 2001. When an internal group does not receive appropriate direction and support, the risk is that audit resources are not directed at the high risk areas.

We recommend that the Department of Finance and audit committee hold regular meetings to direct and approve the work plans of internal audit, and review and discuss the findings of the internal . . . of internal audit and the Provincial Auditor's office.

The third recommendation is on page 243. We report that the department needs to continually assess and consistently apply its project management practices to ensure appropriate skills, processes, and resources are used to manage its IT (information technology) projects. The department's agencies manage the development and implementation of their new IT systems. The department has policies and procedures for system development and project management. The department needs to ensure that these policies and procedures are used on all IT projects.

We reported in our Spring 2001 Report that the project management practices at the office of the Public Trustee needed improving. The department was involved in the tendering, selecting the vendor, and setting up the project management structure for the office. However, the department did not have an experienced project manager actively involved in helping to oversee the management of this project. The active involvement of an experienced project manager, independent of the primary contractor, would have helped the office of the Public Trustee manage this project.

We recommend that the department should strengthen its project management practices by identifying the lessons learned from the office of the Public Trustee's recent IT project. We recommend that the department continually apply its project management practices to ensure appropriate skills, processes, and resources are used to manage its IT information technology projects.

I now turn to the Public Trustee. On page 247 we report that the office did not properly administer its clients' affairs and safeguard their assets for the year ended March 31, 2001. We also reported this matter for the 2000 fiscal year in our 2001 Spring Report. In that report, we made eight recommendations. On June 13, 2001, the Standing Committee on Public Accounts agreed with our recommendations.

Because we released this report in May of 2001, the office was not able to act on our recommendations for the year ending March 31, 2001. Therefore the conclusions and recommendations in our Spring 2001 Report continue to apply.

In this report we report that the office acted promptly to address these recommendations. The office began development of processes to safeguard clients' assets. To ensure the Assembly is kept informed we describe, as of October 15, 2001, those actions that the office has taken and plans to take. We do not provide assurance on the quality of those processes because they are either recently implemented or are being put into place.

We will report a full assessment of the office's management of its clients' affairs in a future report.

On page 247 we also report that the office cannot prepare its March 31, 2000 and March 31, 2001 financial statements. As a result, we have not completed our audits for these years. I can report, however, that as of last week we received the financial

statements for the March 31, 2000 year-end. Also, we have now started this audit.

And this concludes my presentation and I'll be pleased to answer any questions.

The Vice-Chair: — Thank you.

Mr. Whyte: — Thank you, Mr. Chair. I have very few general comments to make. Beginning, just that to state that we of course appreciate the opportunity to examine our fiscal management, asset and acquisition management, and performance management before this committee, an opportunity to . . . one of the forms of accountability that exists for departments and we look forward to discussing our operation.

We also want to acknowledge the great help that the auditor's statements have been in terms of identifying weaknesses and in terms of suggesting the routes that we could pursue. And this report in the fall of 2001 is no exception in terms of pertinent observation.

Thank you.

The Vice-Chair: — Are there any questions of the auditor and/or the officials?

Mr. Gantefer: — Thank you very much, Mr. Chair, and welcome, members of the Department of Justice and the auditor's department this afternoon.

The auditor talks about some areas about, you know, that it's important that improved financial management takes place — issues like having a proper system to identify and follow up on fines and things of that nature.

And I appreciate Mr. Whyte's comments in terms of saying that the auditor's reports are useful in terms of improving your financial reporting and other aspects of your department's operation.

But I'm wondering if you could bring us up to date on specifically are you taking steps to implement remedies to the issues that the auditor identifies or what's the status of the department's response to previous recommendations that our committee has concurred with the auditor on?

Mr. Whyte: — That's a general question. But perhaps if I just proceed in an orderly way through the recommendations, starting with the May 2001 report on the Public Trustee, a number of problems were identified relating to the development of the Guardian system — the new information technology system — and the way its implementation was managed, certainly relating to accounts, to payments, to asset management, and so forth.

It may be . . . later in this hearing we might go through the responses that we have made with respect to the categories of suggestion made by the auditor. But in every case we have adopted, if not fully to this date, but in every case we have adopted the suggestions and are working towards implementing them.

I suppose in that category the one exception might be that, both in the context of the Public Trustee and in the broader context in this report, the auditor has asked that we deploy project managers for information technology projects, by which he meant the hiring of an outside agent to protect the department's interest. We have pursued a slightly different route. Although the general goal of having an independently situated assessor of the project development and project implementation has been put in place, we haven't done it through the creation of project managers being outside the department, contractors, but through creating a special project implementation director, a . . . (inaudible) . . . director, the technology officer, to do that function. That's just one small, I think, deviation. By and large with respect to the long list of suggestions with respect to the Public Trustee operation, we have implemented them, or are in the course of implementing them all. And that's, as I say, one of the valuable things of the auditor.

If I may just for a minute say that the Public Trustee lived under phenomenal pressure as a consequence of the Y2K fear and the inadequacy of our system to withstand the Y2K transition — and to do that, we needed to create a new information technology system called the Guardian system, and we did it in short order and it was pursued at the cost of other management checks and other management practices.

And we have been in a catch-up mode — as I say, very much helped by the Provincial Auditor identifying what had fallen by the wayside in the course of that transition. And the Provincial Auditor created a kind of road map for us to get back on stream, and I think we have followed it, and followed it successfully.

With respect to other matters that the Provincial Auditor has mentioned, he pointed out that the matter of fines has been a constant, or at least a frequent . . . put in a frequent appearance in these reports, as indeed has the matter of annual reports.

With respect to fines, we are again taking his criticisms very much to heart and his suggestions to heart. Again, I don't know whether we'll get into this later. There is one suggestion that he makes about the tracking of tickets issued which we feel we are not able to adopt at the current time because of lack of fiscal resources, and I may say so also, the lack of an underlying sophisticated information technology system.

The other suggestions relating to the collection of fines and relating to the tracking of fines, we are doing our best to pursue his urging, and we are in both those fronts, I believe, making a degree of progress.

With respect to the annual report, we have been constrained by the rules established by the comptroller, I believe. Whose rules are they that . . . about annual reports? Not sure. And in fact our annual report does not lift its game year over year, in recent years. We are producing the same annual report with the same deficiencies — in particular an honest and frank accounting of management challenges, management failures, and management successes. There isn't a performance management part of our annual report and that has not as yet been approved by the government through its accountability project.

We are well situated to go there in an annual report once the accountability project is factored in to the annual reports by

executive government, but it is a matter that the Provincial Auditor speaks to each year that we have heard but failed to respond to in the way that he thinks is necessary.

So I'm sure I haven't covered the whole gamut of . . . in terms of the historic concerns the Provincial Auditor's expressed, but what I do want to say is that the matters that he identifies are matters that do concern us. And there is no doubt that his identification of them has been a galvanizing force in directing our attention to trying to improve some of our practices in the areas say of Public Trustee, of fines, of annual report, of information technology implementation.

Mr. Gantefer: — So, Mr. Whyte, from your comments, specifically looking at the four recommendations in this chapter, what I heard you say is that, in the first recommendation that you improve the procedures for recording and making sure that tickets are accounted for, you're limited by the technological capacity of the system if you like, which in turn is probably limited by budgetary realities and prioritization of those realities. So that there may be a desire to comply with this recommendation but the physical and material resources wouldn't make full compliance possible.

Mr. Whyte: — There are three aspects to the fines, as I said before. One relates to the distribution of tickets and do we know where the distributed tickets are at any given time.

That problem isn't so much a technological problem as it is a person-power problem. We have . . . the tickets are printed by the Queen's Printer and distributed to police services. And the police services distribute it to their detachments. Well that would be the RCMP (Royal Canadian Mounted Police). That is the only police service with multiple detachments.

We do keep records of what tickets are distributed, but as the Provincial Auditor's pointed out, at some point in the year 2000-2001 when he checked, he saw that 100,000 tickets had been distributed and 84,000 tickets had been issued, leaving 16,000 which were presumably — and the operative word here is presumably — were presumably in detachments ready to be issued. But we were not able to say where all those 16,000 were and which of the 16,000 had been spoiled or had been withdrawn or had been sent back. We did not have a close accounting of the unissued tickets.

The Provincial Auditor suggested that we have an ongoing audit of the unissued tickets. That would be immensely time consuming in terms of court services staff, and equally importantly — make no comparisons about the relative importance of police as to public servants — but equally importantly in terms of detachment staff. And in fact, we are under a lot of pressure, particularly from the RCMP, not to contribute to their administrative load.

So I would go on to say one more thing about the distribution of tickets and our capacity to identify where each of the unissued tickets is at any given time. I don't want to sound overly sanguine but this does not give rise to loss or fraud in the sense that tickets, when issued, are returnable not to the issuer, but to a courthouse someplace in the province. There is no capacity to use those tickets as numbered receipts, for instance, privately held, handed out to people in exchange for their \$100, say.

Police officers aren't able to do that with tickets.

I suppose it's possible that a police officer could say, you can just pay me for this right here and now but presumably 20 per cent of all fined persons will recognize the impropriety of that, and so by the time you get to the fifth ticket, the police officer will be exposed.

Again, I don't want to be overly sanguine. It's nice to know where all your receipts are, and tickets are receipts, but we don't think that the fraud stoppage effect of accounting for all those tickets is of any significance at all, and certainly not worth the cost of tracing each ticket.

There are two other matters, one relating to the tracing of fines, and next to the collection of fines. Perhaps I will let the executive director of court services speak to those two matters relating to fines.

Mr. Crook: — First, a couple of supplementary comments on the auditor's recommendation dealing with the distribution and receipt of tickets. There are, as has been discussed, the two components.

The first is the recommendation that the department follow its established procedures for recording tickets distributed to law enforcement agencies. We have reviewed those policies, and reports of the ticket numbers that are distributed and the names of the law enforcement agency will be reviewed on a monthly basis to ensure that these policies and procedures are being followed. So in terms of the first recommendation, the department does not see any difficulty in having in place a system on a monthly basis to know where the tickets have been distributed to.

Now bear in mind that we distribute tickets to "F" Division which in turn distributes them to the various detachments, as well as distributing tickets to various municipal police forces. So in turn, we have to work with "F" Division in terms of their own internal tracking system for where they send the tickets to the various detachments.

The second recommendation is to strengthen procedures to ensure that the department records all tickets issued by law enforcement agencies. A couple of comments here. First, we do have procedures in place to record tickets issued by law enforcement agencies. Basically, the ticket has three parts. It has the offender copy, the police copy, and the court copy. The police return the court copy to our Provincial Court payment information centre.

For the most part, we have voluntary fine payments. And when those voluntary fine payments are received, our staff input that on the computer system to show that that ticket has been cleared. Where the ticket is still outstanding and it has not been paid, whether by actual payment of dollars or by a non-monetary payment, the outstanding tickets then go through the court process. And where there is a court disposition and a conviction, then that information is then entered on the computer system. So I don't want the committee to be under any misapprehension that the department does not have procedures in place to record tickets. They're issued by law enforcement agencies.

I believe what the Provincial Auditor is getting at in this recommendation is that we do not have a tracking system to record unissued tickets that may be sitting in police detachments, or indeed, in a particular officer's briefcase. They have a number of tickets that are in a booklet form and some of them will be issued and the rest will be sitting in their case.

So in order for us to actually track that, what we would be asking police detachments to do is, as of a particular date, to tell us exactly what tickets are unissued. That would mean going to each and every officer that has been issued tickets, and that is a time consuming and, for the police, we will have to . . . we'll certainly make the request to them, and over the next year to see what kind of response we get and how practical it is from their perspective to provide that information.

Assuming that we get that information, then the additional difficulty is that our computer system is an old system, and there would be enhancements to it needed to generate reports on what tickets have not been recorded on the system.

So all of the issued tickets would be recorded, but we would have to generate a report that would actually tell us what ticket numbers have not been issued, compare that with the information that we would receive from the police detachments, and thereby you would be able to have 100 per cent certainty as to all of the tickets either being issued and reported on the system, or being unissued.

In addition, from time to time, tickets are cancelled for various reasons, and there are procedures in place for those tickets to be returned. And again, we would be asking the enforcement service agencies to ensure that those procedures are followed. So that's with respect to distribution and receipt of tickets.

With respect to the other two areas that the Provincial Auditor has raised over the last few years, the first is the improving procedures for ensuring the accuracy and integrity of information on the court information system, JAIN (Justice Automated Information Network), and to ensure that not only are all court dispositions but all payments are recorded.

There are really two issues here. The first is the . . . having in place procedures to ensure that this information is recorded. As I indicated, we do have those procedures in place.

The Provincial Auditor has raised the issue of authorization and verification of changes to information on the system. That is really a question of staff resources. We have staff that input the original information and then any changes, and it would be a case of doubling up on staff to then have somebody go in and verify. So the average dollar of a fine being \$150, it's a cost-benefit analysis as to whether you want to spend the additional money on staff resources.

The more significant issue from our perspective is the financial reporting capabilities of the court information system itself, and we have had a difficulty in reconciling our outstanding account receivables — our fine account receivables that are outstanding at the beginning of a period and at the end of a period. And as of March 31, 2000, that unreconciled amount was approximately \$336,000, and as of March . . . end of March 2001, it was down to approximately \$175,000.

We have been working hard on that problem. It is a system programming problem with a very old and getting to be obsolete computer system, and we believe we are making progress and look forward to that unreconciled amount coming down again in the year ending end of March '02.

The last issue that the Provincial Auditor raised is the department's efforts for collecting court-ordered fines and what improvements could be made.

There were essentially three areas that the Provincial Auditor looked at. The first was the actual methods of collecting court-ordered fines. We have done a number of things over the past few years including expanding the driver's licence suspension program to include Criminal Code driving offences. So that program now covers all traffic-related fines.

We have moved to acceptance of credit and debit cards in eight Provincial Court offices as a more convenient method of payment and we are expanding that program to other Provincial Court offices. We moved to . . . in 1999, to assign unpaid fines after a certain period of time to collection agencies and we've had some success there with what the collection agencies have been able to do. We are in the process of developing a Web site to allow payment of traffic-related fines on the Internet and that should be available this spring.

So that's some of the things that we have been doing. And in terms of some of the areas that we are continuing to look at, again subject to the overall caveat of resources, is to expand the driver's licence suspension program to all fines. So it would not only be the traffic-related fines but it would also be non-traffic fines.

To consider the issue of vehicle registrations and whether those should be thrown into the mix in terms of a remedy for unpaid fines, we have also . . . are exploring driver's licence non-renewal arrangements with Manitoba and Alberta. And they have agreed in principle that this would be a good idea. But again it's a question of resources in the particular provinces and whether that's a priority to move forward for them in terms of implementation.

So there are a number of areas in the collection of unpaid fines. I think the bottom line is that we can't do too much more without additional resources. And within the resources that we do have, we think that we're operating a fairly good program.

Two other comments. One is the Provincial Auditor has also identified performance targets and measures as one area that perhaps the department should look at in the fine collection area. And we're in the process of exploring that in the context of the annual report and the accountability project, emphasis on performance measures.

We do have some . . . the particular measure that we are looking at at this point is a measure of fine collection over a three-year period. And essentially what happens is when a fine's ordered in a given year, by and large that fine — about 58 per cent — gets paid in the first year. In the second year you get more payments coming in. In the third year you get more payments in but it's a fairly rapidly declining intake.

And over a three-year period we seem to be averaging about a 78.5 per cent collection rate. And so the idea would be, whether it's a three-year period or a five-year period — a five-year period is about 80.1 per cent — that we would track this on an annual basis. And so that's the approach that's being considered, but again in terms of ambitious targets to increase that to, you know, 90 per cent or something like that, that would be dependent on significant resources. And then, finally, there's always the problem that you can't get blood out of a stone and there always will be a percentage of fines that remain uncollected.

The Chair: — Thank you very much. Further questions.

Mr. Gantefoer: — Thank you, Mr. Chair. I'm reluctant to delve into any other issues . . . (inaudible interjection) . . . I know more about fines than I need to know. I'm not even going to ask if you concur with the recommendation or not.

But to the auditor's office, it strikes me that this recommendation has a certain element of blue-skying in it that seems to have much more theory than pragmatism involved in it.

I think that has been explained in detail — the problems of tracking each and every fine, and if it means going . . . or each and every potential ticket and if it means going into officers' briefcases to do that kind of reconciling way, it might sound good in an auditor's office. In a practical recommendation it doesn't seem to make a whole lot of sense. So I mean, does the auditor's office recognize that this has very severe practical limitations?

Mr. Nyhus: — The tracking of tickets, there are two ways to do it. One certainly would be to track the individual one. The other way would be to monitor to see what you get back. When we did our work we looked at a block of tickets from prior years and after a year or two or a couple of years you would expect that you would be getting most of them back. And I think that it would be quite . . . It wouldn't take a lot of resources to identify if there is significant blocks of tickets missing. Yes, there are tickets that are cancelled and that. And so the odd ticket here or there, yes, it would not be worthwhile probably to follow them up. But I think that in order to determine whether your . . . the information that you have on your information system is complete, that if you monitored what tickets you had given out and eventually what tickets are coming back, if there are big blocks of tickets that are missing or that are not accounted for, then it would be easy just if you knew who you'd sent them out to, you could follow them up. And that was the intent of the recommendation that we made. It wasn't necessarily to identify individual tickets at any point in time.

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

Mr. Wakefield: — Thank you, Mr. Chair. I just have a question of . . . maybe for clarification. You talked about the time and energy put into the IT system. I think you called it the Guardian system. In pursuing this IT system or the Guardian system, I think you talked about it took so much time that it took away from some of your other activities. What area suffered the most under that or could you prioritize it?

Mr. Whyte: — Well, the . . . for one thing, we were putting it in place quickly as January 1, 2000 came along and so it was taking a lot of everybody's time. And secondly, the Guardian system didn't work without its problems at the beginning. It took, like I guess many IT systems, it needed attention to get it to perform its functions more reliably. So a great deal of effort was taken, not just because of time, but because it just needed remedial attention.

What suffered? Well the Provincial Auditor has identified such things as just basic accounting, the annual accounts at the Public Trustee office — and as the report has noted that the account hasn't been submitted for March 31, 2000, let alone 2001 at this point although that former one is now ready and in, or going in — asset management and whether we had a complete and accurate record of the assets of beneficiaries, whether our evaluation of assets was fully accurate and up to speed, whether our payout decisions based on the strength of performance of invested funds was calculated accurately at the time of payout. And as you know, we had a problem of an excessive payout, perhaps accountable to not a rigorous enough assessment of fund performance. So across the piece — accounting, keeping track of assets, keeping track of investments, making payments — all were areas where the auditor expressed concern, in fact where there were delays.

Mr. Wakefield: — Thank you. Was this necessarily a very specifically customized program or an IT system that was being developed? I guess I'm wondering, is there some redundancy with other systems that could have been implemented at the time or adapted much more quickly than . . . (inaudible) . . .

Mr. Whyte: — I think I'll ask Mr. Kruzeniski, the Public Trustee, who was responsible for the implementation of the Guardian system to answer that.

Mr. Kruzeniski: — The system developed, now called the Guardian system, is completely a customized system, and it is tailor-made to trust accounting. It is tailor-made to dealing with the issues in a Public Trustee office.

At the time the developer that was doing the project, one of the preliminary components was to do a survey of other computer systems across Canada. And in 1997 the report back was that there was possibly only one system out of California that might be used. That system had been adopted by Alberta and British Columbia and both of them were very much concerned with the system that they had incorporated and taken on.

So it . . . the conclusion really was there is no system that was comparable. And I would say in 2002 there is still no system that is comparable, or off-the-shelf type of software that can do what has to be done in a Public Trustee office.

If I can just clarify in terms of elaborating on Mr. Whyte's answer. Certainly in October of '99 we implemented a new computer system, and for the six . . . first six months things were extremely difficult. Mr. White has indicated some of the things that delayed. There were some 32 staff in the office and it was absolutely critical that payments go out to people for, number one, for their nursing care monthly payments, their room, their food, their medical bills, those types of things. And in the process of getting the new computer system to generate

those efficiently on a daily basis, some of the things that the Provincial Auditor flagged slid behind.

After that six months, we have progressively made a lot of progress in catching all those things up. Bank reconciliations are all up to date, trial balances are taken off regularly, processing of incomes and expenses are done on a sort of a very current basis, reappraisal of real estate has been all brought up to date, and all asset adjustments have been made. And to the best of my knowledge, all asset evaluations are current in the system and I was given that information this morning.

So we made major progress after implementing a brand new system that comes with its challenges at the time of implementation.

Mr. Wakefield: — Just one follow-up, Mr. Chair. And thank you for the answer. It's reported in here, and I think it was with regards to this IT, that there isn't a contingency plan in place at this time. I think the year was . . . anticipated to have a contingency plan by 2004. There's a risk involved if that's the case.

Mr. Whyte: — Yes. The recommendation relates to the department's information and communication systems generally. I wouldn't want to say there wasn't a contingency plan in place at all, but I do want to say that we have been working very hard in the last year in developing contingency plans.

First of all, we have now completed what's known as disaster recovery plans for both the program application systems and for the communication systems, the Internet system, electronic mail system. And the testing of that emergency disaster recovery plan is going on.

We also have now developed a plan. It's really a plan to plan, a four-year plan to develop a business continuity plan so that if something were to happen to disrupt our capacity to do business — and it wouldn't only be a breakdown of an information technology system but, by and large, that would represent the single biggest risk — we have alternative ways of getting on and doing business.

So we are addressing the IT contingency plan challenge that the Provincial Auditor has identified and we are committed to developing written, tested, and approved contingency plans.

One of the things about contingency plans is that they actually don't last that long because the information system you have in place is not the information system you may have had into place when you first started the contingency plan. And so this is an immensely — as the Provincial Auditor has recognized — an immensely time-consuming and difficult ongoing process for our department and all departments.

Although I do want to say that the Justice Automated Information Network which supports the criminal justice and the civil justice system in this province is, relatively speaking, a big, big system with a lot of very vital data, absolutely crucial to continuing to administer justice in the province, it is also a very old system and it is of great concern.

We do have some rerouting alternatives in case JAIN breaks down. And we do have a disaster recovery plan for it. We are, as I say, developing it and testing it. What we're not doing yet is testing it in real breakdown, and I hope we won't.

Mr. Wakefield: — Thank you. Just one more follow-up, if I could. And this is regarding the office of the Public Trustee more than anything. And I noticed — and you talked a bit about this already — the office wasn't able to prepare a financial statement for 2000 and for 2001, although 2000 has been, I think, submitted. But for . . . we're now at 2002, and I'm wondering . . . the delay was, and I think you referred to that earlier for the 2000, but the 2001 is a year old now, or the requirement for 2000. Can you comment on that?

Mr. Whyte: — I really must say that we're virtually there, but I'm going to let the Public Trustee speak for himself maybe on this.

Mr. Kruzeniski: — Upon the issuance of the Spring Report of the Provincial Auditor, the Public Trustee, with the assistance of the Department of Justice, engaged an independent accounting firm. And that independent accounting firm came in, had discussions with us, had discussions with the Provincial Auditor.

And the conclusions reached . . . the criticisms contained in the Spring Report really applied to both fiscal years. And it mainly applied to ensuring that assets recorded on our paper files were recorded on our computer system. And major efforts were undertaken to review approximately 2,000 files in the office to ensure that asset listings on the computer system were up to date.

The other conclusion was that since the problems for both financial statements were basically the same, that the same groundwork had to be done to generate both statements. And that's why we're now at a stage that last week we submitted the financial statements for March 2000, and we're hoping by the end of February that we've submitted the statements for March 2001, with the same sort of supporting material, in effect, going with each of those statements. So we are that close to completing work that started in June and July of this year.

The Chair: — Before we go back to recommendation no. 1, Mr. Kruzeniski, the comment that you just made regarding the Public Trustee leads me to question two things that come from pages 250 and 251. It indicated that the office, because of the errors in investment earnings, the office applied about 85,000 in excess administration fees from its clients, obviously in error. And this occurred back a while ago. And then on the next page, it says the office has not started to refund administration fees to clients — would suggest that 85,000 is owed to clients that was taken incorrectly, and that the office has not started to refund that kind of money.

When it does start to refund it, will the office be required to pay interest, penalty fees, and will this lead to further complications if this procedure isn't started immediately?

Mr. Kruzeniski: — Mr. Chairman, in the Fall Report the Provincial Auditor relied on information as of October 15. The Spring Report was basically out in May, and we started our

actions in June and July. We had a number of preliminary steps that we had to take before we could get to the issue of refunding fees.

We first had to recover the over-distribution from existing clients. We then had to contact former clients and ask that they consider returning the funds that had been over-distributed. We had to give them a period of time to in effect do that. We had to determine what amount we would request that the Crown reimburse the Public Trustee common fund, and at that point, we would then be in a position to complete the step, each of these involving sort of a new computer process to get it done, because it impacted some 7,000 clients.

We have, since the Fall Report, completed the refund of fees. That 85,000 was an estimate. We have refunded some \$56,000 in fees. The funds from the Crown have been returned and put into the common fund, and that was an amount of \$135,000. Some \$95,000 was recovered from former clients and I respect and admire their honesty in responding to our request.

So basically we have taken those steps, Mr. Chair, and I know it does seem like a long time from start to finish. But when dealing with this many clients it just took that long to complete it along with, you know, keeping the rest of the operations of the office going. So I can report to the committee some successful completion of the correction of an extremely unfortunate error that occurred.

The Chair: — Thank you. I'm glad that you bring our committee up to date on some of the things that are suggested here as not having occurred at the printing of this report. Because I think it's critical that the public understand that registration . . . or the administration fees that were incorrectly charged, that you've already made significant progress and that you're continuing to monitor that. Thank you.

Further comments?

Recommendation no. 1 suggests . . . it's on page 237. It suggests that the department has procedures in place but does not follow them. Is that an accurate assessment of that first statement, Mr. Whyte?

Mr. Whyte: — We do follow procedures for recording tickets distributed to law enforcement agents . . . tickets distributed, we do record tickets distributed. So we do follow that.

The second part of that recommendation is that we strengthen procedures to ensure that all . . . that the department records all tickets issued. So we have a bunch of tickets out there and we know where they went. Tickets issued we know about because they come back onto our information system. But there is a bunch of other tickets at any given time we're not able to identify specifically what . . . They haven't been issued and we think generally we know where they are but we haven't got a system that tells exactly how many tickets are in each office.

And our response to that is that we concur with the recommendation — the first part of it. And the second one too, ideally, but we do add a . . . provided resources are available. There would be, as I said before, a . . . and as Mr. Crook said, a fairly hefty cost in doing an accounting of all outstanding . . . all

tickets that have left the Queen's Printer and haven't come back through issuance. It would be a big job and we could do it if it was a great . . . significant loss centre.

The Chair: — Thank you, Mr. Whyte. I'm understanding some members are trying to figure out which one is responsible for some of these tickets that haven't been accounted for.

I guess the question then is the use of the word all by the auditor there. I mean, when you're talking about . . .

Mr. Whyte: — Yes.

The Chair: — . . . two parts to this recommendation, I understand your compliance with number or part . . . the first part of the recommendation. But it's the second part that wonders whether we can ever get to all in a realistic sense and at what cost.

Mr. Whyte: — Well in fact we do record all tickets issued by law enforcement.

I mean, maybe the Provincial Auditor can make it clearer to me. I think you're satisfied that we record all tickets issued and that we record all printed tickets distributed. It's the distributed unissued tickets which we haven't got a bead on, which is your concern. Is that not right?

Mr. Nyhus: — Well the first part is that when we looked at the recording of the tickets that were issued, we found we looked at three blocks of 100,000 and we found that, on average, about 20 per cent of the tickets that were sent out weren't identified where they were sent.

And so basically what we're saying in the first part of that is that to ensure that the procedures that you do have in place apply, that every time tickets are sent out that they are recorded. And so that was the intent of the first one.

Mr. Whyte: — Okay. So that problem then is that . . . Sorry. Using issued . . . let's use the word issued as that which a police officer does in giving a ticket to someone and distributed for that which the Queen's Printer does in sending it to detachments.

And your report says that, in distribution, we don't have an accurate bead on our distribution patterns. And . . .

Mr. Nyhus: — That's correct.

Mr. Whyte: — . . . I think that was right and is not right now. We have corrected that in the Queen's Printer's office.

Mr. Nyhus: — Okay. So that was the first part.

Mr. Whyte: — Okay. Yes. And we agree with that. We should know where they go.

Mr. Nyhus: — Right. And in the second part, you know where they go. Like, when we did our testing, we looked at . . . compared the tickets that were sent out. And it was a couple of years, I think it was '99 and yes, we recognize it would take a while for all the tickets to be issued.

And so what we looked at, we'll say well after a couple of years, where you stand. And the department does not have procedures in place to sort of monitor that. And yes, I think we'd be the first to recognize that if you were going to try to track every ticket at a point in time, including in a policeman's briefcase, that yes, that would be extremely expensive. And . . . but there are other ways just to monitor, to ensure that what you send out you do have sort of control or oversight of what's actually getting back on. And if there are big gaps you have the means then of following up. And that was the second part of their recommendation.

The Chair: — Thank you for that explanation, both Mr. Whyte and Mr. Nyhus. Any further comments? Could we have a resolution dealing with recommendation no. 1. And I know that there are two parts, so if anyone has reservations about one or the other, then we'll have to separate them, if not together. Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I would move concurrence to recommendation no. 1, chapter 9 of the Fall 2001 Report.

The Chair: — Thank you. Moving concurrence. Okay. Thank you. Yes, I'll agree with you this time. Any further questions? Resolution. All those in favour? Opposed? Carried.

Recommendation no. 2 is on page 243 regarding the audit committee's regular meetings. Any further questions or comments? Fully concur. Resolution. Mr. Harper.

Mr. Harper: — Mr. Chair, I move full concurrence of this resolution no. 2.

Mr. Whyte: — We fully concur with this recommendation.

The Chair: — Thank you, moving concurrence. Any questions of the . . . If no questions, all those in favour? Opposed? Carried.

Two recommendations appear on page 244 — recommendation no. 3. Yes, Mr. Whyte.

Mr. Whyte: — We fully concur with recommendation no. 3 and there are lessons to be learned from the office of Public Trustee's process and we have examined it carefully. In fact we have established a series of new offices in the systems division . . . systems branch of the department specifically in response to that experience. So we absolutely agree with 3.

The Chair: — Agreement. In fact, significant progress made. Ms. Higgins. Resolution.

Ms. Higgins: — Recommendation no. 3, note progress and move concurrence.

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

Recommendation no. 4. This is with regards to the information technology and we've had a little bit of discussion on that. Any further comment there, Mr. Whyte?

Mr. Whyte: — We would say that we agree with no. 4 and are committed to broadening project management practices where resources are available.

And I put that last caveat in, in the sense that the project management practices we've developed in the systems branch are not exactly the ones that the auditor has, in the past, prescribed. I don't know whether it is as solidly in favour of a fully independent project manager as it was last time we met, say.

Mr. Wendel: — Mr. Chair, when we reported the last time on the office of the Public Trustee, we had recommended an independent consultant to help the Public Trustee. And the thinking at that time was that resources weren't available within the department, at that time, to do that. So we said they need to have somebody on board right away to help them out with that process.

Now if you're going to have that resource available in-house, that's fully satisfactory to us.

Mr. Whyte: — Thank you very much.

Ms. Jones: — Does that require some sort of an amendment to the recommendation? All right, then I'll move concurrence.

The Chair: — Motion to move concurrence on recommendation no. 4. Any discussion? Question? All those in favour? Opposed? Carried.

That takes care of the four recommendations as outlined. I don't know we'd need any . . . Okay, that brings the discussion of the Justice, chapter 9, to a conclusion. Thank you very much to Mr. Whyte and all of your officials for coming in and assisting this afternoon.

We'll extend your break a bit. Social Services officials are not expect to arrive until 3:30, and hopefully a few minutes sooner. So because we're breaking a little bit sooner, could we try to be here like 3:20, please, instead of 3:30. And if the officials are here, we'll start. Thank you. Thank you.

The committee recessed for a period of time.

Public Hearing: Social Services

The Chair: — Okay. We'll reconvene our meeting with the last section for today and that will be the area of Social Services. And I understand from your office, Mr. Wendel, that Mr. Heffernan has already been introduced. So we'll move directly to Ms. Durnford and ask for introductions of your officials.

Ms. Durnford: — Thank you, Mr. Chair. To my left I have Phil Walsh who is executive director of our income securities division. And then to my most immediate right I have Bob Wihlidal who is the assistant deputy minister responsible for regional operations. To his right, Don Allen who is the executive director responsible for financial services branch. And then to his right, Shelley Hoover, the assistant deputy minister responsible for policy.

The Chair: — Great. Welcome. Thank you very much. Okay.

Chapter no. 13 is the chapter we'll be dealing with from pages 317 to 331 of the Fall Report. And I'd ask Mr. Heffernan for a presentation from the auditor's office.

Mr. Heffernan — Thank you, Mr. Chair, members. On page 319 we set out the total government spending on Social Services programs by agency and also briefly describe the department's mandate.

On page 320 we set out the key risks the department needs to manage well. We encourage the department to describe its key risks in its annual reports along with the systems and practices it uses to manage these risks.

On page 321 we start on our conclusions and findings and we note that the internal auditor's reports are not timely. At that time we report the department cannot ensure it has adequate internal controls over programs to safeguard public money and to ensure that only eligible recipients receive assistance and that they receive the correct amount of assistance. We also reported this matter in previous reports and in June of 2000 this committee agreed with our recommendation. We continue to recommend that the department issue timely internal auditor reports.

On page 322 we note the department needs to follow its rules and procedures to ensure that only eligible persons receive social assistance and that they receive the correct amount of assistance. The department's rules and procedures include verifying the recipients' eligibility when they apply for assistance and at least annually after that. Twenty-five per cent of the client files we examined did not contain adequate information for the department to verify the eligibility of applicants.

The department's annual verification of each recipient's continued eligibility was not adequate. For example, the department often did not adequately document or verify changes to recipients' eligibility based on the information obtained during annual reviews.

The department did not adequately document its verification of expenses paid to or on behalf of recipients. These unsupported payments included utilities and rent. We also reported this matter in our 2000 Fall Report, and in June of 2001, this committee agreed with our recommendation. We continued to recommend that the department follow with steps, procedures that ensure only eligible clients receive assistance and that they receive the correct amount of assistance.

On page 324, we note that the department needs to strengthen its project management practices. The department has made significant progress in strengthening its processes for managing information technology projects since we first reported this matter. However more work needs to be done as explained at the bottom of page 325. We also reported this matter in previous reports, and in June of 2001 Public Accounts Committee agreed with our recommendation. We continue to recommend that the department strengthen its policies and procedures for developing and implementing new information technology.

On page 326, we note the department needs to ensure its

records accurately monitor the pursuit of child support. Many of the department's records used to monitor the pursuit of child support were not accurate. Inaccurate records impede the department's ability to ensure recipients pursue child support. We also reported this matter in previous years, and Public Accounts Committee has agreed with our recommendation in the past.

We continue to recommend that the department improve its records to ensure custodial parents receiving social assistance pursue child support. The department told us that after the year-end, it has fixed its records so that it can now adequately monitor the pursuit of child support and we'll have a look at those corrective actions this year.

On page 326, we note the department needs to ensure its community-based organizations or CBOs submit required performance reports to the department. The department should also perform timely reviews of their reports. As well, it should work with CBOs to establish performance measures and targets to enable the department to assess each CBO's progress in achieving the department's objectives. We also reported this matter in previous years, and this committee has agreed with our recommendations.

We continue to recommend that the department ensure all CBOs submit timely performance reports, perform timely reviews on all CBO performance information, and work with CBOs to establish performance measures and targets.

On page 329, we note the department needs to ensure that only eligible recipients receive the Saskatchewan employment supplement and that the amounts are correct. The department did not ensure that applicants for the Saskatchewan employment supplement had valid social insurance numbers and did not adequately verify each recipient's income.

So we have two new recommendations here. We recommend that the department verify the validity of each Saskatchewan employment supplement applicant's social insurance numbers. And we recommend the department periodically verify the incomes of Saskatchewan employment supplement recipients. And since year-end, we have received audit reports from the department on this program and we'll be looking at those this year.

On page 330 we note the department needs to improve its annual report for the year ended March 31, 2001. The annual report should explain the department's key risks in achieving its objectives and its controls in place to manage its risks. The report should also describe the department's progress in achieving its goals and objectives.

The annual report does not include financial statements for the department. However, it shows the department's financial operating results and its investment in capital assets. We also reported this matter in previous years. And in its January 1999 meetings, the Public Accounts Committee agreed with our recommendations, while recognizing the difficulty of setting measurable performance target indicators in a single year.

We continue to recommend that the annual report provide a summary of the department's financial and operational plans

that form its targets and actual results.

That concludes my remarks.

The Chair: — Thank you, Mr. Heffernan.

Ms. Durnford: — Just a couple of quick comments. A couple of the issues that have been brought to our attention by the auditor and his staff are ones that we concur with in terms of working on our reporting and accountability systems, and we have, I think, made some progress here and continue to look forward to making progress.

So I'd be pleased to answer any questions that the members or the Chair would have for us.

The Chair: — Great. Thank you very much for those opening comments. And we'll open the floor to general questions or comments about the entire chapter.

Mr. Kwiatkowski: — Thank you, Mr. Chair. With respect to community-based organizations that aren't submitting their annual and quarterly reports on time, what are the consequences for those organizations over the long term?

Ms. Durnford: — Our first approach with the community-based organizations, if they weren't submitting the information on a timely basis, is to work with them through our regional offices to see if we can in fact have them comply with the requirements.

Many of the organizations that we deal with are relatively small organizations and are made up of volunteer boards. And we need to remind ourselves of that in terms of their capacity and their ability sometimes to work within the time frame. So that's an important sort of background.

So our view would be that we have a responsibility to work with them to try and encourage compliance, and that's the line we would take.

If, over time, it became a chronic issue and we had reason to believe that not only were the financial reports not being provided but that there was concern about the quality of the program or whether the program that they've agreed to provide is being offered, we would take, I think, more strict measures with the organization. And at some point we could come to an agreement to conclude the service agreement and say that we are no longer providing service with them. That's a very rare occurrence for us, to have to go that far. Mostly we get compliance over time with the organizations.

Mr. Kwiatkowski: — And how effective have some of the recently implemented quality assurance programs been?

Ms. Durnford: — In community living division, is that what you're thinking of?

Mr. Kwiatkowski: — Primarily in CLD (community living division), although perhaps you can answer this as well. I understand that there is some thought perhaps to extending it beyond CLD.

Ms. Durnford: — Yes. I think the community living division has moved farther ahead than some other areas of the department in setting some, perhaps not outcome measures per se, but standards and expectations around standards on programs.

And I think for the most part it's relatively well received. It's certainly something that we've negotiated with the . . . with the partners in that area. We have done consultation with all of our community-based organizations over the last eight months, I guess, probably starting last fall, to determine their interest in moving to more of an outcomes-based approach.

And I would say that there's general support for moving in that direction. I might characterize it as cautious support for moving in that direction, and they very clearly want to work with the department on that front but don't want to feel that the department is dictating things that are not possible for them to achieve. So I think it's . . . cautious willingness is how I would describe it.

Mr. Kwiatkowski: — With respect to your observation on partners, I understand that the partnership agreement with the umbrella organizations of some of the community-based organizations, primarily within once again CLD, such as SARC (Saskatchewan Association of Rehabilitation Centres), SACL (Saskatchewan Association of Community Living), that that partnership agreement is being renewed, renegotiated. What's happening there? Is . . . is that in fact the case and where is that particular partnership agreement at?

Mr. Wihlidal: — The partners have gotten together in the past month and looked at the original agreement which is about three years old, I believe, now — the partnership agreement between SACL, SARC and Social Services — and for, mostly for the purpose of making sure the partnership is still relevant. And I think the conclusion from those meetings was that, yes it is, and that there continued to . . . need to move on with the partnership.

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

The Chair: — No other questions then. One question from my position. On page 320 it's . . . the auditor identifies key risks as to how the department would be successful. It talks about establishing partnerships and making sure that those services are available.

Are there any . . . is there any approach being taken at the Department of Social Services to build partnerships with the Department of Health regarding providing long-term care and necessary care for a person who is a Social Services recipient but, because of a severe injury, is now in a facility — in a health facility — that requires physiotherapy and the like? Social Services funds that are provided do not meet the needs of the individual. Health funds don't meet the needs. Are we building those partnerships to ensure that needs of those kind of people are met?

Ms. Durnford: — Yes. You raise an important issue in the disability area because some of the issues that you described are very real ones for the people facing a disability. I would say that the broader, longer-term policy direction in . . . for the disabled

in the province is being looked at very closely by government through the Office of Disability Issues which is attached to the Department of Social Services, reports to me, and reports to my minister.

The Office of Disability Issues has been working with the disability council to look at a long-term direction for how we approach disability services in the province. And the disability council released a report, an advisory report, to government in June of . . . this past June — June of 2001 — which looks at some of the kinds of issues that you've described.

I think the approach that we want to use over the long term is to recognize that the Department of Social Services has a responsibility in this area relative to basic income support, but that the other services that the disabled need to get — to help them either go back to work or to manage their issues — should be available to them through mainstream programming divided . . . provided through health districts or through school districts.

And it certainly is a . . . I think a philosophical direction that's been followed for a long time in our community living division, certainly a long time in school districts through normalization and inclusion of children in classrooms. And I think that policy direction is what we need to pursue over the long term with kinds of circumstances that you described, Mr. Chair.

The Chair: — There doesn't seem to be any dispute as to that policy direction.

Ms. Durnford: — Right.

The Chair: — The problem that individuals are encountering — and I speak very specifically of an individual in my constituency — is that the Department of Health, the minister said this is a good policy direction. The Department of Social Services, the minister says this is a good policy direction. Yet there doesn't seem to be a bringing together to address the needs.

And when you have a disabled individual who is, you know, 40 years of age but is now because of brain injuries in a permanent situation, philosophical discussions and policy directions are good, but if they are taking too long the particular individual's health condition is deteriorating. And we can't seem to get departments to blend together here. And I'm wondering if there's an approach that your department is taking to lead that because of the social service dependency.

Ms. Durnford: — Absolutely. As part of the response to the report that was given to government by the disability council, we are working with Health, Justice, Education, Post-Secondary Education to develop a framework from which government can make some of those policy choices and the individual program choices. And I think that some of the work that we've done to date has led to some changes.

The one that I think is most significant for the disability community is the individualized funding model that was announced as part of the health action plan. It didn't get a lot of attention in the context of the health action plan, but this is certainly something that we've heard very clearly from the disability community is an important step forward. It will allow

them to receive funding and manage funding by themselves to purchase services to respond to their disability and to respond to their needs at home. So it certainly, my sense is, will be well received by them.

The Chair: — Thank you for those comments. Mr. Kwiatkowski.

Mr. Kwiatkowski: — Actually that's another area that I wanted to discuss a little was the area of individualized funding. I understand that what you refer to is going to be taking effect April 1; is that correct?

Ms. Durnford: — That's correct, yes.

Mr. Kwiatkowski: — Can you perhaps describe the way in which it will be implemented and how it would be delivered initially?

Ms. Durnford: — Well I can't give you a lot of information, because the responsibility doesn't sit in the Department of Social Services, it sits with Health and with the health districts.

But generally my information is that it will be delivered or it will be available for clients on April 1 and will be administered locally by the health districts. There will be some provincial direction on that, sort of setting maximums that would be payable in hourly rates and things like that. There would be, I think, also some direction around whether payments would be available to family members to take care of family members, so things along those lines.

But I can't give you a lot of the specifics because we're not responsible for the administration of the program. So I would encourage you to raise it with the Department of Health because I think it's . . . my sense is it's going to be well received.

Mr. Kwiatkowski: — Do you foresee the day that individualized funding will be applied to individuals in vocational and residential programs that fall under the jurisdiction of your department?

Ms. Durnford: — I haven't considered that actually, Mr. Kwiatkowski. And can you lead me a little bit more and give me a bit more information on what you're thinking of?

Mr. Kwiatkowski: — Well I guess just that, you know, you're right. I mean, individualized funding has been a major issue right across the piece for a long time.

And people with disabilities, for example, in vocational and residential programs — and it's been attempted in several other jurisdictions — think that, you know, it's something . . . And in some cases, the *Voice*, people with disabilities, for example, People First have lobbied very actively for it. And I guess I was just wondering where is the department in terms of responding to some of those requests or some of those discussions that have been held along those lines.

Ms. Durnford: — Well I don't think we have a position today on it. What I can do is roll that into our discussions on the broader disability framework, because I think this is going to give us an opportunity to look at all of the programs and

services that we're providing to disabled individuals.

And it's certainly something that we think is an important thing to do, given the level of dependency that we have in our social assistance caseload of disabled people. And the direction that we certainly want to work on over the long term is seeing what additional supports are required to ensure those folks have an opportunity to attach themselves to the labour force and participate as fully as they can.

Mr. Kwiatkowski: — Newfoundland is a jurisdiction you may want to look at in terms of seeing how they've done it. There's an excellent supportive decision-making process that they've built around some of the individualized funding situations. Then they've been used as well to go off into even allowing those individuals the ability to build, even start their own businesses, you know, and those kind of things.

So I guess I would, you know, encourage the department to take a serious look at it in the long term.

Ms. Durnford: — Okay. Thank you for your comments.

Mr. Wakefield: — Just a couple of quick comments. And I read in here and I heard it described as, we continue to recommend that the department do this and do that. There's several areas where recommendations are continuing to be requested.

And I'm just wondering. You did mention that you're trying to work on these things, but there are some that stick out. One of them is in the social assistance payments — 25 per cent of the files, I think it said, were inadequate. Is that being addressed? I mean, that seems to be a rather serious shortcoming.

Ms. Durnford: — Well I think it's important to . . . for a bit more information here, I think the issues that the auditor has identified are certainly issues on the file, and it's something that we need to work on continually with our staff group.

These are errors that were found in annual reviews so that full information may not have been available on a form in an annual review or may have been concluded on the wrong form. These are not necessarily errors that relate to financial payments. And we do a very close review of the financial error rate. And we have traditionally had, I think, for the last eight years, error rates of under 4 per cent, which we considered and have worked with the auditor on to determine what is an acceptable — if there's any error rate that's acceptable — what would an acceptable rate be in the social assistance program.

But very clearly I think that's something that we have to work with our staff on. One of the longer term directions that we're pursuing here is to make the rules of the program more simple and straightforward and clear to the clients. So that it's not as difficult for the client to understand what the rules are and, hopefully, fewer mistakes are made over time.

So very clearly we want to work on program simplification. And the other piece of work that we're trying to do that should help us on this front, is to reorient the work of our front line social workers so that they have more time to spend with the clients and do the kind of case planning that we like them to do

and that planning leading to the clients getting a job. And I think we're making good progress on that in terms of some of the delivery changes that we've made over this last year. We're seeing a lot more progress there.

Mr. Wakefield: — Well that's encouraging. I hope that you keep going in that direction. There is one other comment here that I noticed; this is on page 324. The department did not adequately document its verification of expenses, and it goes on to show some of those. That's maybe just another example of what I was referring to.

Ms. Durnford: — Yes, absolutely. Those are important things and we will be raising them with our staff.

The Chair: — Thank you. Any further comments or questions, in the general sense? Seeing none, then let's turn to recommendations. There are two new recommendations in chapter no. 13 and they're found on page 329.

The first one deals with the validity of social insurance numbers for recipients. Are there any . . . is there any update on that from the Department of Social Services?

Ms. Durnford: — Yes, certainly. With that one we have taken steps that by the fall of 2002 we will be able to verify social insurance numbers against, or with, the Canada Customs and Revenue Agency which will allow us to ensure that that information matches as against their income and their social insurance number.

We're not able to do that directly with the federal government because we can't get access . . . or with the other federal agencies because we can't get access to the social insurance number through their registry system. But we will be able to verify it against CCRA (Canada Customs and Revenue Agency), which I think is a huge step forward for us.

The Chair: — And if that is the plan, is that acceptable to the auditor as a step in the right direction to meet the concern of validity?

Mr. Heffernan: — We'll have to look at that but it looks reasonable to us right now.

The Chair: — Any further comments or questions? Recommendation no. 1. Is there any resolution?

Mr. Yates: — Thank you, Mr. Chair. At this time I would move concurrence and note progress.

The Chair: — Concurrence with progress noted. Any discussion? All those in favour? Carried.

Recommendation no. 2, that the department periodically verify the incomes of employment supplement recipients. Is there anything to add to that from the department?

Ms. Durnford: — No. We continually verify that through automatic computer matching of things like EI (Employment Insurance), Workers' Comp, other issues. And we're seeing our audit, the error rate in our audits in this employment supplement drop considerably from where it was in the first year of

implementation, which was July of '98. So we think we're making good progress there as well.

The Chair: — Thank you. Any further questions? Comments?

Ms. Hamilton: — I would move concurrence with the auditor's recommendation and note the progress from the department.

The Chair: — Okay. Concurrence with progress noted by the department. Any discussion? All those in favour? Opposed? Carried.

That brings the discussion of chapter 13 to its conclusion. I want to thank Ms. Durnford and your officials for coming this afternoon, and to you, Mr. Heffernan, for assisting us in that discussion.

We stand adjourned until tomorrow morning at 9 a.m., at which time we will be in camera for discussion of the Audit Committee, the appointments to the Audit Committee. And we will be beginning with Post-Secondary Education at 9:10.

Have a pleasant evening.

The committee adjourned at 15:54.