



Standing Committee on Public Accounts

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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Warren McCall
Regina Elphinstone

Lyle Stewart
Thunder Creek

Milton Wakefield
Lloydminster

The committee met at 09:00.

The Chair: — Good morning, everybody. And let's get started for today.

An agenda has been circulated a couple of times and we are presenting a revised edition. Due to some difficulties we had to change the order of the events for Thursday, the 24th — and not too significant other than moving the 10:30 and the 1:15 and switching them due to the inability of the deputy minister of Finance to be present for the afternoon of Thursday. So now that session will take place at 10:30 — the understanding the finances of government.

Also I don't know whether all MLAs (Member of the Legislative Assembly) are aware that Brian Smith, his wife passed away and in fact her funeral was yesterday. So Brian was also going to be involved in some of the work scheduled for this week but there will be another official from Finance that'll take care of that as well. So that is not going to affect the agenda.

This morning we're scheduled to look at the Standing Committee on Public Accounts. And through the notice of meeting agendas that were circulated, we asked you to bring the 2001 Fall Report Volume 2 and the 2002 Spring Report. And those will be the two reports that we'll be dealing with for the entire day in fact; we'll be going back and forth.

So the first chapter is chapter 16 of the 2002 Spring Report. And I'd ask first of all for introductions since we do have some new people here. First of all, Fred, I don't know that they're new people but would you introduce your staff that's with you today.

Mr. Wendel: — Sure, Mr. Chair. With me today I have Rodd Jersak who attends all our meetings and he coordinates our activities at this meeting, so you'll see Rodd here at every meeting, and Brian Atkinson, my assistant, who'll be here at every meeting.

The Chair: — Good, and from the comptroller's office, Chris.

Mr. Bayda: — My name is Chris Bayda. I'm with the comptroller's office. Chris Bayda's my name, with the comptroller's office. And with me today is Larry Boys, who's also with our office. And sitting behind me is Frank Garrett, who's also here today.

The Chair: — Good. Welcome. Okay, with that . . . those introductions, we'll move directly to chapter 16 and, Rodd, a presentation from the auditor's office.

Mr. Jersak: — Thank you, Mr. Chair, and members. Chapter 16 of our 2002 Spring Report begins on page 151. It has two main purposes. It responds to a prior request of the Public Accounts Committee regarding monitoring the status of its recommendations; and it highlights the work and accomplishments of PAC (Public Accounts Committee) since the spring of 2001 when we last reported the status of PAC recommendations.

During the time from the spring of 2001 to the spring of 2002, PAC continued its review of a number of our reports on the results of our work at government organizations. These include all of our reports from our 1999 Spring Report to our 2000 Fall Report, Volumes 1, 2, and 3. The committee also began its review of our 2001 Spring Report and our 2001 Fall Report, Volumes 1 and 2.

During this time the committee met 12 times to discuss our reports. At the time this chapter was released, the committee had not yet prepared a report to the Assembly setting out its recommendations resulting from its review of these reports. As a result the most recent PAC recommendations in this chapter are from PAC's third report of the twenty-third legislature, which was presented on April 19, 1999. The third report of the twenty-third legislature included over 280 recommendations, including those where the PAC concurred with our recommendations.

PAC requested our office to monitor compliance with its recommendations and to advise it of the status of them. The exhibit in this chapter lists all of PAC's recommendations that were not fully implemented by the government as at the date we last audited the organization or area prior to issuing this report in the spring of 2002.

We note that the committee's reports during the previous five years contain 374 recommendations. Some of these recommendations may take a number of years to implement. However, as of March 2002 the government has fully implemented over 78 per cent of the committee's recommendations that continue to be relevant. Also, almost 61 per cent of the remaining 22 per cent of the relevant recommendations have been partially implemented.

About six months have gone by since this chapter was made public. As a result, the exhibit may not reflect the current status of certain PAC recommendations because the government may now have dealt with them.

This past June, your committee issued a report to the Assembly that set out the results of your review of our reports since April 1999. The recommendations made in that report are not included in this chapter. We will report the status of those recommendations in our 2003 Spring Report.

That concludes my presentation. We would be happy to answer any questions that you have.

The Chair: — Thank you very much, Rodd. As indicated, the chapter begins on 151 and the status of all recommendations is found on pages 158 to 174. I guess if there are questions or comments now would be the time. Any further comment, Chris, from your department? I know Mr. Jersak has made mention that the government may have looked at some of the recommendations since that are not published.

Mr. Bayda: — I don't . . . no further comment at this time, Mr. Chairman.

The Chair: — Any questions? Thank you very much. Since chapter 16 concluded so quickly, there are a couple of handouts,

there are a couple of handouts that we have received. One is a report from Saskatchewan Workers' Compensation Board regarding some discussion that will take place tomorrow. So we will have that distributed now by Meta so that you can . . . (inaudible interjection) . . . pardon me? Yes, go with both.

And the second one will be a report prepared for our committee by government from Finance, dealing with the recommendations that were proposed to Finance. I believe there were 17 of them. So the Minister of Finance, Mr. Cline, has responded to each of those recommendations and this is a second report that will be circulated to you.

Public Hearing: Energy and Mines

The Chair: — Okay, I call the committee back to order and we'll move to our next item which is chapter 16 of the 2001 Fall Report, then still referred to as Energy and Mines, even though now I guess we're talking about Industry and Resources. And I'd ask Mr. Spannier to introduce the person with you as well.

Mr. Spannier: — Okay. My name is Larry Spannier, the deputy minister of Industry and Resources. With me is Hal Sanders, the acting executive director of mineral revenue and investment services division for the Department of Industry and Resources.

The Chair: — Great. Good morning, Hal. And from your office, Mr. Wendel.

Mr. Wendel: — Yes, Mr. Chair, I have two new officials with me now. I have Bashar Ahmad who leads our work at Energy and Mines and Kelly Deis over there who works with Bashar.

The Chair: — Good morning, gentlemen. Okay, let's move to first a presentation from the auditor's office and then comments from the department. Bashar.

Mr. Ahmad: — Thank you, Mr. Chair. Good morning. I will provide a brief overview of the chapter on Energy and Mines in our 2001 Fall Report Volume 2. This chapter is on pages 359 to 368 of our report.

The chapter provides our audit conclusions and findings for the year ending March 31, 2001 for the department and its special purpose fund called Oil and Gas Environmental Fund.

Also in this chapter we describe the key risks the department faces. First I will talk about key risks. In co-operation with the department, we identified the key risks that the department must manage well to be successful. We discussed these key risks with the department to ensure we have identified the correct risks.

We did not assess the adequacy of the department's systems to address its key risks. We report these key risks to inform the legislature about the complex matters that the department must manage well.

We have identified five key risks. Those risks are, first, promoting exploration to optimize the discovery and development of energy and mineral resources in Saskatchewan.

To promote exploration the department needs to update and improve accessibility to the province's geoscience data, maintain a mapping system that assists the industry in searching for new deposits, and must work with the industry to establish a competitive economic and regulatory system to promote exploration in the province.

Second, ensuring responsible energy and mineral development while optimizing government revenues to pay for programs and services. The department must obtain a fair share of revenue from resources for the people of Saskatchewan, must encourage continued investment and development of resources by ensuring that the industry receives a fair return on its investment.

Third, ensuring responsible use and delivery of energy. The department needs policies and programs to encourage the responsible use of energy and the efficient and effective delivery of energy services in the province.

Fourth, ensuring the completeness and accuracy of all royalty and taxes due to the government. The department must ensure that all of the non-renewable resources revenue, mineral right taxes, and other fees due to the government are accurate and complete.

And lastly, ensuring that the industry activities are conducted in a safe and environmentally responsible way. The department must ensure industry's activities — that is exploration, drilling, and extraction of resources — be done in a safe and environmentally responsible manner.

Now turning to our audit conclusion and findings, in our opinion the financial statements of the Oil and Gas Environmental Fund are reliable. The department had adequate rules and procedures to safeguard and control its assets and the assets of its fund. And the department complied with the authorities governing its activities and the activities of the fund relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing activities, except for the payment to NewGrade.

The issue regarding NewGrade is an old issue that we had reported in the past reports. We report this matter again because the law requires us to do so.

During the year, the department paid 2.4 million to NewGrade. The department called this payment NewGrade royalty rebate and used an order in council, under section 24 of The Financial Administration Act, as its authority for the payment.

Section 24 of the Act allows cabinet to omit or exempt any person from liability to pay any tax and royalties to the Crown. Because the producer must still pay and the NewGrade receives the money collected instead of the Crown, we think the effect of the order in council is not a remission to producers but a grant to NewGrade. Accordingly we think the department should record this payment as grant expense instead of reduction of revenue.

Your committee considered this matter in the past and concurred with our recommendation. However, your committee considered this matter again in 1996, 1997, and most recently on September 28, 2001 and did not concur with our

recommendation.

That concludes my overview. Thank you.

The Chair: — Thank you very much, Bashar.

Mr. Spannier: — Thank you, Mr. Chair. The department accepts and supports the views of the Provincial Auditor with respect to those five areas where Energy and Mines must manage risk . . . (inaudible) . . . Energy and Mines, and now Industry and Resources must manage risk.

These include promoting exploration to optimize the discovery and development of energy and mineral resources in Saskatchewan; ensuring responsible energy and mineral development while optimizing government revenues to pay for programs and services; ensuring responsible use and delivery of energy; ensuring the completeness and accuracy of all royalties and taxes due to the government; and ensuring the industry activities are conducted in a safe and environmentally responsible manner.

Throughout the fiscal year 2000-2001, the department maintained programs, identified enhancements, and monitored all risks identified above. These risk areas continue to be priorities for the department. However, the department continues to be of the view that it does have proper authority under section 24 of The Financial Administration Act, 1993 to issue a remission of tax to NewGrade on behalf of producers paying Crown royalties for natural gas feedstock used in the upgrading . . . (inaudible) . . . And as the Provincial Auditor has indicated, those views were supported by Public Accounts in 1996-97 and, most recently, 2001. Thank you.

The Chair: — Good. Thank you very much. As the chapter indicates on pages 359 to 368, there are no new recommendations put forward other than the risks as identified by both Mr. Ahmad and Mr. Spannier on page 362, the five key risks, as well as the conclusion or the findings as summarized at the top of page 366 and then further comments on NewGrade.

So seeing no new recommendations, are there any questions about any of the information contained in chapter 16 or any comments or questions directed to each of our presenters this morning?

Mr. Stewart: — Chapter 16 discusses responsible energy and mineral development. I'm thinking of the Eldorado nuclear site near Uranium City. How much money has the department or this government put towards the cleanup of that site? Are you aware of that, Mr. Spannier?

Mr. Spannier: — Yes, I'm aware of the issue. In terms of how much has the department or government put forward, nothing has been budgeted at this point. However, what I would indicate that over the course of the last year or so, we've been negotiating with the federal government about the cleanup of those two mines.

Clearly they were under federal jurisdiction when they were operating. We have an agreement, sort of a draft agreement that we share with them. Basically the ball's in their court to respond to that draft agreement. We're entering it with a view

of cost sharing at 50/50. Site cleanup is upwards of 25 to \$30 million. So 50/50, call it twelve and a half to fifteen million . . . 12 to 15 million each.

Mr. Stewart: — Any indication when the decision may be forthcoming from the feds so the cleanup can begin?

Mr. Spannier: — As a matter of fact I'm meeting with the federal deputy when I'm down in Halifax on this weekend for the Kyoto meetings. I've set up a meeting with the federal deputy to promote this to his level. Prior to that it's been . . . it's sort of the officials working level that have developed this agreement and discussed back and forth, and clearly, I want to advance it forward. I . . . you know there is some urgency to this, both from the provincial perspective as well.

Mr. Stewart: — This goes back a little before my time, Mr. Spannier. Was the partnership in Eldorado Nuclear 50 per cent provincial and 50 per cent federal? Was that the . . .

Mr. Spannier: — It's before my time too, sir. I'm unaware of it. I can find that out for you if you'd like.

Mr. Stewart: — I'd appreciate that. What is . . .

Ms. Atkinson: — . . . the merger with SMDC (Saskatchewan Mining Development Corporation) and Eldorado, when it was privatized? That became Cameco, but . . .

Mr. Stewart: — Okay, thank you very much. That's about all I have except it seems . . . something seems incredibly wrong when the McClean Lake mine, who are in compliance with all of our environmental laws as far as anybody can see, is shut down and we can't do anything about cleaning up the mess of Eldorado Nuclear that the federal government's made. Something's badly off the rails. I just hope that this matter can be addressed forthwith, both cleaning up the Eldorado mess and getting our . . . a good complying mine back on line.

That's all I have.

Mr. Gantefoer: — Thank you, Mr. Chair. Just following up on this discussion, I'm at a bit of a loss. If the responsibility for the project initially and through its development was the federal government, why is not the federal government bearing 100 per cent of the cleanup cost?

Mr. Spannier: — They've refused to put anything on the table. So in the spirit of trying to get some negotiated end to it, we put 50-cent dollars on the table. They refused to accept responsibility for it.

Mr. Gantefoer: — Are we operating in a sort of responsible environment? I mean, it seems as if the federal government is getting off the hook for their responsibilities and Saskatchewan taxpayers are being asked to pay an inordinate and irresponsible share, almost, of the cleanup. I know the cleanup has to happen, but it's a little troubling when the federal government can sort of just walk away from its responsibilities and we allow it to happen. And there's a number of different areas where that has happened in the past and it sounds like they're doing it to us again.

Mr. Spannier: — It could be viewed that way. Like I said, our main motive here was to get something happening up there.

Mr. Gantfoer: — Has there not been a recent federal report that pretty much put the ball . . . it's been reported in the media that the ball's pretty much in the federal government's court. Would it not be possible to cite that and to use that as a lever to attempt to get the federal government to live up to its responsibility in this matter as well?

Mr. Spannier: — We hope that that will encourage them to conclude this deal. I think the report you're referring to, while it doesn't specifically point at the federal government, it does point out that these are some of the most highly toxic sites in Canada and so on.

I haven't seen the report, but I don't know if it really points directly at the federal government or just identifies a site, you know.

Mr. Gantfoer: — Okay. Thank you.

Ms. Atkinson: — I would propose that the Public Accounts Committee disagrees with the Provincial Auditor and point out that the former Department of Energy and Mines is in compliance with the accounting requirements set out in section 24 of The Financial Administration Act by reporting the payments to NewGrade as a remission in the public accounts.

The Chair: — But that's not proposed as a recommendation.

Ms. Atkinson: — No, I know it. I'm saying that we continue to support PAC's position.

The Chair: — Oh, okay. No, I understand where you're going now. Okay. Because we don't have that recommendation before, you want it recorded that the position taken on September 28, 2001 is further enhanced.

Ms. Atkinson: — Yes.

The Chair: — Before we do that, Ms. Atkinson, may I ask a question . . .

Ms. Atkinson: — Certainly.

The Chair: — . . . dealing with NewGrade? Mr. Spannier, at the bottom of page 366 — I don't know whether you have chapter 16 — it indicates that the department must pay the amount of the remissions to NewGrade for a minimum of 15 years or until NewGrade's debt guaranteed by the government in December of 1986 is paid — minimum 15 years, 1986. That would have meant like probably 2001 and we're now past that.

Could you indicate to the committee what level of debt remains. Is there still an amount or have the remissions actually met the amount of debt? Like where are we with the financial obligations with NewGrade?

Mr. Spannier: — I'm advised that there is still debt left but in terms of the amount, we don't have that with us at this point. We can clearly provide that to the committee if . . .

The Chair: — Would you also indicate not only the amount, but would you indicate what, based on the first 15 years or 16 years of remissions, as to when you expect that obligation to be met.

Mr. Spannier: — Yes.

Mr. Wakefield: — With regards to NewGrade, the plan that was in place gave an advantage, really, to NewGrade, at least that's my understanding — is that right? — in terms of its ability to generate the . . . process the heavy oil.

Mr. Spannier: — This specifically provided a rebate on the natural gas.

Mr. Wakefield: — Oh, just on the natural gas.

Mr. Spannier: — Right. This is on the natural gas consumed by NewGrade. So for example, NewGrade would purchase natural gas from various suppliers. Those suppliers would sign their rebate of the royalties over to NewGrade. We would do a remission directly over to NewGrade.

Mr. Wakefield: — I wondered if there was other agreements with other energy companies.

Mr. Spannier: — There'd be agreements as they apply to natural gas with the specific natural gas suppliers.

Mr. Wakefield: — I have another question, if I could. There's a considerable amount of research, petroleum research incentive, and a Petroleum Technology Research Centre. Is there other kinds of research ongoing, other than in the petroleum base . . . petroleum area?

When we're talking about the Kyoto agreement we're talking about trying to institute other forms of energy that would alleviate the situation vis-à-vis the greenhouse gases. So other technologies and other research should be ongoing and I'm wondering if there is a focus in that direction. And if not, why is there not?

Mr. Spannier: — Okay. Clearly there is a focus in other directions. I don't have a copy in front of me but our position paper on Kyoto that we released identified a lot of initiatives that we're pursuing vis-à-vis Kyoto. For example: clean coal, the Weyburn CO₂ carbon sequestration, wind power through SaskPower, the ethanol initiative, the development by SRC (Saskatchewan Research Council) in terms of fuel cells. So there is a lot . . . It's not just clearly petroleum-based research. We are doing a, you know, supporting a lot of research in other areas.

I don't know if that answers your question but . . .

Mr. Wakefield: — Well yes, it does. I guess I was trying to highlight the fact that if we are . . . if we are contemplating doing something vis-à-vis Kyoto, I think we should be seriously considering what alternatives that we might be able to do here.

Mr. Spannier: — Exactly.

Mr. Wakefield: — And you've outlined some of those. What is

the department or the government doing in trying to indicate to the federal government that there is ongoing research and trying to fix the problem? And not by just signing on to it but actually committing ourselves to ongoing research and development.

Mr. Spannier: — Well I think that, you know, by identifying in the discussion paper what we're doing in terms of our negotiations with the federal government, we can show that, you know, clearly Saskatchewan has been investing heavily in research to reduce greenhouse gas emissions and use those in examples. Clearly had we not have embarked on several of those initiatives, our emissions and our targets would even be higher than they already are. Right now, to meet the Kyoto targets, we'd have to reduce our emissions by about 30 per cent which, you know, would have a serious impact on some of our industries here.

So we continue to invest through the provincial government, through SRC, directly with the universities, the PTRC (Petroleum Technology Research Centre), and so on, through the Crown corporations in whatever measures we can.

Mr. Wakefield: — Mr. Chair, I encourage you to keep doing that because those are the kinds of things that have to be brought forward to the federal government that can be done and are being done to achieve the same results.

Mr. Spannier: — And just on that note, I think that you know that's where the discussions with the federal government are heading. I don't know if you've read *The Globe* today but Alberta is currently trying to work with the federal government in terms of an alternative plan. And I think that, you know, where Alberta was heading was that, you know, the targets were too ambitious and the timelines too tight. So for Alberta to get on side with the federal government there'd have to be a lot of concessions made in terms of the new . . . funding for new technology, different timelines, recognition of initiatives already underway, and perhaps put the emissions trading thing aside which really doesn't help out to reduce greenhouse gas emissions, as you know. It just basically allows you to purchase credits and continue to . . . you know, nothing changes in terms of your . . . in terms of the thing.

So we're very optimistic that the discussions next Monday and following that will lead to a better plan than we've seen so far.

Mr. Stewart: — In February the then Department of Energy and Mines released the report discussing the impacts of Kyoto. I wonder if you could outline particularly the economic impact that was discussed in that report.

Mr. Spannier: — I don't have the report in front of me but there is a section in our discussion document called the economic impact. I think our findings, our economics, the modelling we did at that time based on \$10 and \$50 a tonne was upwards of 2.5, maximum was \$2.5 billion hit on the economy.

But the thing you have to realize too is that the assumptions and so on have changed. It's sort of a moving target; as we work with the federal government the targets have changed and the ground rules have changed. So we have to interface with them more to find out now what are their new assumptions. And why are we down to them saying that it's only going to cost 500

million? And we have to look at their numbers.

To make a long story short, I don't have the numbers in front of me. The best that I can point out at this point in time is the economic impact in terms of our discussion.

In addition I think that all of the economics have been released to the newspaper and so on. There's been articles in the newspaper about the modelling we did and so on. But again, I caution you that it was based on assumptions several months back in terms of our negotiations with the feds.

Mr. Stewart: — Thank you. I haven't seen *The Globe* this morning but Alberta's new position as you outlined it would certainly sound appropriate to me and it's what we've been calling for all along.

Mr. Spannier: — Yes, I think that clearly where we were as an alternative not to . . . You know in terms of an alternative to the federal plan, clearly we were aligning ourselves with Alberta. Because looking . . .

Mr. McCall: — Mr. Chair, I'd like to point out that, you know, I know that you want to provide a certain amount of latitude that, you know, we've got Mr. Spannier here and he can answer certain questions in a general way. But the information he's brought here is relating specifically to chapter 16 of the Fall Report 2001 Volume 2.

And I don't know what is well served by getting into an open-ended, sort of, sitting-around-the-coffee-table conversation on Kyoto. I'm sure we could do that for the next three days if that was our desire. But there's an agenda before the committee and I would appreciate some attention paid to sticking to it.

I appreciate the member's intentions, but we've got an agenda before us.

The Chair: — Point well taken, Mr. McCall, and I was just going to ask that our questions be directed to the information regarding chapter 16 because that is our topic. Are there any other comments about NewGrade or any of the other key risks as identified in the chapter?

I would like to now come back to Ms. Atkinson's request that a motion be put forward that the committee, I believe, was to concur with the position taken on September 28, 2001. Is that put forward? Any discussion of that motion?

Mr. Gantefoer: — Thank you, Mr. Chairman. I guess it's just a question of process and protocol. I mean our standing, our most recent standing recommendation is on September 23, not concurring with the Provincial Auditor. I hope we're not going to every year sort of . . . (inaudible) . . . all of our positions over and over again. It just makes no sense.

That is our position; it is our current position. To say it each year as sort of a reaffirmation I don't think is appropriate because there is no . . . the auditor hasn't come back and made another recommendation. And as such I think that it's not necessary for us to reaffirm our position. This is our position.

The Chair: — Any reaction?

Ms. Atkinson: — That's fine. It's just that the auditor tends to bring this up. So we can leave it in limbo. Obviously the auditor has an ongoing concern about this particular issue of NewGrade. The auditor is not going to give up on this issue, it appears from the information we've been provided. And perhaps if we had another resolution maybe some day the auditor would just fight another day.

The Chair: — Mr. Wendel, could we have comments from the auditor's office?

Mr. Wendel: — Mr. Chair, the law requires me to report these matters to you, so I've reported them to you. I understand what the position of the committee is. It's here for information and we're required to report it, so . . .

The Chair: — I think Mr. Gantefoer's point is well taken in that it has never been the policy of our committee to deal with recommendations that are already before us unless the auditor has proposed the same recommendation again. And we've dealt with that on a number of chapters.

So as Mr. Wendel has pointed out, by law he's reporting that there was a position taken by PAC at the very beginning of the '90s. And subsequent to that, every position taken up until the last position which, as pointed out by Mr. Gantefoer, is the Public Accounts Committee's position, that it does not concur with that recommendation.

Are you prepared to leave that motion and have it voted on or do you wish to withdraw it?

Ms. Atkinson: — No, we'll vote on it.

The Chair: — You wish to have it there? Okay. Any further questions? All those in favour? Opposed? Carried.

Any further comments on chapter 16? With that, thank you very much to Mr. Spannier and Mr. Saunders . . . Sanders? Sanders, sorry.

It now being near 10 o'clock, we will recess after this very difficult morning until 10:30 when we will resume our deliberations. Thank you.

The committee recessed for a period of time.

Public Hearing: Office of the Chief Electoral Officer

The Chair: — I would ask committee members to reconvene, please. Our item for this morning, scheduled for 10:30, is the Office of the Chief Electoral Officer, and first of all, Mr. Wendel, you have someone from your office new with us this morning.

Mr. Wendel: — Yes, Mr. Chair, I have Judy Ferguson, who'll be leading the presentation this morning. She leads our work at the Chief Electoral Officer, and Bill Harasymchuk over there, who's also . . .

The Chair: — Great. Good morning to both of you. And Ms.

Baker, welcome and good morning to you as well. As is our custom, we'll have a presentation from the auditor's office and then comments or a presentation from yourself as well.

Ms. Ferguson: — Thank you, Chair, members. Since 1997 our office has expressed concern that the system for reporting election and registered political party finances does not ensure the information reported and made public is complete. Currently neither the auditors of the return, nor the electoral office, verifies the completeness of information reported on the returns.

In 1997 legislators changed The Election Act to respond in part to the public's concern about the completeness of revenues reported by political parties and by candidates on their election returns. The revised Act came into effect January 1, 1997. The Act currently expects processes to make sure the amounts reported by political parties and candidates are complete. Exhibit 1 on page 91 of your report sets out some key reporting provisions of the Act.

This committee has reviewed our concerns on a number of occasions. In 1999 the committee, in its report to the Assembly, recommended that the electoral office make changes to ensure returns submitted by political candidates are complete.

In September 2001, when we met with the committee, the electoral officer shared her view that she does not ask auditors to report on the completeness of returns. This committee then asked the electoral office and our office to work together to resolve our different viewpoints. As requested, we met with the electoral officer to discuss the matter and exchanged our differing legal advice. Unfortunately, we were unable to reach a common understanding with the electoral officer on this matter.

Given the importance and sensitivity of the electoral system, it is vital that the election finances system include processes to make sure that contributions and expenses reported are complete. This view is consistent with the intent of the Act. To date, the electoral office has not accepted PAC's 1999 view and direction on this matter in which the Assembly concurred because no one, not the auditors or the electoral office, verifies the returns report all the revenues and expenses.

Legislators and the public do not know if spending is within limits. In addition, the legislators and the public do not know if all anonymous donations are identified and turned over to the General Revenue Fund, as the Act expects. As a result of the electoral office's current position, if the legislators want a system that includes verification of the completeness of returns, legislators should consider changing the Act.

Therefore, in this chapter you will find that we make two new recommendations on this matter. You can find these recommendations on page 89. These recommendations reflect the options available to legislators to achieve such a system. Legislators could change the Act clearly . . . to set out clearly the duty of auditors of returns to report on completeness of the returns, which is recommendation no. 1, or to report on compliance with the electoral office's rules to ensure completeness, which is recommendation no. 2, or alternatively both recommendations.

In addition on that page and the following page we report the electoral office, since its inception in 1998 as a legislative office, has not yet provided the Assembly with its annual report as required by the Act. We recommend that the electoral office should prepare and submit to the Speaker its annual report as required by The Election Act.

This concludes my presentation and we would be pleased to respond to any questions. Thank you.

The Chair: — Thank you, Ms. Ferguson. And before we do that, I turn to Ms. Baker for comments on chapter no. 9.

Ms. Baker: — Thank you. On behalf of the Office of the Chief Electoral Officer, I appreciate the opportunity to address the Standing Committee on Public Accounts regarding the issues brought before you today by the Provincial Auditor of Saskatchewan.

Since 1997 the Provincial Auditor has expressed concern that the system for reporting registered political party and candidate finances does not ensure that the information reported and made public is complete.

The Provincial Auditor alleges the current system for reporting does not ensure that the returns of registered political parties and candidates are complete. That is, the system does not ensure these returns report all contributions and expenses. Further the Provincial Auditor alleges that neither the auditors of the returns nor the electoral office verifies the completeness of information reported on the returns.

PAC has reviewed these concerns on a number of occasions. In March 1999 PAC recommended that the electoral office should issue directives requiring political parties' auditors to submit audit reports to the electoral office that indicate whether all contributions received and all expenses incurred by the political parties are reported in their returns and requiring candidates to use specific procedures to receive and disburse money and to submit audit reports to the electoral office that indicate whether candidates have complied with these procedures.

As of March 2002 the electoral office has not issued directives that require auditors of returns to report in the way that PAC had advised. In the electoral office's view the recommended changes would contravene The Election Act, 1996.

The electoral office has been unable to reach a common understanding with the Provincial Auditor as to the nature of an auditor's responsibilities pursuant to sections 237 and 238 of the Act. The key point concerns whether an auditor, by virtue of sections 237 and 238, has an obligation to determine whether all contributions and all expenditures are included in the accounting records of a registered political party or a candidate, as the case may be.

In September 2001, PAC asked the electoral office and the Provincial Auditor to work together to resolve this matter. As requested by PAC, the Provincial Auditor met with the Chief Electoral Officer. The Provincial Auditor reviewed the guidance provided by the electoral office and the Canadian Institute of Chartered Accountants with respect to audits under the Act and the Canada Elections Act. The Provincial Auditor also obtained

legal advice.

In March 2002, the electoral office obtained legal advice that supports its view. The Provincial Auditor and the electoral officer exchanged their respective legal opinions.

As the electoral office has not accepted PAC's 1999 view and direction on this matter, if the legislators want a system that includes verification of the completeness of returns, the Provincial Auditor recommends legislators should amend the Act. Such amendment could change the Act to set out clearly the duty of auditors of returns to report on the completeness of returns, or to report on the compliance with the electoral officer's guidance to ensure completeness, or both.

In this regard, the Provincial Auditor in its Spring 2002 Report once again specifically recommends that the electoral office issue guidance to candidates' and registered political parties' auditors that requires them to verify all contributions received and all expenses incurred are reported on the returns, and report on such in their audit reports.

Charged with the administration of the provincial electoral statute, the Chief Electoral Officer is responsible for assessment and, where applicable, reimbursement of all election expenses paid from the province's Consolidated Revenue Fund. In this regard, the electoral office has established a system of financial review to certify public reimbursement of election expenses through the review of disclosure and expenses of registered political parties and candidates.

The electoral office has developed and disseminated financial reporting guidelines to registered political parties, candidates, and auditors, outlining transparency goals inherent in the Act. The filed financial reports are published to ensure accountability through accurate and thorough reporting, ensuring compliance with the Act's heightened financial disclosure requirements.

In 1998, the electoral office issued guidance to chief official agents for registered political parties and to business managers for candidates. This guidance includes specific procedures for the receipt and disbursement of money. As noted previously, the Provincial Auditor has stated that the directives and guidelines issued to Saskatchewan's registered political parties and candidates are not adequate to ensure that registered political parties and candidates comply with the financial reporting requirements imposed under the Act. In particular, the Provincial Auditor asserts that the electoral office must impose an obligation on registered political party and candidate auditors when scrutinizing party and candidate returns to certify whether or not the returns include all contributions received and all expenses incurred.

The electoral office has, through the issuing of express directives and guidelines to registered political parties and candidates and through the provision of reporting forms containing specific reporting requirements, notified and directed registered political parties and candidates that all contributions and all expenses incurred be properly and thoroughly reported and, in the case of expenses, supported by written documentation.

The electoral office has not issued directives to the auditors requiring them to certify whether or not the returns they have audited include all contributions received and all expenses incurred by the registered political parties. By virtue of the Act, the duty of the auditor only extends to the conduct of an examination of the accounting records of the registered political party or candidate, permitting him or her to reach an opinion as to whether or not the return being examined presents fairly the information contained in the accounting records on which the return is based.

While the auditor is also required to make further statements if he or she has reason to believe or is suspicious that proper accounting records were not kept by a registered political party or candidate, or if he or she believes the return does not present fairly the information contained in the accounting records on which it is based, or if he or she has not received from the registered political party's chief official agent or from the candidate's business manager all the information and explanations that the auditor has requested, he or she is empowered under the Act . . . excuse me . . . the explanations that the auditor has requested but he or she is not empowered under the Act to draw contribution and expense conclusions in terms of completeness.

The nature and scope of an auditor's responsibilities flow from the terms of the Act itself. As noted, sections 237 and 238 speak to auditors and specifically prescribe their duties and legal obligations. Specifically, it is important to note that subsections 237(3) and 238(5) indicate that an auditor shall make a report on the returns. The provisions do not say that an auditor shall make a report generally with respect to the receipts and expenses of a registered political party or candidate, on the accounting records kept by a chief official agent or business manager.

Second, subsections 237(4) and 238(6) are central to understanding an auditor's mandate because they presume the scope of the opinion that the auditor is to provide. Specifically the provisions contemplate that an auditor will offer his or her opinion only on whether the return represents fairly the information contained in the accounting records on which the return is based. The provisions do not anticipate that an auditor will confirm that all of the contributions made to or expenses incurred by or on behalf of a registered political party are reflected in the return.

To ensure completeness, the Act imposes a legal obligation on the chief official agents of registered political parties and the business managers of candidates to ensure that records are kept of all contributions and other income received and of all bills and invoices, vouchers and receipts. I reference section 235 and subsection 236(4) of the Act.

It is no doubt partly because of those obligations that the Act requires an auditor to ensure only that returns fairly reflect the information contained in the accounting records. That is to say, the integrity of the accounting records themselves is addressed through the duty imposed directly on the chief official agents and business managers to keep records of all contributions and of all expenses.

The Institute of Chartered Accountants of Saskatchewan

provided an analysis by way of a letter to the electoral office dated July 4, 2001 of the audit requirements under the Act. With respect to the scope of the audit requirement established by the Act, the institute reasoned as follows:

The legislation appears to us to have been carefully drafted to make a distinction between the election return fairly presenting the information contained in the accounting records as opposed to the return presenting fairly the revenues and the expenses incurred during the election campaign. The effect of this distinction is to limit the scope of the audit in light of the fact that the auditor will likely be unable to provide audit assurance that all revenues and all expenses have been recorded in the accounting records maintained by the business manager . . .

Based upon the foregoing analysis, the guidance issued by the Office of the Chief Electoral Officer corresponds with the audit requirements specified in the legislation. The Chief Electoral Officer cannot amend this guidance without an amendment to the legislation. Otherwise, the Chief Electoral Officer would breach a responsibility to administer these matters in accordance with the legislation.

The institute also reviewed the guides published by the electoral office and concluded that the guides were consistent with the Act and with the Canadian Institute of Chartered Accountants' *CICA Handbook* and generally accepted auditing standards prescribed therein.

Specifically, the institute stated:

Based upon the foregoing analysis we have formed the view that the *Auditor's Guide to Provisions of The Election Act, 1996 (Candidate)* and the *Auditor's Guide to Provisions of The Election Act, 1996 (Registered Political Party)* deal appropriately with the auditor's inability, referred to by the CICA under generally accepted auditing standards, to provide assurance as to the completeness of revenues and expenses reported.

Also, it is our conclusion that the existing guidance being issued by the Chief Electoral Officer of Saskatchewan corresponds with the governing legislation.

The electoral office believes that it has provided directives, guidelines, and supporting forms that are founded on the legislation for reporting contributions and expenses to registered political parties and candidates.

In March 2002 the electoral office obtained legal advice to support its view and is administering the Act in accordance with its legal advice.

It is also significant that the approach by the electoral office is consistent with the views of audit and election officials in other jurisdictions. For example, subsection 453(1) and (3) of the Canada Elections Act are worded almost identically to the relevant language of section 237 and 238 of the Saskatchewan legislation.

Further the Canadian Institute of Chartered Accountants in a document entitled *A Guide for the Auditor of a Candidate in a*

Federal Election, states at paragraph 5-25:

It should be noted that the Act . . . does not require the auditor to determine that all financial transactions have been recorded in the candidate's accounting records. As with most organizations that receive funds by donation, it is not possible to determine the extent, if any, of unrecorded donations. Furthermore since donated property and services are both contributions and expenses, it is not possible to determine that all expenses have been recorded.

In addition, the approach taken by the electoral office with respect to the scope of the audit required under section 237 and 238 of the Act are fully consistent with the approaches employed in all of Canada's other provincial and territorial jurisdictions.

While the electoral office is cognizant of the Provincial Auditor's recommendation advancing legislative amendment to the Act, as grounded in the March 1999 recommendation of PAC, the electoral office is not supportive of these proposed legislative changes. The electoral office has taken steps to raise the level of confidence in the audits performed on registered political parties' and candidates' returns. The electoral office has sought legal opinion from government and independent sources pertaining to sections of the act regarding auditors in connection with registered political parties' and candidates' financial reporting. The electoral office has sought the professional opinion of the Institute of Chartered Accountants of Saskatchewan and again obtained the confirmation that the directives are in accordance with generally accepted auditing standards in the *CICA Handbook*.

While the office is more than prepared to acquiesce to the Legislative Assembly's statutory jurisdiction, the electoral office has consistently maintained such amendment would result in Saskatchewan being in an anomalous position to its provincial, territorial, and federal counterparts. As such, the electoral office would not recommend such legislative amendment before and until such time as Canada's other 13 jurisdictions contemplate the same.

In the context of the Provincial Auditor's comments pertaining to the electoral officer's failure to prepare and file an annual report for the period of May 12, 1998 to December 31, 2001, the electoral office wishes to advise that drafting of same has been commenced. In this regard, it is anticipated that such a report, inclusive of the year 2002, will be tabled in the Legislative Assembly during January 2003 or as soon as practicable thereafter. Thank you.

The Chair: — Thank you very much, Ms. Baker, for that extensive explanation.

Mr. Bayda, I was wondering if any comments from the comptroller's office regarding any of the comments put forward by the auditor's office or the Chief Electoral Officer.

Mr. Bayda: — No.

The Chair: — Okay. Before we move to the recommendations found on page 89, I'd open the floor for comments or questions

of either Ms. Ferguson or Ms. Baker regarding information put forward by the people individually.

Ms. Atkinson: — Can I ask the Chief Electoral Officer why we do not yet have an annual report?

Ms. Baker: — Unfortunately, the office has met all of the other reporting requirements specific to tabling of documents and publishing under the *Saskatchewan Gazette*.

Just given the schedule and the mandate that the office has had in the last two to three years, the independence of the office, the frequency of by-elections, the provincial general election, the introduction of The Political Contributions Tax Credit Act, and the statutory requirement for the Chief Electoral Officer to provide technical support to the recently appointed Constituency Boundaries Commission, I just have been unable to put the report on the table.

Ms. Atkinson: — Okay. Then can I ask when we can anticipate receiving the report?

Ms. Baker: — I'm hoping in the month of January. The intent was to have the report to the end of 2002. I am now inserting or attempting to include 2000 . . . or to the end of 2001, excuse me. I am now going to include 2002 because I'm so late in the year. I'm hoping late January or early February to have it published.

Ms. Atkinson: — Thank you.

Mr. Wakefield: — I would like to ask of the Office of the Provincial Auditor, what would the additional cost be for a political party or for candidates to comply with what you're recommending? Is there any assessment of that?

Mr. Wendel: — Mr. Chair, I think that would depend on the state of the records. If the records were good, and they had followed the directives that the Chief Electoral office has issued, it shouldn't be a great deal more money. It will cost more, of course, as it is an audit then. At the moment it's not a complete audit; we don't know whether the revenues are all reported and all the expenses are there.

Mr. Wakefield: — Maybe just a follow-up question then, to the Chief Electoral Officer. What . . . the records that come in generally are not consistent in terms of completeness . . . no, that's not the right word . . . in-depth reporting that might be anticipated if there was an Act, a change of Act. Are the reports . . . Let me say that a different way. Are the reports of a different stage of sophistication so that you would anticipate that some would have to do extra work to have the full audit report, if this recommendation was accepted or not?

Ms. Baker: — I don't believe so. Since 1997 with the introduction of The Election Act 1996, and the heightened financial provisions in the Act, the chief official agents, business managers of candidates, have been extremely co-operative, worked with the electoral office, and the Chief Electoral Officer has not to date had any reason to suspect that returns are coming in incomplete.

Mr. Wakefield: — So that the . . . if the Act was changed to

require a more full audit — a fuller audit — it would be a consistent expense for all candidates and political parties. Would that be a guess?

Ms. Baker: — I can't speak to that. I'm sorry, I can't answer that question.

Mr. Wakefield: — Well there's an additional cost to comply with a change of Act to make the audit more complete. And that additional cost was based on what I just heard, the records that were in place. And if the records are relatively consistent that you see on the present Act, I'm just wondering if in fact the extra cost would be prohibitive or if it would be universally more . . . and not more onus on one candidate than another or one political party than another.

Ms. Baker: — Currently we have a subsidy provided to chief official agents, auditors, and business managers — auditors specific to preparation of the audit report of electoral events. I don't believe that those subsidies would be appropriate should the auditor have further reason to do a more in-depth audit of the returns.

I also believe that the . . . should completeness of the returns be required to be identified by the auditor in his report, that the auditor would have to be much more or extensively involved in the campaigns and the ongoing activities of the political parties.

Mr. Bayda: — Thank you, Mr. Chairman. Just one comment. I know we were talking about funding there but part of the issue here, and I think the Chief Electoral Officer spoke to it somewhat earlier, is that you know the guidance from the CICA suggests that organizations that receive funds by donation, just because of the nature of donations, it wouldn't be possible to determine the extent, if any, of unrecorded donations, so that to some degree the extra effort that an auditor would put in and extra cost, it's quite possible that in the end they would still have difficulty saying whether or not the information in the returns was complete in any event.

So it's quite possible that most auditors would simply automatically default and to qualify in their audit reports because they just wouldn't be able to verify completeness. It's just the nature of donations, especially I think when it comes to bringing in property and services.

Mr. Wendel: — Yes, Mr. Chair. On the business of auditors qualifying on donations, I don't accept that in the public sector. And I've had those come forward to me when auditors have been auditing government organizations. And because they get donations, they want to put in a statement in their auditor's report that they haven't verified the accuracy of revenue because there's donations.

And I think there's a broader responsibility. If you're looking after public money and the public trust, the organization has an obligation to put in processes to ensure that all the donations are received. No different than if I thought the donations I get when people come to my home for contributions, if I thought those revenues were not going to be going into the organization and if I ever saw an auditor's report that said the auditor didn't verify that the revenues were all getting there, I wouldn't give them any more money.

So my view is, just because there's donations doesn't mean that you can't put in the proper processes to make sure revenue is complete. In fact I think the Chief Electoral Officer has issued the appropriate guidance and if the business managers follow that, auditors should be able to report that the revenue is complete.

Now the question is, is it worth the cost? Well that's a decision you'll have to make. It's going to cost more money. You have to make that decision whether you want to spend that money, because the auditor's going to have to do more work to do that. But that's . . . You'll just have to make that decision. You have to know what your risks are then.

If you don't do that, then there's some question as to whether the audit report you get now is of any value. Maybe you shouldn't spend that money. Because the Chief Electoral Officer does enough work at the other end of the process that she can verify everything that's reported on the return is accurate. So I'm not sure what value the auditor's report provides at the moment.

Those are just some comments I have on that.

Ms. Baker: — I'd just like to note that, as you're well aware, that the Act is regulatory rather than criminal legislation. But the role of the Chief Electoral Officer as a regulator is to promote and maintain fairness and transparency in the electoral process through the administration of the Act. And as such, section 280 and 281 provide for an inspection and investigation or inquiry deemed necessary for the CEO (Chief Electoral Officer) where potential contravention of the Act is suspected.

So certainly, should the Chief Electoral Officer be suspicious or have concerns that the filings of . . . the fiscal filings of the political parties and election filings of the parties and candidates are not complete, that they can certainly have . . . we have a two-year time limit under the Act to give consideration to prosecution.

Mr. Ganteofer: — Thank you, Mr. Chair. This last part of the conversation I think is beginning to get to the heart of the matter in terms of this dilemma, and I appreciate that we asked the two bodies to get together and see if they could come to a consensus or concurrence and that has not been possible. And I'm not all that surprised that there is two opposite legal opinions. If you want to talk to three more lawyers, you could probably get three more opinions. But I think we have to talk about this in terms of what makes sense and what's logical. And in order to do that I've got to sort of understand again the fundamental difference.

Is the difference . . . when we talk about contributions, and particularly gifts in kind or services or things of that nature, that it is very difficult to establish a monetary value for these services, is that where it comes in to . . . Say you can't necessarily verify the contribution if someone, for example, contributes the physical space that a campaign is operating out of. Was that space worth \$500, \$300, \$1,000? How would you record it in income? Is that the conundrum about verifying the exact amount of contributions because they can get into an area that is pretty subjective rather than objective?

Ms. Baker: — Specific to donations in kind is . . . it is currently the responsibility of the chief official agent or the business manager to establish its value. I do believe that should the Act be changed that that determination would have to be then established and identified by the Office of the Chief Electoral Officer, and it would be very difficult to have it consistent across the province.

Mr. Gantefoer: — And is that the kind of thing that would make it very difficult for an auditor to actually sign off on an audit of income?

Ms. Baker: — Yes.

Mr. Gantefoer: — And is that the kind of . . . sort of issues that are there when the Institute of Chartered Accountants says that they believe that the system in place now where the Act envisages that the business manager and the chief or the official agent for the candidate or party have an obligation under the guidelines of the Act, as implemented by your office, to provide factual information. And so the onus and responsibility, including the ability of your office to investigate if you suspect any non-compliance with those guidelines, is there. And I don't understand exactly the value of having this ratcheted up to another level of absolute definition of the last dollars, that an auditor would be able to give to this system.

Now under the guidelines I believe there are anonymous donations under \$250 that don't have to be reported. Do they have to be recorded though as income?

Ms. Baker: — Yes, they are recorded in the aggregate.

Mr. Gantefoer: — So they would be reported as an anonymous donation of X number of dollars as long as each individual donation was less than \$250. Now does that . . . Is that also a thing that creates a problem for an auditor in order to track that?

I'm just trying to understand how this system of having auditors looking over the business agent and the business manager and the official agent is going to somehow make the system any more accountable than what we currently have.

The Chair: — Ms. Baker, any comment? Okay. Mr. Bayda, please, before I go to . . .

Mr. Bayda: — Thank you, Mr. Chairman. I think the issue here is maybe more that for auditors, once the information gets into the accounting records and there's something there, then they have an opportunity to audit. They've got something they can look at.

And I think as I understand the processes, you know, candidates, managers are all supposed to get information into the accounting records. The issue is more what happens when . . . what is an auditor supposed to do about unrecorded donations, things that may never get to the accounting records, and how would he ever determine the extent of those because there's nothing there to start auditing from? And I think that's . . .

Mr. Gantefoer: — So what kind of things would you have in mind?

Mr. Bayda: — Well I guess it could be anything. It could be anything from . . . I guess it could be anything from cash right to donating property and services. That's things that may not find their way into accounting records and so the auditor has no . . . there's no basis for him to sort of commence his audit — different than you might find in the regular business transactions where they're, you know, they're all tied to sales and whatnot. This is just money or services that are I guess coming to candidates by way of donations and it's just difficult to determine from an auditor's perspective that the records are complete in that regard.

Once it gets into the records, there's something there and the auditor can audit and determine whether, you know, the value of a room provides . . . you know, make some assessment whether there's, you know, worth \$1,000 or more or less. But if it never gets into the accounting records in the first place they're at a loss.

The Chair: — We'll come back to Mr. Gantefoer, if I could.

Ms. Junor: — My comment is sort of building on Mr. Gantefoer's point about value added for this recommendation from the auditor. What is the auditor's rationale for moving Saskatchewan ahead of every other jurisdiction, or out of step with every other jurisdiction?

Mr. Wendel: — If you'll recall, there was a great deal of controversy about anonymous donations in the '90s and a lot of donations didn't get into the returns of candidates of political parties; they were outside the returns. There was a lot of discussion about that. The Election Act was changed. One of the reasons for changing it was to make sure that didn't happen again, that was my understanding.

This committee discussed that this time . . . at that time and said they wanted something that ensured that the revenues were complete. The committee made that recommendation and I'm just pursuing that, okay. That was the discussion, that was the recommendation; there was a lot of discussion on that. This came forward just a year ago and we had a large discussion of whether there's any value added by the auditor, whether you needed to have it under the law. We went and met with the Chief Electoral Officer; we were unable to come to an agreement.

And my comment back to the committee is, if you still want that then you're going to have to change the law because the Chief Electoral Officer's responsible to administer the Act. She says she's doing it according to the law and if you want her to do something else, you will have to change the law. I mean she's responsible for that. So that's why it's back and that's why the comments were there in the first place.

Now as to whether you're offside with the rest of Canada, laws are put in place to correct concerns that people have or to change policy. And when this happened there seemed to be thinking that that's what was intended — that we wanted to make the system better. So that's my comments on that.

Mr. Gantefoer: — Well, Mr. Chairman, in the exhibit A, it says contributions. It says candidates and registered political parties must disclose all contributions received. And it goes on

to say that they include gifts, loans, or any forms of assistance and all the rest of it. Well to me that means that all donations, cash, or gifts in kind, even though there might be some ambiguity as to the actual monetary value of the gift in kind. And there, sort of as a judgment call that the Chief Electoral Officer, if it's reported would, I'm sure, sort of look for reasonableness.

And it also says that it . . . It says all contributions — not excluding those that are given anonymously. The name of the donor doesn't have to be disclosed, but the fact that a gift was received has to be disclosed. Now to me that is addressing the concern that was expressed about anonymous donations and the Institute of Chartered Accountants is saying that that is appropriate.

What I don't understand is how these non-recorded donations, what we're talking about, like, what are non-recorded donations? Because this is quite clear. It says everything has to be recorded. Monetary and goods and services, if you like, have to be recorded. So what's a non-recorded donation? Because according to your guidelines or to the Chief Electoral Officer's guidelines, non-recorded donations are not appropriate.

The Chair: — I have Ms. Atkinson first, Mr. McCall, if I could.

Ms. Atkinson: — Well if I recall the debate when it was kind of controversial, it had to do with the way constituency associations and then the provincial party recorded their donations. And as I recall it, depending on . . . And all political parties, I suspect, have a revenue-sharing formula between the local constituency which might raise revenue and then the provincial party and the federal party.

And as I recall it, the provincial party was recording the donations. There was a . . . That information was available. But the local constituency might have \$20,000 in the bank during an election campaign based on the revenue sharing between the constituency and the provincial party and they would put some of that money towards an election campaign. And the issue was, we don't know where that money came from. But it was a matter of how you displayed the donations. You could display it at the local level or you could display it at the provincial level. In our case we were displaying it at the provincial level.

So now we have a system where all of the donations for tax purposes or anonymous donations or any donation is displayed in your return after a provincial election, when it comes from your business agent or official agent. And then the provincial organization has to do the same thing.

I know that in the last provincial election it used to be that you would haul out your desk from your office at home and haul it down to the campaign headquarters, and you didn't have to display that on your return. Now if there's any kind of contribution — whether it's pencils or erasers or desks or chairs or whatever that's donated by the local political individuals — that all has to be recorded. And you now have to record every . . . I mean we certainly go out and raise money during an election campaign and every cent that we raise is displayed for the Chief Electoral Officer. That has to be recorded.

And if you get any kind of donations — if some business decides to donate the local fax machine — you have to put that down. But I think you had to do that in the past anyway. But it was sort of more the individual — the desks, the erasers, the chairs, the paper, whatever.

So I think there's a . . . I mean if someone doesn't want to record something, I don't know how the auditor is going to after the fact get them to record, other than . . . you know, I've often wondered well, that campaign must have spent thousands of dollars on election signs; I wonder if that's recorded.

And I suspect that I could put in a protest with the Chief Electoral Officer and you could determine whether or not there was a fair value put on their advertising campaign. I suspect you can do that.

I don't know. I'm just trying to think . . . as someone who's run through four or five campaigns, I'm not sure how the auditor could make sure everything is recorded after the fact because you have to put in all your receipts. The candidates have to sign these things. There's a big whack of paper that goes into the Chief Electoral Officer.

And I know that I tend to have an accountant do this for me or a lawyer do this because I know that our return is subject to some legal ramifications for the candidate if it's not properly done. And so I'm pleased to hear you say that it all seems to be in accordance because I think as a candidate you take this fairly seriously or your election could be controverted.

But the controversy in the '90s, as I recall, wasn't about people being dishonest; it was about how political parties were displaying the contributions. And it was being displayed at a provincial level instead of at the local level and that has been rectified. And I think that was an important thing to do.

So I guess I'm not sure how you would do this, Fred. As someone who has had, you know, four or five elections under my belt, and I take . . . and I do take this very seriously and so do the people that I have had as business managers because their reputations are on the line too.

Mr. Wendel: — If I was the auditor . . .

Ms. Atkinson: — Yes.

Mr. Wendel: — . . . if I was the auditor of the campaign, how would I do . . .

Ms. Atkinson: — Yes. Tell me how you would actually make sure.

Mr. Wendel: — I would approach that just like I approach any audit. I would meet with management, which was your business manager, and say, what are the rules and procedures you're going to use to make sure that any contributions that are received for this campaign are going to be recorded in the accounts? What kind of approach have you used for spending the money? Like you're . . . make sure there's proper vouchers and those kinds of things.

Then I'd have to see if they were actually using those

procedures on a test basis, if they actually followed the rules they were going to have for collecting money; they'd actually followed the rules for spending money. And then I'd test that. And if I was satisfied, I'd be able to report the return was complete. That's how I would do it.

Just as I do when I do government organizations that get donations. I have to do the same thing. Do you have some . . . how are you going to control the donations? Do you have pre-numbered receipts? Are they . . . you know, do a few people have to be involved if there's cash coming through the mail? Those kind of things. And you'd expect to see that.

Ms. Atkinson: — Then I . . . well, thank you. Then I have a question for Ms. Baker. Ms. Baker, when . . . do business agents interact with your office in a substantive way during an election campaign or before an election campaign to make sure that they are following the guidelines and procedures?

Ms. Baker: — Certainly prior to the introduction of The Election Act, 1996 the office didn't have guidelines or directives to chief official agent . . . for chief official agents or business managers of candidates. We introduced them. We have worked with the chief official agents and the business managers to ensure that they understand the requirements of the Act. For an example, a business manager must establish a bank account for purposes of receipt of revenue and payment of bills.

And we certainly are willing and always available to clarify every requirement of the Act. Certainly as far as donations are concerned, the new provisions — the heightened reporting provisions under section 246, 247 specific to constituency associations of political parties, trust funds, corporations and 247 which is registered political parties — all of the political parties and the business managers of candidates have learned to understand and have gone forward meeting the requirements, have made much effort in meeting the requirements of the new legislation specific to disclosure and transparency.

Mr. McCall: — Yes, by way of comment I would return to the remarks made by Mr. Bayda in terms of what, how you would satisfy auditors. And I think that, you know, auditors are very particular in their examinations and I think that perhaps the Provincial Auditor is being a bit more charitable in what would satisfy an auditor.

I think that the position Mr. Bayda has described whereby the uncertainty would be too much of a factor, that they would just default and not sign off as to the, you know, confidence and the completion of the documents. Because short of being all knowing and all seeing, I don't know how you would be able to have that certainty around . . . You know, you've got the books and the onus is on the candidates and the official agents to run everything through the books, but how can you be certain that there isn't, you know, these little niggling things on the side where somebody buys the candidate lunch or whatever.

Right now there are onuses and safe guides and directives in place that put the onus properly on the official agent and on the candidates. But as far as, you know, securing certainty from an auditor, I think that the default will be they won't sign off. They won't agree to the completion. Maybe I'm misinterpreting Mr. Bayda's comments but that's where I'm at with this right now.

The Chair: — Mr. Bayda, do you want to comment, or Mr. Wendell, since Mr. McCall has made comment about your remarks?

Mr. Bayda: — You know I suppose that's possible . . . (inaudible) . . . I really don't know exactly what auditors would do, whether they would be able to sign off or not sign off.

I think what I was saying is that the guidance that has been published by the Institute of Chartered Accountants and referenced by the Chief Electoral Officer seems to suggest that from an auditor perspective it would be, you know, difficult or not possible to determine the extent of unrecorded donations. So that at least from that perspective they would . . . auditors may have some difficulty.

Mr. Wendel: — When auditors express an opinion on a form or return, they're not expressing an opinion as to whether that's exact to the penny. It's a significance thing that they look to and say, is there anything here that would mislead anybody? If there's a few minor things missing, they would probably issue a report without reservation, just as all auditors do.

The Chair: — Ms. Baker, if I could get back to Mr. Wendel's question of a while ago when he said, what is the role that our current auditors play in the party or the candidate's expense forms — when Mr. Gantfoer has pointed out very clearly that it is all contributions are recorded — is the audit more of an accounting in that the numbers have been added correctly or is it something different that Mr. Wendel's office is proposing, that auditors will be allowed to make comment on whether or not they feel that the records provided to them are accurate or complete?

Ms. Baker: — Certainly the auditor currently is required to ensure that the return represents fairly the information contained in the accounting records on which the return is based. That is the requirement of the auditor, not to identify that or confirm that all contributions made to or expenses incurred by the candidate or the registered political party are reflected in the return.

The Chair: — And if it's my understanding from what Mr. Bayda said, there is no way then that the auditor, other than as Mr. Wendel pointed out that if you had discussions with what type of guidelines are the . . . is the business manager following and the accounting, there is no way for that auditor then to verify that in fact all contributions, all items have been identified and contained in the records.

Ms. Baker: — Right. Certainly as I had mentioned earlier, that the Act imposes the legal obligation on the chief official agents and the business managers of political parties and candidates to ensure that the records are kept.

We recommend in the guides that, and I will just go back, once nominated, a potential candidate must immediately inform a registered political party and the registered political party has an obligation to inform the electoral office of the nomination of the candidate and the appointment of a business manager and an auditor specific to that candidacy.

We suggest in our guidelines for candidate, business manager,

and auditor that they immediately get together and meet as they are responsible for the . . . to meet the financial obligations under part VII of The Election Act, and that they sit down and work out a method or a mechanism of going forward to ensure that the obligations of the business manager, chief official agents are met.

The Chair: — Okay. Thank you very much for that explanation.

Mr. Gantfoer: — I'm ready to make a motion if that is the appropriate time.

The Chair: — I just want to point out . . . Yes, I think we're almost there. On page 87 I just want to point out to members in the middle of page 87 is the Public Accounts Committee's previous positions, I guess, is best stated. So I want you to be aware of the report that was presented to the Legislative Assembly and in fact concurred upon by the Assembly because that . . . I believe we may be headed in some different direction.

Are there any other comments or questions before I move to have Mr. Gantfoer propose the motion? Seeing no further comments, Mr. Gantfoer.

Mr. Gantfoer: — Thank you, Mr. Chair. And I was not intending to have something that deviated from what I . . . my understanding of the March '99 recommendation is, in that we recognize the concerns expressed by the Provincial Auditor in his report and I believe that the guidelines that were requested by the committee and by the legislature of the Chief Electoral Officer in terms of guidelines for the business managers and the official agents have been adequate to meet those concerns that were addressed. And therefore I would recommend that we do not concur with items 1 and 2.

The Chair: — I would move . . . I would ask that you limit . . . We'll deal with each separate because they're two separate recommendations . . . (inaudible interjection) . . . Okay.

Motion is that the PAC committee does not concur with recommendation no. 1 based on the explanation of guidelines and other things that are currently being issued to business managers and party.

Any discussion of the resolution? Seeing none, all those in favour? Opposed? Carried.

Now I would ask, Mr. Gantfoer, you would make the same recommendation for no. 2.

Mr. Gantfoer: — Same recommendation. I want to make sure that we note that in March '99 we were recommended that the electoral office issue directives requiring parties to submit reports to the electoral office that indicate that contributions were received. And I want to reiterate that I believe that from the explanation received today that those guidelines have been . . . or directives have been issued and are appropriate to safeguard the concerns that were identified and as such, we would not concur with item no. 2.

The Chair: — Again, non-concurrence with no. 2 in light of guidelines that have already been provided by the electoral

office. Any discussion of the resolution? Seeing none, all those in favour? Opposed? Carried.

That takes us to recommendation no. 3, regarding the preparation of report. And I noted as questioned by Ms. Atkinson, that, Ms. Baker, you've indicated that some progress has been made, that a draft is imminent and in fact that January or February you expect that report to be tabled . . . printed and tabled.

Ms. Baker: — Yes.

The Chair: — Yes. Is anyone prepared to make a resolution of concurrence and noting some progress?

Ms. Atkinson: — Yes. I would recommend that we concur with the Provincial Auditor's recommendation, note progress, and suggest strongly that legislators have a report no later than the end of March . . .

The Chair: — Okay. Timeline has been included in the resolution. Concurrence noting progress with a suggested timeline of no later than March. Any discussion of that resolution? Seeing none, all those in favour? Opposed? Carried.

Thank you very much, Ms. Baker and Ms. Ferguson for taking us through chapter 9. And that brings us to the end of this morning's session and we will recess for lunch, reconvening at 1:15.

The committee recessed for a period of time.

Public Hearing: Learning

The Chair: — Good afternoon, everybody. Welcome back. This afternoon's session we're starting off with a chapter from the 2001 Fall Report Volume 2, that chapter being no. 14, entitled Education, even though now we have officials from the Department of Learning.

And welcome, Mr. Dotson. And I'd ask you to introduce your officials with you.

Mr. Dotson: — Thank you, Mr. Chairman. To my right is Mr. George Meredith. He's the acting executive director of financial policy and program support in our new combined department. To my left is Ms. Lily Stonehouse, assistant deputy minister, and to her left is Mr. John McLaughlin, the executive director of the Teachers' Superannuation Commission.

The Chair: — Good afternoon and welcome to you all. This afternoon's presentation will be from Judy Ferguson who was here this morning and needs no introduction.

So, Judy, I'd ask you to begin.

Ms. Ferguson: — Thank you, Chair, members. The education sector spends over \$1 billion including the spending of the department, which is just over a half a billion dollars on the K to 12 education each year.

As noted on page 336, the department was progressing in the development of its strategic plan. On this page we highlight its

five strategic outcomes. We understand that, given the amalgamation of the department with the Department of Post-Secondary Education and Skills Training, that they're in the process of revising the strategic plan. You may wish to ask officials the status of this planning process.

Moving on to pages 337 to 339, we set out some of the key pressures placed on the department due to changing demographics and the risks that the department faces. Our office continues to look at how the department is managing various aspects of these risks.

If you recall, in 1999 we looked at how the department was monitoring the movement of vulnerable children between schools, and between the provincial system and the First Nations system. Monitoring is important to determine the location and needs of these students to help ensure their special needs are addressed.

As we reported in 1999 and later discussed with the committee, we encouraged the department to take on a leadership and coordinating role. On pages 338 and 339, we report that the department accepted related recommendations of the Saskatchewan Special Education Review Committee, and worked closely with the federal Department of Indian and Northern Affairs.

We strongly encouraged the department to continue its efforts in this area to ensure it and school divisions have the necessary information to ensure appropriate actions are taken to address the needs of these vulnerable children.

On page 340, we set out the results of our 2001 audits of the department, and of the four agencies listed on that page. We found the financial statements of each of these agencies were reliable, and the department continues to have adequate processes for safeguarding public money and complying with the law, with exceptions in four areas. These exceptions are set out on page 340 to 344. The committee has previously discussed three out of the four of these areas.

The new area of concern deals with how the department determines its share of the cost of capital projects for school divisions. The government issues regulations that set out how the department is to determine its share of capital projects. The regulations place on public record how the department is expected to share the costs of capital projects with school divisions.

On pages 340 and 341, we note that the department did not use the rate as required in the regulations. In two instances it used . . . it initially used a higher rate than what was set out in regulations. In one case the department later corrected the rate, and for the second it did not. This resulted in the department providing that school division with three . . . \$240,000 without appropriate authority.

We make the following recommendation on page 341. We recommend that the department follow the rates set out in the school grant regulations when determining its share of the costs of capital projects.

On pages 341 to 344, we provide the committee with an update

on the status of three recommendations that continue to be relevant. We report that the department continues to make progress on areas relating to improving the reporting of its and the school divisions' performance. However, continued efforts are necessary so that the public has the necessary information to hold both the department and individual school divisions accountable for their performance.

We note no progress on how the department records and reports annual pension costs for teachers. As previously reported, the department continues to follow the accounting policies set by Treasury Board for planning and recording the amounts related to teachers' pensions. If the department reported the pension cost that it actually incurred, its 2001 expenditures for the year would have increased by 52.7 million and its liabilities would have increased to a total of 2.56 billion. This matter has been previously discussed by this committee and in its third report to the Assembly, dated June 2002, the committee agreed with the department's accounting policy.

This concludes my presentation and we'd be pleased to respond to any questions that the committee members may have.

The Chair: — Thank you, Ms. Ferguson.

Mr. Dotson: — I don't have much that I would wish to say at this time, Mr. Chairman. Maybe I'll just open us up to questions from committee members.

The Chair: — Before I open the floor to questions I'd ask Mr. Bayda, any comment from the comptroller's office relevant to that section? No.

Okay. Then members before we get into the recommendations — and there is only one recommendation proposed — but before we do that, questions or comments of the two people.

Mr. Wakefield: — I'll just start, Mr. Chair, with a question. Under the new structure of the school capital financing that is now outside of the department and into the Crowns, how will you be able to bring those figures together, or how would you suggest that the figures be available for review in a timely way?

Mr. Dotson: — Thank you, sir. Mr. Chairman, just if I could just explain for a moment. What we have been doing for the previous half dozen, eight or ten years, was the Legislative Assembly would appropriate through the Department of Education or, alternatively, through the Department of Post-Secondary Education and Skills Training, an annual appropriated amount, which amount was essentially the amount that was itemized in the estimates, was the amount that you knew was going out the door to school divisions — in our case school divisions — for the construction of capital works in that period.

With the new regime implemented in April, for both the post-secondary sector and the K to 12 sector, it's not the same way. What we're doing is we've been authorized — and the level was announced at budget time — for each of the two sectors discretely, a capital sum but that is a sum that is permitted to . . . It's a maximum sum that can be borrowed by the entities within the sector. Our undertaking is to pay them back, out of future years annual legislative appropriations, the

amount of principal and interest that they will have incurred as a result of their debt to the Education Infrastructure Financing Corporation. I say all of the above by way of background.

Mr. Wakefield's question is about inter-year, multi-year comparability and what we will need to do is come up — we can do it within the department easily — is year-to-year comparability of new capital work financed.

We're familiar with this challenge because in about 1992 or 1993 — Mr. Bayda may even remember the year — we changed from what had been a debt-financing regime to the mid- and late-'90s appropriation regime. And so in order for multi-year comparability over that episode of change, in the early 1990s we had to develop a scheme for reporting to ourselves and to others — your committee or others — what the apples-to-apples kind of comparison was for the total level of new education facility construction.

So the challenge that we're facing now is exactly the obverse of the communications or explanation challenge that we faced there at the beginning of, I think it was 1993 or 1994, I don't remember.

Mr. Wakefield: — Mr. Chair, would this be accurate that we would be able to note then the operational expenses and extrapolate what might be the liability without the liability being registered in some kind of format? The liability then becomes under the Crown corporations.

Mr. Dotson: — This will all be publicly reported. It will all be reported. All of the financial obligations, liabilities, and assets of the Government of Saskatchewan, in this particular instance as in others, will be fully disclosed and recorded and I'm confident will be understandable by an informed and interested lay reader of the financial statements.

What will be more difficult to ascertain is the year-to-year comparable level of activity. And so what we will need to do is somehow develop a scheme that shows in our case . . . for example, for the last three or four years I think we had a budget approximately of 25, Mr. Chairman says, about \$25 million a year more or less for K to 12 school capital and that was the actual level of construction activity that the provincial government was financing.

This year the appropriated amount is just a fraction of that but the actual level of new activity is in the range of \$45 million. And so that's the apples-to-apples comparison of construction activity. And we need both to communicate that to your committee and the members of the Legislative Assembly and others, but we also need to address the issue that you latterly raised, was the strict accounting for the liabilities and assets.

The Chair: — Before I get to Ms. Draude . . . and Ms. Draude has joined the committee as a Member of the Legislative Assembly but without voting privilege.

If I could . . . The auditor has raised the issue of rates and I'm wondering, in light of the question that I . . . I was hoping that you would respond to . . .

Mr. Dotson: — I'd be pleased to.

The Chair: — Will the new method of financing produce different rates? And what conflict led to one division using one rates and one division getting a different rate? Could you explain that, please?

Mr. Dotson: — I had thought I might have the opportunity to address that matter and I'm pleased to do so.

First of all, Mr. Chair, the new regime changes nothing with respect to the share as borne between the provincial government and any school division. So that's the first question. The new financing regime changes nobody's share, neither ours with respect to the Canora School Division nor with respect to Canora School Division.

Secondly, what happened in these two cases. One was at a school division in southwestern Saskatchewan. For some reason, which we think we know but we're not quite sure, there was a one-time glitch in the software program that generated the percentage and it yielded the wrong answer. And the auditor's office noticed that and we caught it then with their assistance before any cash had been sent out the door. And so while we made an error we never actually did send them an erroneous amount. And we have now put in place a couple of other additional process steps to help guard against any future . . . almost a mechanical error.

The second one was not quite so simple. I suspect I find myself in the position of having not asked for permission ahead of time, now having to ask for forgiveness after the fact. We made a policy choice because of the particular circumstances of a particular school in a particular school division. That school is unlike any other in the province. It is under the management authority of, legal management authority of a school division, but there is an Aboriginal council that is surrounding and supporting and nurturing that school and that has been the case in that community for more than 20 years and it's a wonderful success.

The school needed some, badly needed some refurbishment and renovation and repair. The school division in question, because of the unique circumstances, was not prepared to provide any capital monies. We made the judgment that we would provide capital monies but we would do so at the rate of the lowest share needing to be paid by any other school division in the province. That is we would be as generous, at least as generous with this case as we would be with the school division in the province with which we were otherwise the most generous.

And we paid out the provincial share on that basis and regrettably we did not have the appropriate regulations in place that would have authorized that. And we will be correcting that and henceforward I will be . . . I hope to have the a priori permission such that I will no longer need to seek post facto forgiveness.

The Chair: — Thank you.

Ms. Draude: — Just one follow-up question on that. On that school, there was no . . . that money will not be recovered then — the 240,000?

Mr. Dotson: — No.

Ms. Draude: — And was the Department of Indian Affairs involved in that one?

Mr. Dotson: — No.

Ms. Draude: — Following up Mr. Wakefield's questions on the new capital financing, I've had an opportunity to look at one of the contracts that have been sent out. And there has been . . . the people are . . . there's a number of questions that are being asked about it. Things like the total assets and liabilities — are they showing up on the school division's books or is any of it showing up on the department's books?

Mr. Dotson: — Insofar as the school division will be obtaining a loan from the Education Infrastructure Financing Corporation, there will be a liability on the balance sheet of the division. And insofar as there is of course an offsetting identically quantified asset, the value of that asset will show up on the asset side of the balance sheet and there should be no . . . or will be no net change in the bottom line balance sheet position of the board of education.

Insofar as the province may need to borrow the money to provide the financing for this financing corporation, those provincial borrowings will show up on the balance sheet of the province as any other borrowing department would show up.

Ms. Draude: — So the total amount of money will be borrowed from the education corporation and part of it, the liability will show up on the school division's books and part of it will show up in the province's books?

Mr. Dotson: — No. It will all show up on the balance sheet of the school division.

But insofar as the province may . . . And I don't know how the province is going to finance its portion of this. Insofar as the province may need to borrow monies for any purpose — this purpose or any other purpose — those monies, it . . . well, the Education Infrastructure Financing Corporation will itself have an appropriate annual report, I'm confident. Chris, would that be true? And so in the annual financial statements of that corporation, which is a provincial government entity, there would be whatever record of assets and liabilities would need to be recorded there.

Now I'm aware that there are questions out in the field and we have sought to answer them promptly, obviously consistently, and we hope accurately. But it's a brand new regime and none of us has any experience with this and all our experience has been gained over just the last six months. And it has not surprised me . . . I've had a few questions myself. Some of my staff colleagues have had some questions. School division officials have had some questions. And together with our colleagues in the Department of Finance, we have been providing what I hope is perceived as prompt answers, but I know we've been providing consistent answers to these various questions as they surface.

It will not surprise me if, over the next four or five months, there surface some additional questions that division officials or ourselves have not yet anticipated, that . . . you know, when you do something new like this, you change the regime, it comes as

no surprise I think to any of us that the people are going to have some questions. We're going to have some questions and we may learn some . . . It will not surprise me either if we learn some ways to improve — maybe make it a bit simpler, a bit more straightforward, cut down on some of the paperwork. I don't know.

Ms. Draude: — Thank you, sir. I think one of the concerns that the people that I was speaking to have is the fact that the actual repayment portion from the government isn't shown up in any form rather than appropriation funds from the legislature. But it doesn't give the time frame, it doesn't talk about interest rates, and it doesn't really give them the security of knowing when they are actually going to be receiving the money from the province — and yet they're going to have the total debt on their books.

Mr. Dotson: — Well they'll also have the total asset on their books. But the provincial government in the case of each such financed project, there will be a differential repayment period, amortization period. Because for some sort of garden variety major school capital construction projects, it will be a 20- or 25- or 30-year amortization period.

For some university projects that might be smaller in scale or might even be financing of some major capital equipment, the appropriate amortization period will be much shorter, perhaps as short as five years, something like that. And so each project . . . not all projects financed under this corporation will have an identical amortization period.

It is the policy of the government, though — and I'm surprised that this would not have been communicated with crystal clarity — that the provincial portion of principal and interest to be repaid to the borrowing entity will be paid over that period of amortization. And if that remains unclear, we should undertake steps . . . and will thus be paid to the entity, the school division in this case, out of annual appropriations from the Assembly.

And that's not much different actually, conceptually, from the way we did things up to April. Prior to April when we were paying for school capital out of an appropriation, we would authorize a division to construct a \$10 million school of which our share would, say, be half of that and we would undertake to pay our share . . . they don't build a whole school in one year . . . we would undertake to, say, pay our share out over two years or perhaps three — so spread our payment out of \$5 million over two or three years as the school construction proceeded. But that was always contingent on passage of appropriated monies through the Assembly. If the Assembly in its wisdom had said, no I don't think we'll give you any money, then I would have had to say to the XYZ school division, sorry.

Ms. Draude: — Okay. I'm sure that there will be further dialogue between yourself and school divisions over this issue.

Mr. Dotson: — Madam Member, may I just make one other observation, please? We did have prior consultation with each of the two universities and with the School Trustees Association before the policy decision was made in the spring, and so it was not a surprise to them and in fact we were encouraged by both universities and by the SSTA (Saskatchewan School Trustees Association) to proceed in this way. So it's not something that

an insensitive department imposed on an unsuspecting community. That was not the case.

Ms. Draude: — And some of the school divisions have concerns, but I'm sure that they'll be brought up at other places. The *Indicators* report was late . . . later this year.

Mr. Dotson: — No, we made a decision a year or two ago to publish it henceforward only every second year. So the most recent one I have with me is — and I think you have a copy — is from 2000, and the one is now . . . there was none last fall. And the one now being prepared for publication is 2002. We would propose that there not be one in 2003 and that the next one done would be 2004.

Ms. Draude: — So the change was made public, that you weren't going to be publishing one in 2001?

Mr. Dotson: — I believe we made it public. I think we probably communicated it to all the people who would . . . whom we knew had received copies of it.

Ms. Draude: — Okay. And the other question I have is on the number of hidden students, or students that you're monitoring for at risk in the schools. I know that there is one school division who's had some success in following up on absenteeism, and the department was going to be looking at their model to see if it was something that's working. How is that working?

Mr. Dotson: — It's going very well, thank you, Madam Member. Actually we're . . . I am very, very pleased about this, and I appreciate the opportunity to speak to it.

I believe it may have been last year, or perhaps even the year before, when I appeared before your committee, and I believe it was you who asked about this. I was expressing some apprehension about our ultimate ability to track students whose pattern of attendance was as follows: attend a school on-reserve for a while; then attend a school in town for a while; then attend a school back on-reserve again; because I was fearful that we might not have ready and easy access to student information with respect to band schools on-reserve. As it turns out, that difficulty has simply evaporated.

We have had outstanding success with the Federation of Saskatchewan Indian Nations. They are inside the room with our project team as we are developing this; I am delighted by that. They are four-square behind the student data system and their schools will be included, and that is going to make the system work. Otherwise I was fearful that we would only be able to capture movement — record movement as between provincial schools. This way we will be able to record movement from band school to off-reserve and back and forth.

Ms. Draude: — I had an opportunity to speak to DIAND (Department of Indian Affairs and Northern Development) and they told me that their children already have the student numbers or the PIN (personal identification number) numbers, and so my question is, are you going to be using the same one that they are using and how soon will the whole system be in place?

Mr. Dotson: — We're piloting it this year and it's intended for full implementation I believe September of next year.

The Chair: — One follow-up, Mr. Dotson. You mentioned the rates and the percentages for school divisions. Based on projects that have been approved, what is the lowest percentage of cost for a school division and what is the highest? What is the range?

Mr. Dotson: — I've got to just make sure I get the numbers right — 13.5 is the answer — but I'm not sure . . . 13.5 per cent is the lowest proportion paid by any board of education.

The Chair: — And the highest?

Mr. Dotson: — That would put our share at 87 per cent.

The Chair: — Right. And a board with the largest commitment to a capital budget?

Mr. Dotson: — I don't know. I'm sorry, Mr. Chair, I can get that and send it to you, but I don't know.

The Chair: — Any further comments or questions? Let's turn to the recommendation then on page 341. And we've had an explanation about the two situations and where we have gone. Is there anyone prepared to move a resolution to this?

Mr. Harper: — Mr. Chair, I would move the committee move concurrence with the recommendation of the auditor.

The Chair: — Okay. Questions for motion to be concurred with? Seeing none, all those in favour? Opposed? Motion carried.

Thank you very much, Mr. Dotson, and your three officials for being with you and . . . with us this afternoon, and to you, Ms. Ferguson, as well for your presentation.

Mr. Dotson: — Thank you very much, Mr. Chair.

Public Hearing: Labour

The Chair: — Okay. Good afternoon, committee members. We'll ask you to reconvene as we move into our session with the Department of Labour and specifically we'll be dealing with chapter 12 of the 2002 Spring Report.

And I'd like to welcome Ms. Tanner to the Public Accounts Committee meeting and ask you to introduce the two officials that you have with you.

Ms. Tanner: — This is Allan Walker. Allan is the director of . . . sorry, executive director of occupational health and safety. And Glennis Bihun who is the manager responsible for the occupational health and safety committee program.

The Chair: — Great, welcome. And, Mr. Wendell, your official from your department will be?

Mr. Wendell: — Mr. Chair, I have Mark Anderson with me and Mark later will work on the occupational health and safety chapter that . . .

The Chair: — Great. With no further ado, Mark, the floor is yours.

Mr. Anderson: — All right. Good afternoon. I'm pleased to have this opportunity to discuss this performance audit that we did at the Department of Labour. The audit is at chapter 12, page 117 in our 2002 Spring Report. You have a paper handout, I understand, in front of you and I'll be referring to that as we go along.

Our audit had to do with . . . (inaudible interjection) . . . Yes, how's that for just in time. Our audit had to do with the department's mandate to establish and enforce rules to help make workplaces safe. This is important work. Approximately 490,000 people work in Saskatchewan and, according to the department's estimate, in about 40,000 places of employment, about 8,000 of which have 10 or more employees. The department must take appropriate steps to ensure that these workplaces are safe.

In 2001, which was the year covered by our audit, 29 workers died of work-related causes and over 14,700 had work-related injuries that resulted in time off work.

The approach that the government has taken to fulfilling this part of its mandate is to put in place a type of self-assessment system. The system involves occupational health committees at workplaces. The intent is that workers and employers work together on these committees to identify and control workplace hazards.

When this works, this type of approach should provide good leverage of government resources. It should gather information that lets the government know when it has to dig further, when it has to take more action. The key is the information that the department needs to receive from occupational health committees to let the department know whether this self-assessment system is working.

So the importance of this key element led to the objective of our audit, which was to determine whether the Department of Labour adequately used occupational health committee minutes to enforce the role of committees in controlling workplace hazards.

To carry out the audit, we worked with criteria. The department agreed with our criteria. These are at page 121 of the report and they are as follows: to adequately use the minutes of occupational health committees, the department should identify whether committees met regularly and submitted timely minutes. The department should determine whether committees helped to identify and control hazards. The department should also take steps to ensure that all committees help to identify and control hazards.

Those are the criteria that we used. So what did we find? We found that the department monitored the submission of minutes from workplaces and it identified whether committees were meeting regularly and submitting timely minutes. The department identified committees that may not have adequately identified concerns.

In summary, we concluded that the department adequately used

minutes to enforce the role of occupational health committees except that the department was not consistent in its assistance and intervention to ensure that committees helped to control workplace hazards.

We found that the department does not track the frequency of inspections by occupational health committees. Now although this is not a legislative requirement, inspections by occupational health committees are important. Fewer inspections leads to more injuries.

We also found the department responded to virtually all of the requests for assistance the committees made through the minute process. There was one exception in our sample but that was a notable exception because it came from a high-risk workplace.

Now in addition, at times committees object to submitting minutes to the department or the committees neglect to submit minutes in a timely way — promptly. The minutes, as I mentioned before, are a key source of information that the department uses to monitor whether the self-assessment system is working. The department was not consistent in its treatment of committees that were late in providing minutes or that did not respond promptly to requests from the department.

We made two recommendations. The first recommendation is in two parts. It's that the department improve its processes in two ways: to respond consistently to occupational health committees that request assistance, and to identify occupational health committees that do not conduct workplace safety inspections regularly. That was the first recommendation. The second recommendation is that the department take consistent action when occupational health committees in high-risk workplaces do not submit timely minutes or do not respond to repeated requests from the department.

Implementation of these recommendations will help the department use occupational health committee minutes to enforce the role of committees in controlling workplace hazards.

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

The Chair: — Good. Thank you, Mr. Anderson. Ms. Tanner, comments from your point of view from the department?

Ms. Tanner: — First I'd like to thank the committee for having us here today.

We believe that it's our role to foster healthy and safe workplaces at the Department of Labour. And as Mark mentioned, every year there are people injured on the job and killed on the job. That's what makes OH&S (occupational health and safety) and what they do so important, and the OH&S committees so important. And that's why we welcome the Provincial Auditor coming in, looking at the committee structure and the minutes and how effective it was. We agree with the recommendations. We'll go into it in more detail and we appreciate the observations that they gave us.

The work of reviewing the minutes and following up with the committees is part of our program for meeting the goal of improving workplace health and safety. We were pleased by the

positive tone of the Provincial Auditor's conclusions and their finding that the department does in fact do a good job in using the committee's minutes to support workplace health and safety.

We have found their research and recommendations helpful in our service that we provide to these committees. The committees provide an effective way for workers and employers to jointly identify and control hazards in the workplace, to work together. We can't be at every workplace every day doing inspections so these committees are very effective in watching day-to-day operations.

The Provincial Auditor's report recommended that we improve our processes to identify committees that do not regularly conduct inspections. We are making changes to our procedures now to ensure that we flag and contact committees that repeatedly, and by repeatedly we're saying about four times in a row, do not identify any concerns. So they send in their minutes but they're saying there were no safety issues in their workplace.

The purpose of committee meetings is to have an ongoing process of identifying and controlling hazards. So the lack of concerns over time could indicate an inadequate inspection process.

The Provincial Auditor's report also recommended that the department take consistent action when committees in high-risk workplaces do not submit their minutes in a timely fashion or do not respond to our request for their minutes.

In response to this recommendation, we're revising our procedures to clarify the set of increasing enforcement measures we must use to enforce compliance. The procedure will specify, as the case requires, sending a reminder letter that the minutes haven't come in, following by issuance of a notice of contravention, then contact by the occupation health officer to say, where are the minutes; is there a problem with the committee? If compliance is still a problem then we're going to consult with Saskatchewan Justice about taking steps for possible prosecution.

We believe these recommendations and changes in our practices will help strengthen the internal responsibility system which is the system at work in all these workplaces.

I would also like to add that the large majority of workplace committees do readily comply with the regulations. This indicates a high commitment level to having healthy and safe work environments.

The Provincial Auditor's report also recommends that we improve processes to respond consistently to requests for assistance. It is our understanding that out of the 100 minutes sampled, 15 included requests for information or assistance from the department. Most of these requests were administrative in nature, such as additional copies of the minutes forms, etc. We failed to respond to one of the requests, which involved testing of air quality. We regret this omission and are putting in processes to ensure that all such requests are handled in a timely manner in the future.

We are changing our procedures to require staff response to committee requests within five to ten working days, depending on the complexity of the request. Our procedures will include a sign-off or initialing process to make sure no minutes are filed until the requests are filled, so an officer has to initial next to the request.

We are discussing the procedural changes that we're proposing to make with the staff involved that work in the division, but we also want to take them to the Occupational Health and Safety Council — this is a provincial advisory council of employer and worker representatives — for them to give it a second look and give us any other suggestions on things we may want to incorporate. Including making some changes to our computer database which we need to make, we plan to have our full changes implemented by January 1, 2003.

The committee and minute processes are important, and most important is the positive involvement of employers and workers in making their workplaces safe. It's our objective to make the committee process work. We want it to be efficient and effective as possible. For this reason, we thank the auditor for making the suggestions that were made. We felt it was a very positive experience with the department, and we thank the committee.

The Chair: — Thank you very much, Ms. Tanner. Before we move to the two recommendations that are presented on pages 121 and 122, questions or a discussion with either the auditor's office or the department officials.

Mr. Wakefield: — Mr. Chair, I'll start off. Would it be fair to say that the role is being performed by the committees — maybe their focus is to make the changes in the workplace and not necessarily to have a good reporting relationship with the department. In other words, are they doing their thing or are they focusing on reporting?

Mr. Walker: — That's a difficult question to ask because I think it varies from committee to committee. One of our concerns is we don't want people just going through the motions, and we find that one of the things the auditor's report did indicate for us to take a look at is when people say, no concerns, no concerns, are they really having a healthy and safe workplace but just don't want to be bothered too much with the reporting process? Or on the other hand, does it indicate that there isn't enough attention being paid to healthy and safe conditions at the workplace?

We don't know for sure. My guess is it varies according to workplace. What we do to try to instill a sense of commitment rather than just a sense of compliance is we do offer training to the committees so that they understand what a hazard is and how to control it.

So I guess, in essence, we don't really want it to be seen as a bureaucratic process or hoops to get through, but rather something that's very effective for meeting local needs in . . . with local solutions. But, most likely, the response by the 4,000 different committees varies according to workplace.

Mr. Wakefield: — So just to follow then, the minutes that are submitted appear to be quite a tool for evaluating what the

committees are doing. Is there a consistency between the minutes? Is there some people, some committees maybe just taking them more seriously than others? If you're evaluating one committee against another one, for instance, how independent do you think those minutes are if that's one of your main tools?

Mr. Walker: — Certainly from the minutes I've seen and in discussions with our staff, some are very short and some are a bit longer.

One of the other elements of this process is we do have occupational health officers who are assigned geographic areas. We have 24 officers, plus 6 mine inspectors. And so they have other relationships with the workplace and the committee, so it's not just the minutes. So by looking at the minutes and if they appear to be perhaps too brief, then an officer will often contact them, say when he's in the area or give them a phone call.

The Chair: — Any further comments, questions?

Ms. Tanner, in the information contained on page 119, it is noted that Saskatchewan has about 8,000 employers who fit that category of 10 or more workers. And then in your one recommendation, before we get to it, it indicated high-risk workplaces. Do you know what number of that 8,000 employers fits the definition of high risk?

Mr. Walker: — The high-risk workplaces are what we call prescribed workplaces and they're listed in table 7 of the Act and regulations. And basically they include health care institutions, construction, processing, that sort of thing. We estimate there's about 1,600 of those workplaces.

The Chair: — Sixteen hundred of the 8,000 are considered high risk.

Mr. Walker: — We believe that we have most of the higher-risk workplaces complying with the minute process. So out of the 4,000 committees . . . how to put it? I guess out of the 1,600 or so higher-risk workplaces, most of those we believe do have committees.

The Chair: — Sorry. But you mentioned 4,000 committees. Where is that number?

Mr. Walker: — Altogether we have 4,000 committees because it's not just higher-risk workplaces that require a committee. It's any workplace of 10 or more workers.

The Chair: — Okay. But I understood from page 119 that it says that the department estimates that approximately 8,000 employers have 10 or more workers.

Mr. Walker: — Right.

The Chair: — So are there 8,000 committees then?

Mr. Walker: — No, I'm afraid not. There are only about 4,000.

The Chair: — Could you explain?

Mr. Walker: — Our analysis would suggest that the larger employers, say 20 or 50 or more, we have almost all of those covered. The smaller ones, there tends to be turnover. Like people start a business; they go out of business. What we do is we monitor through Workers' Comp when a new business starts and we make contact with them, advising them if they have 10 or more workers, they should have a committee.

We've been fairly rigorous with this for the last few years and we've been averaging about 300 or so new committees per year, with the focus on the higher-risk situations. But yes, we do not have committees in all the workplaces that we believe we should have.

The Chair: — Seeing no other questions, then let's move to the recommendations. As I indicated, there are two of them. Recommendation no. 1 on the bottom of page 121, and I believe in Ms. Tanner's report you indicated that the department concurs with the recommendation put forward. Is there anyone prepared to move?

Mr. Harper: — I'll move the committee concurs with the auditor's report. The recommendation, I should say.

The Chair: — Moved by Mr. Harper to concur with this recommendation. Any questions of the resolution? Seeing none, all those in favour? Opposed? Carried.

On page 122 we have the second recommendation, and we've already had some comment about what is meant by the high-risk workplaces and the numbers, and thank you to Mr. Walker for that. And we also I guess understand that there is the department's compliance or the department's understanding that they concur with this recommendation as well. Anyone prepared to move a resolution?

Mr. Wakefield: — I so move.

The Chair: — Moved by Mr. Wakefield to concur with the auditor's recommendation. Any discussion? All those in favour? Opposed? Carried.

Thank you very much, Ms. Tanner, and your officials, and to you, Mr. Anderson, as well, for helping us through this report.

Before we adjourn, I want to bring to the committee members' attention a couple of things that have been happening for, well, almost two years. And I want to refer you to of course the summary as proposed here by Mr. Jersak as of September 25 that shows the various chapters of the reports that we still have to look at.

But most importantly the section on Liquor and Gaming Authority and the Saskatchewan Indian Gaming Authority from the '99 Spring Report. And for those committee members like Mr. Harper who I know was here at that very beginning, I want to refer you to the second letter that is dated November 21, 2000 from Mr. John Whyte from the Department of Justice.

And our committee had some concern at that time about whether or not we should be reviewing those particular chapters and I sent a letter to Justice on your behalf asking for an interpretation. And at that time Mr. Whyte indicated that it was

still before the justice system, that there was still an investigation going on and that he I think advised that we might, if we questioned officials, we might jeopardize the police investigation and possible prosecution, I think as in the second last chapter. So we delayed doing that particular chapter.

Now we haven't heard anything and that was November 21, 2000 so that's about two years ago. So Ms. Woods on discussion with myself, we sent another letter to the deputy minister of Justice, Mr. Doug Moen, saying could you bring our committee up to date as to what's happening and whether or not we have to do our job. To this time we have not had a response so we'll still . . . we'll wait for that. Obviously it won't be something that will fit into our session for tomorrow or Thursday but it might be able to be included in our agenda for November 4 and 5, which we have two dates booked then, if indeed that is the direction that Justice gives us. So that's just an update for all of you and that's now recorded.

Are there any other questions or concerns? We have a day planned as indicated for tomorrow, for the morning. And then we have a full day, more or less a full day, planned for Thursday.

Also to indicate that we distributed this morning the responses from the Minister of Finance for you, as well as the Workers' Compensation Board summary that was presented to you as well. So those are items that we'll be dealing with in the next two days.

With that we'll move adjournment very early today. Enjoy the rest of your afternoon and we'll see you tomorrow morning at 9 a.m.

The committee adjourned at 14:10.