



Standing Committee on Public Accounts

Hansard Verbatim Report

No. 31 – October 23, 2002



Legislative Assembly of Saskatchewan

Twenty-fourth Legislature

**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2002**

Ken Krawetz, Chair
Canora-Pelly

Ron Harper, Vice-Chair
Regina Northeast

Pat Atkinson
Saskatoon Nutana

Rod Gantefoer
Melfort-Tisdale

Keith Goulet
Cumberland

Judy Junor
Saskatoon Eastview

Carl Kwiatkowski
Carrot River Valley

Warren McCall
Regina Elphinstone

Lyle Stewart
Thunder Creek

Milton Wakefield
Lloydminster

The committee met at 09:00.

The Chair: — Good morning everyone. Welcome back this Wednesday morning. We have a half-day agenda before us, and sitting in this morning for Mr. McCall, with the ability to vote, is Mr. Trew, and all other members, and we're expecting Mr. Gantfoer shortly.

So I'd like to ask Mr. Wendel to introduce people from your office for this morning's session.

Mr. Wendel: — Thanks, Mr. Chair. With us today we have . . . along with people from my office, we have John Aitken from Deloitte & Touche, the appointed auditor for Workers' Compensation Board over there. We have Bashar Ahmad who will be leading the presentation from our office. He leads our work at Workers' Compensation Board and Rod Grabarczyk. And our usual Brian Atkinson and Rodd Jersak.

Public Hearing: Workers' Compensation Board

The Chair: — Great. Good morning and welcome to all of you and, Mr. Solomon, your introductions.

Mr. Solomon: — Thank you, Mr. Chair. I'm John Solomon, Chair of the board of Workers' Compensation. I have with me my chief executive officer, or the board's chief executive officer, Peter Federko, and of course, our auditor, John Aitken, who was introduced.

The Chair: — Good morning and welcome to both of you. Chapter no. 8 is the chapter before us this morning on Workers' Compensation Board, and it's found in the 2002 Spring Report, so that is the volume that we'll be dealing with. And I'd ask Mobashar to go ahead with his presentation.

Mr. Ahmad: — Thank you, Mr. Chair, and good morning. I will provide a brief overview of chapter on Workers' Compensation Board in our 2002 Spring Report. It is chapter 8 on pages 75 to 82 of our report.

The chapter provides our audit conclusion and findings for the WCB (Workers' Compensation Board) and WCB pension plans for the year ended December 31, 2001. To do the audit we've worked with Deloitte & Touche, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.

In our opinion, the financial statement of WCB and WCB Superannuation Plan are reliable. The WCB and WCB Superannuation Board had adequate rules and procedure to safeguard and control their assets and to comply with the law, except that the WCB need complete and accurate internal financial reports and a disaster recovery plan.

Also the WCB pension plan needs rules and procedure to ensure retired members who return to work for government are paid according to the law. I will explain these matter a little later.

In the opinion of Deloitte & Touche, the WCB Superannuation Board had adequate rules and procedure to safeguard and

control its assets and to comply with law.

The WCB complied with the law governing its activities and the WCB Superannuation Board complied with the law governing the law's . . . governing the activities of the plan except for the pension payment to retired members who return to work for the government. In Deloitte & Touche's opinion, the Superannuation Board complied with the law governing the plan's activity.

Now returning to the matter we report for WCB. We report two matters for WCB. First we report that the WCB needs complete and accurate monthly report. And the second we report that the WCB need a complete and tested disaster recovery plan.

Now I will go back and explain these matters briefly. First we report that the WCB needs complete and accurate monthly report. The WCB's monthly financial reports were not adequate. The reports did not contain accurate information on the cost of existing claims that the WCB will have to pay in future. Also the report did not show projectors out to the end of the year.

I will give you a brief background to help explain the concern here. The WCB estimate the cost of existing claims that they will have to pay in future at the beginning of the year. To make this estimate, the WCB consulted with its actuary and used the budgeted claim payment. Each month the WCB records one-twelfth of its estimated cost of existing claim that it will have to pay in future. However it does not change those estimates regularly to take into account the actual claim payment experience.

Also the monthly financial statement did not explain the reason for differences between the actual claim payment and the budgeted claim payments. On December 11, 2001, as part of his budgeting process for 2002, the WCB projected a modest deficit for 2001. The audited financial statements show a net deficit of 56 million. Accordingly the financial reports used by the board for managing the WCB's operations were not adequate. When this happens, there is a risk that the board may make a wrong decision, resulting in loss of confidence.

On page 18 we make recommendation that the WCB should establish rules and procedures to ensure that its monthly financial reports are complete and accurate. We understand the WCB has begun the work to improve its financial reports.

Second, we report that the WCB needs to prepare an adequate disaster recovery plan and test that plan to ensure it works. The WCB has prepared some policy relating to disaster recovery but at the time of our report, management had not yet tested or implemented those policies.

We reported this matter in our previous report. Your committee considered this matter in December 2001 and concurred with our recommendation. We continue to recommend that the WCB should prepare an adequate disaster recovery plan and test that plan to ensure it works.

I will now return to matters reported for the WCB Superannuation Board relating to retired members' pension.

Section 27 of The Superannuation (Supplementary Provisions) Act sets out requirements for stopping pension when a retired member receiving a pension returns to work for the government. The WCB Superannuation Board does not have adequate rules and procedures to know if retired members are working for the government. We continue to recommend that the board should do so. Alternatively, the board should seek changes to the Act. We reported this matter in our 2001 Spring Report. Your committee considered this matter in November 2001 and concurred with our recommendation.

That concludes my overview. Thank you.

The Chair: — Thank you very much, Bashar.

Mr. Solomon: — Thank you, Mr. Chair. I'd like to just start out by maybe talking a bit about the accountability of the board in general and talk about some governance issues and then respond to the Provincial Auditor's chapter, if I might. Would that be okay? Thank you.

First of all the Workers' Compensation Board in Saskatchewan is one of the most accountable organizations around. We appear before Public Accounts Committee; we have appeared before the Crown Corporations Committee of this legislature; we appear in Committee of the Whole with the minister; we also appear in the Committee of Finance with Labour estimates.

We're the only board in North America, 62 jurisdictions, that hold not only one annual meeting but two annual meetings. We hold one in Regina, one in Saskatoon. We just held our eighth annual meeting last week. The only other board in North America that has an annual meeting is Alberta. They had their first annual meeting this year. Our annual meeting was about three hours to three and a half hours long where we had brief remarks from the Chair as well as comprehensive reports from our chief executive officer and our vice-presidents. And we allow for as much time for Q & As (question and answer) as the attendees wish. The board in Alberta has had one meeting this year — their first. It was an hour long, it was a Web cast, with about a 15-minute Q & A allowed in that particular exercise.

In addition to this accountability process, we are in the process this week of having 27 stakeholder meetings. We're meeting with our stakeholders to talk about what's transpired over the past nine months and what we are proposing for . . . or the administration's proposing for rates next year.

We report to the legislature on an annual basis through our annual report. We have a balanced scorecard to report on the performance of our administration and it's published in the annual report which I'm sure some of you have seen.

As well in the legislation of the Workers' Compensation Act, we have a committee of review is struck every four years. It's representative of employers and employees and they make unanimous recommendations to the government on changes after studying the Workers' Comp Board from top to bottom. Bill 72 incorporated several of these 2001 committee of review recommendations.

We've also had an external review by Jim Dorsey done in 2000 and the report was tabled in 2001, in May. So in essence what

I'm saying is that we have a great accountability process.

We also have our internal auditors. We have Deloitte & Touche as our external auditor and we have the Provincial Auditor reviewing all of those numbers in addition to the previous processes.

Workers' compensation is based on five principles: no fault, collective liability, security of payment, autonomy, and exclusive jurisdiction. What we mean by this is that the no fault and the collective liability came from a historic compromise. Workers' compensation is a result of a historical pact between employers and workers. Workers gave up the right to sue their employers for workplace injuries in exchange for a totally funded program by employers, an insurance scheme like a Workers' Compensation Board which would pay for all workplace injuries and illnesses.

We have security of payment through our injury fund. We have an autonomous board that is independent of employers and government and we have exclusive jurisdiction in the province which means it's not a privatized system. We also obviously adjudicate claims and pay benefits.

With respect to the auditor's report, I'll make a couple of comments, if I might, and take any questions that you might have; maybe in reverse order, if I might, Mr. Chair. First of all, the pension plan that the board is responsible for is actually chaired by Norm Brown. It's not a responsibility that I have as Chair or as Mr. Federko has as chief executive officer.

But nonetheless, I can inform the committee that we are in communication with the Public Employees Benefits Agency with respect to a master list of retired provincial employees. We are responding to the auditor's recommendation that we have some process in place and that this process should be along — I think finalized, I would suggest — in a couple or three months.

Just as an aside if I might, most pension plans that I'm familiar with, in particular the federal level, the onus is on the retiree. The legislation that governs federal pensions, for example, says that if you are in receipt of a federal pension and you obtain a job related to a federal government department, agency, or Crown, you are duty bound and obligated to inform your pension office that you have this job if you're earning more than \$5,000 a year. And that's the responsibility. There are consequences for not reporting.

We feel that at least at the superannuation plan, that we'd like some advice and recommendations and directions from the Provincial Auditor on how to deal with this because my sense is that for a pension plan as small as that at the board, for us to be contacting all of our retirees on a regular basis seems to me to be intrusive and somewhat undemocratic. But they should have the responsibility to report these things on their own as long as they are fully informed when they receive their pensions.

However having said that, I'll leave it as it is and you may want to have Mr. Brown come before your committee to respond to some of these issues in more detail.

Regarding the disaster recovery plans, we have installed or we are installing at this very moment software and hardware at the

Saskatoon Workers' Comp office as part of our contingency for disaster. We will test our in-house disaster recovery system for claims, for employer accounts, and for our financials before the end of the year. And we also will have monthly reports and forecasts prepared by the administration for board members on a more timely basis.

As a matter of fact I can just give you an overview of that if I might. When I arrived at the board back in September of last year, we were provided with financial monthly statements. The Provincial Auditor has recommended that we have the suggestions that he's proposed, in writing and so on. We had a lot of that information verbally. For example, when we saw the financial statements and there were issues with respect to forecasts and so on, verbally we were informed of the discrepancies and why there were discrepancies.

I think the recommendation of the Provincial Auditor to provide us with written discrepancies on a monthly basis is a good recommendation. We have incorporated that as of February 2002. So we have on a monthly basis now written overviews and analysis of why there are discrepancies and why certain budget items may or may not be on target.

Regarding the actuarial adjustment line item, our statements as of February now highlights the actuarial adjustment, comparing the budget adjustment to ongoing future liability cost changes over the fiscal year. Effective June 2002, all monthly reports to our board of directors contain year-end estimates of claim costs with accompanying written analysis explaining budget variances.

And I think that this is a very good recommendation of the Provincial Auditor. We have incorporated it and it's a little cleaner in terms of all those variances are now in writing as opposed to having someone take minutes and having an opinion as to what those comments may have been.

So I think that responds to pretty much all that the Provincial Auditor has put forward, but I just want to maybe share with you the governance of the board. We have a very unique board. Again of the 62 jurisdictions in North America, we're the only board that has a full-time Chair with full-time members. And as a result of that, we have a relationship that's quite unique with our chief executive officer and his administration.

It's unique in the sense that we just don't meet monthly and get these reports as to what may or may not be happening financially. We have a weekly meeting with all the board members and the CEO (chief executive officer) to talk about issues that come up on a weekly basis. And we feel that this is a very good process. It's quite unique to any other operation. So we really are in tune as to what some of the challenges might be from time to time as they arise.

Maybe I'll just stop there and respond to any questions that you might have. Thank you.

The Chair: — Thank you very much, Mr. Solomon. And I want to apologize to the comptroller's office for not introducing Mr. Paton and Mr. Bayda at the very beginning of this meeting. Welcome, gentlemen.

I also wanted to indicate Mr. Weekes, Randy Weekes, as MLA (Member of the Legislative Assembly) is also present — not with voting privileges but with MLA privileges — at this meeting as well.

Before we move on to the recommendation — and there is one recommendation in this chapter which is found on pages 75 to 82, and that recommendation is on page 80 — we'll open the floor to general comments or questions of the auditor's office or Mr. Solomon from the Workers' Compensation Board office.

Mr. Weekes: — Thank you, Mr. Chair. To the auditor's office or Mr. Solomon or Mr. Federko, it's been reported that the WCB has been or is very close to being in an unfunded position. And that brings up a number of concerns around the legislative concerns concerning being unfunded. Could you elaborate on how close the WCB is to being in an unfunded situation and the repercussions of that?

Mr. Wendel: — I will defer to management on that, Mr. Chair.

Mr. Solomon: — I'm sorry. Oh to us. Oh, okay. I'll have our chief executive officer respond to that operational issue.

Mr. Federko: — As at December 31, 2001, which is the period under review, the Workers' Compensation Board had \$50 million remaining in reserves in excess of the liabilities that were recorded for the board which continues to maintain it in a funded position at December 31, 2001.

Mr. Weekes: — You're quoted, Mr. Federko, as saying it's technically unfunded. I'm just wondering about the legislative rules concerning that situation.

Mr. Federko: — I believe the member must be referring to our projections for 2002. And if it pleases the committee, I could certainly speak to that. It's outside of the current reporting period, but nonetheless I'd be happy to address that.

As presented at our annual general meetings last week, we shared with our stakeholders — and thank you to Mr. Weekes for actually attending one of the meetings in Saskatoon — we shared with our stakeholders the anticipated results for 2002 as well as our projections for 2003 through to 2007. And as a result of continued depressed investment markets, continued increased compensation costs, as well as pending legislation, the WCB is poised to report a second operating shortfall in 2002.

The combined effect of the reported \$55.8 million loss in 2001 together with an anticipated \$67 million operating shortfall in, I believe I'm quoted as saying, in its strictest sense puts the WCB in an unfunded position. We will be 97 per cent funded by December 31, 2002 should our projections hold true through to the end of the year.

Mr. Solomon: — When we're talking about funded, what happens when at the end of the year the actuary will say, this is what we have to set aside in that particular year for future costs related to those injuries for the next 50 years. So in essence we have an injury fund which is set aside to cover all costs for the next 50 years. And when Mr. Federko suggests that we're 97 per cent funded that means 97 per cent of 50 years. It's not like

we're 97 per cent funded for next year's operations.

We do have an opportunity as a board to look at the long term here. We have options as a board that we're considering once the stakeholders' meetings have provided input into our rates to, you know, make up that in one year or phase in over time.

The board has received a recommendation from the administration that we should be looking at getting back to this particular 100 per cent number over a period of time as opposed to doing it in one swack. I know that other provinces tend to do that and it really is an instability of rates for other jurisdictions. For example, Alberta, they've gone from \$1.07 per \$100 of payroll in 1999 to where they're projecting for next year \$1.89, which is about a 77 per cent increase in three years; very, very substantial increases for their employers to meet and certainly unpredictable.

So I'd like to clarify that. It's not like we're going to have it short of cash. We're not going to have a cash shortage next week or next year. It's a long-term fund set aside for all the injuries that will be payable, including our administration costs for the next 50 years.

Mr. Weekes: — At the annual meeting there was a number of questions concerning the independence allowance and I would like to know, is that part of the actuarial adjustment that had to take place because of the under-representation of the independence allowance. And, you know, that's obviously an impact on claims. Is that . . . Do you have the numbers now for last year and the future years that are going to be accurate?

Mr. Federko: — The extent of our liability is actuarially determined. By looking at expected spending patterns and past spending patterns, our actuary independently determines the amount that needs to be reserved to meet all future payments.

So as Mr. Solomon indicated, the actuary is telling us or has told us, at the end of December 2001, for example, that we ought to have \$700 million on hand to meet all of our future obligations which could extend well over 40, 50 years. That \$700 million includes our obligations for all benefit types under our legislation, including the independence allowance.

Mr. Weekes: — I guess more specifically is the concern that was raised at the annual meeting that the independence allowance was something that was well, I guess, a regulation change and the injured workers didn't realize it to a great extent that it was available. And now, through advocate work, people are becoming more aware of it and I'm just wondering how big of a cost is that going to be in the future and is that being reflected in your statements?

Mr. Federko: — All of the expected costs anticipated for the independence allowance . . . And the advocacy that you're referring to occurred well over a year ago and we did see a fairly big bubble come into the system when the new policy was passed. But all of that has worked its way through the system. All of those claims have been reserved, as well as the expected new claims for independence allowance into the future.

Ms. Atkinson: — I just have a little follow-up on the Alberta situation. Can you explain to me why they would have

increased their rates so significantly?

Mr. Federko: — Alberta's situation is really . . . There are two parts to their rate story. Unlike the Saskatchewan board, a number of years ago the Alberta board made a policy decision to subsidize its premium rates by any surpluses that it might be generating out of its investment fund.

And I'm sorry, I haven't brought the numbers with me this morning but the . . . I do recall in 2001 the Alberta board continued to subsidize its premium rates by 13 cents. So it was publishing a rate of \$1.73. In actual fact — and this is publicized on the Alberta board's Web site — in actual fact the cost of their claims was \$1.86. So they were continuing to charge amounts below what the true cost of insurance was simply because their investment portfolios continued to generate surpluses.

Like all compensation boards, Alberta was hit twofold. Number one, the bottom fell out of the investment markets, as it has across the world. And number two, like all compensation boards in North America, compensation costs have increased at the same time.

So Alberta has not only had to make up the difference of the degree of subsidy that they had in their rates because of the loss of the investment income, but they've also had to, like most boards in Canada, had to increase their compensation rates to reflect an increase in the actual cost of claims.

Ms. Atkinson: — So what you're saying, just in further follow-up, every board in Canada is increasing their rates?

Mr. Solomon: — So far the preliminary rates that we have, Ms. Atkinson, suggest that most boards are. They're all in their preliminary stage because they set them and then they go to stakeholders or sometimes they just go to the board and administer them and approve them.

Alberta's will go to \$1.89; we are proposing \$1.91. So we're pretty much in the ballpark in terms of that competitiveness. British Columbia will go to \$2.06 per hundred next year. Ontario will go to \$2.29.

And I add with Ontario, when I talked about accountability, Ontario as of yesterday afternoon still hasn't tabled their 2001 annual report. They are about . . . They were in 2000 \$9 billion underfunded — \$9 billion with a capital B. Their rate will go to two twenty-nine and their annual meeting, I believe, consists of the chairman meeting with the minister once a year for an hour, saying here's what's happening.

So you look at every jurisdiction. In isolation if you look at our board, you know, the board is proposing or at least the administration is proposing to the board that they increase rates . . . we increase rates 9.1 per cent next year. In isolation that sounds like a lot.

When you consider what's happening in the marketplace our portfolio is like many others. If you look at the top 20 US (United States) mutual funds by the end of . . . From January 2001 to July 2002, the top 20 US mutual funds lost 44 per cent of their value, which would take eight . . . or seven and a half

years at 8 per cent per year compounded just to get back to where they were. In September alone, 83 per cent of the Canadian mutual funds, 83 per cent suffered a loss in the one month alone. And if you track them over that same period where we had our money invested, you would see that this is characteristic of almost every fund.

Having said that, our fund managers, who are Greystone Capital, have consistently been in the top quartile, that is a top 25 per cent of returns of North American investors or investment houses. And we feel . . . I mean that's the good news. The bad news is we didn't make as much money. So we had a shortfall.

When people suggest, whether it's the auditor or others, that we did not have adequate information to project what our loss would be at the year-end, they're absolutely right. But we couldn't project . . . When I came on August 27 to the board, I couldn't project what would happen on September 9, when in effect on September 21 the markets went to the bottom last year and they started going back up. I couldn't predict what our revenue would be from investments. We had \$105 million in 2000, and 2001 we went from 105 million smoothed over five years down to 72, which is a \$33 million shortfall. We couldn't predict that. We can estimate; we can guess.

Our business is . . . Or forecasting is an art. It's not a science. Even the CFIB (Canadian Federation of Independent Business) has agreed in writing that our business, in terms of forecasting, is an art. It's not a science. We can forecast and project but there are factors outside of our control that we just can't project or predict. We can't predict the Washington sniper or we can't predict the events of the world. Those things happen. We just have to hope that in our forecasting, you know, previous history will repeat itself in a modified way.

Ms. Atkinson: — . . . observation. I want to concur with Mr. Solomon's observations. I think every member of the legislature just got a little statement on their pension plan and I don't think any of us would have predicted that our pension plan would be down. And it is. And that's 4.65 down, I think it is . . . (inaudible interjection) . . . Yes, yes. I think all of ours is. And Greystone is involved in investing our pension plan as I understand it. And that's just from last March. That's not from the year before. So I certainly understand your sentiments.

I just have one final question. I believe in '98, '99, and 2000 the board rebated monies to employers. In total . . . I just want to recall how much was rebated and in hindsight is that something we should have done, given the volatility of the market?

Mr. Federko: — The Saskatchewan board, unlike Alberta, developed a strategy to not subsidize the premium rates. So we have all along been attempting to establish premium rates at what we believe the true cost of the claims will be.

As an alternate strategy in '98, '99, and 2000 when the investment markets were generating superior returns, the board did take the decision to rebate surpluses generated out of those investment funds. In 1998, we rebated 23 million and in each of '99 and 2000, 36 million, for a total of \$95 million.

Now the Provincial Auditor's comments, for clarity, and I hope

that they'll concur, the Provincial Auditor's comments relative to the inaccuracy of the monthly financial statements relates to the fact that not that we had better information — the administration had better information and was simply withholding it from the board — I believe the point is, is that the information that we had particularly on the actuarial side did not reflect what ultimately the actuarial adjustment became. Do you think that's a fair statement, Provincial Auditor?

So it's not a matter of withholding information; it's simply the information we had was not as accurate as it could have been. Responding to the member's question, had we known in 1997 that in 2002 we would have been hit with a \$69 million unexpected actuarial adjustment, that certainly could have altered the strategies that we, the administration, proposed to the board in terms of a rebate strategy. I'd simply suggest that I'm not sure how standing on December 31, 1997 we could have anticipated the kind of actuarial adjustment that we would have received in 2001.

Now could we and are we taking steps to ensure that the monthly information we have is more accurate? Certainly we are. We currently . . . we've been working with the University of Regina Faculty of Administration, who's setting up an actuarial department, to get access to an actuary and as of September 2003 finally we have signed the agreement with the University of Regina and we have access to a full-fledged, certified actuary to work with our administration a couple of days a week. So we're hoping as a result of that and the continued dialogue that we will develop systems that can better forecast. I'm not sure though that standing here today that we'll be able to forecast what our reserving requirements on the actuarial side will be four years from now.

The Chair: — Mr. Harper followed by Mr. Kwiatkowski.

Mr. Harper: — Thank you, Mr. Chair. Last week, I believe it was, there was a news item on the CBC (Canadian Broadcasting Corporation) news that suggested that Workers' Comp in Saskatchewan would not be in a position to support its financial obligations to injured workers. Would you like to elaborate on that?

Mr. Federko: — The CBC did report, and picking up on the point that Mr. Weekes raised earlier, the projected unfunded position the CBC interpreted as putting the WCB in a position of not being able to meet its future obligations. That certainly is not the case.

We currently hold investments with a market value of about \$900 million. The liability against those is somewhere around . . . between 7 and \$800 million. So from a market value perspective, just on the investment side alone, we have sufficient investments to cover off what the liability is. More so though on a cash flow basis, because that obligation for that \$750 million is made over a number of years, it certainly does not jeopardize in any way our ability to meet our obligations.

Mr. Harper: — Recently the Canadian Federation of Independent Business suggested that the Saskatchewan Workers' Comp should emulate Manitoba by holding the line. Can you elaborate on Manitoba financial situation?

Mr. Solomon: — I think I can add some light to that. We have meetings once or twice a year with all the board Chairs across Canada and we talk about these issues. And we also have an association called the Association of Workers' Compensation Boards of Canada, the AWCBC, where we discuss governance issues and comparative measures so that we can see how each board is doing in certain areas.

Manitoba's rate is \$1.56 per 100 this year. Their benefits are a fraction of Saskatchewan's benefits. For example they have 90 per cent of net for an injured worker's salary is the payable for two years and after two years it drops off to 80 per cent. So their actuarial costs long term are significantly less than ours.

They have . . . They only cover a smaller number of workers. I think theirs is about 63 per cent of the workforce; ours is around 70, 72 per cent of the workforce. So there's a lot of distinctions between the two.

But in essence, in summary they have fewer numbers of workers they cover and they have . . . the benefits are reduced from Saskatchewan's perspective.

Mr. Kwiatkowski: — Thank you, Mr. Chair. Mr. Chair, to the Provincial Auditor. One of your recommendations here is that you suggest written explanations be given for differences between the actual claim payments and the budgeted claim payments.

Can you give us some examples as to where you noticed such differences? And did the independence allowance payments play any part in that? Were the independence allowance payments much higher than what they had been budgeted?

Mr. Wendel: — Mr. Ahmad will respond to that.

Mr. Ahmad: — Thank you, Fred. In our report on page 79 we talk about the budgeted claim payment and the actual claim payment. And we do say that in 2001 the WCB's budgeted claim payments were 137.1 and estimated the cost of future payment it will have to pay on the existing claim was 18.3 million.

And the actual claim payment exceeded the budgeted by 10.4 million in November 2001, and exceeded it by 21.3 million in December.

Mr. Kwiatkowski: — Were there any specific areas that you identified as being particularly out of line with budgeted amounts, such as the independence allowance? Did you break it down in terms of the types of benefits at all, where there may have been differences between the budgeted amount and the actual amount?

Mr. Ahmad: — I don't have that information available right here. We can get it but I think maybe the management can provide you that information.

Mr. Kwiatkowski: — Perhaps to Mr. Solomon then. Can you give us some specifics around the independence allowance, what the difference was between the budgeted amount versus the actual amount of benefits paid?

Mr. Solomon: — It's an operations issue.

Mr. Federko: — We do not budget our compensation costs at the benefit-type level. So we do not anticipate that we will spend X number of dollars on wage loss as opposed to rehabilitation or independence allowance, surviving spouse benefits. Rather the method that we have been using in the past to forecast the actual payments of compensation for budgetary purposes has been on, quite frankly, a relatively unsophisticated basis, taking into account what we expect to see in terms of growth in the number of injuries, applying inflation and the indexing provisions of our Act. So with respect to the independence allowance, there would not have been a specific number that we would have picked as to what we expect to spend on independence allowances for purposes of determining our overall budget.

Secondly, I think it's important to explain that the purpose of us establishing budgeted amounts for compensation costs is not to limit the entitlement of workers to compensation benefits. Rather the budget are prepared in conjunction with objectives that have been established that ought to have certain impacts on the program costs.

So for example, if we are embarking on a return-to-work initiative and we believe that that might reduce the number of days of compensation paid in total, we will adjust our budgets accordingly for the anticipated compensation costs that will be paid. Likewise, if we anticipate the number of injuries to drop in a particular year, we'll be budgeting compensation costs on the basis of the budgeted numbers of injuries.

However once we hit the point of the budgeted amount, in no way would we adjust our administrative or management practices to begin limiting entitlement to compensation benefits. We acknowledge that we could be wrong in forecasting the number of injuries, that economic activity or poor safety practices or whatever could generate more injuries than what we anticipated and that would increase our costs.

Our obligation to our board is to explain the differences between what we expected and what ultimately got paid. And we are now formalizing that in written explanation, but as Mr. Solomon indicated have been providing that to the board on a monthly basis through our verbal reports.

Mr. Kwiatkowski: — But would not breaking the anticipated cost down in terms of the different categories, would that not at least provide you with a better management tool in terms of being able to meet the expectations in a particular area? If you aren't breaking the different categories down by benefit for budget purposes, then are you tracking them in any way at all?

Mr. Federko: — Of course we are. We have several expense codes established in our accounting records that keep track of the compensation, medical aid payments, rehabilitation payments on quite a specific basis.

The point that I'm making, or was trying to make, is that to the extent that we can forecast at the benefit level, at the benefit-type level I should say, we do do that. But for the sake of forecasting at the benefit level without having any substantiation or any reason to believe that the benefit types, the

benefit payments by benefit type, are going to change really does not assist us in managing.

As I said, where we have identified specific initiatives where we expect to have a positive or negative impact on medical aid payments for example, we will budget at that benefit level type. But there was nothing that occurred with respect to the independence allowance that would have caused us to believe that it would be any more or less than what we actually spent.

So we do have detailed reporting against our actual expense payments. To the extent that we can forecast at the benefit level, we do. But where the forecast does not assist us because it really is not . . . we are not able to meaningfully forecast at that benefit type, we don't undertake that.

With the assistance of the current actuary, our actuary evaluation is done in a very, very detailed way. Our rates are done in a very, very detailed way whereby we break down the various components by benefit type. With the assistance of the actuary that we now have on staff, we're hopeful that our forecasting ability will get better and we may be able to more accurately predict at the benefit-type level.

Mr. Kwiatkowski: — And just very quickly, Mr. Chair, to Mr. Solomon. You've outlined the shortfalls, where they come from and why. So am I correct in assuming that your position here is that this won't have any negative impact on the board's ability to be able to operate and continue to provide benefits and that all is well at this point?

Mr. Solomon: — Specifically, are you referring to our current information that we received to the board? I think fiscally we're very sound; I think when you compare us to other jurisdictions, one of the best funded boards in the country. I have confidence in the board. The director has confidence in the chief executive officer and his vice-presidents to deliver these programs in a cost-efficient manner within certain budgets. I have earned less confidence in the markets in predicting how they're going to do so we're always quite nervous about that.

But having said that, I think that overall the board feels very secure and confident in our strategic plan. The board is responsible for the strategic plan; we have dispatched that plan to the CEO and his management team. They have developed an operations plan which are addressing all of the issues that you've raised today and other issues as well, and looking at the future.

And the strategic plan hasn't changed in the last 12 months. Some of the operations side has been tweaked here and there, but we feel that overall the board will continue to provide good service and better service as time goes on to injured workers and to employers and will be responsive to their needs . . . (inaudible) . . . in comparison, we're fine.

Mr. Weekes: — Thank you, Mr. Chair. The recommendations speak to rules and procedures, financial statements. But I'd like to extend that to another area that Mr. Solomon when you were first hired I believe as chairman you spoke at a meeting that I attended, and you spoke in length about testing the results of recommendations that have been implemented or will be implemented. I was just wondering what tests have been put in

place and will those results of those procedures be made public?

Mr. Solomon: — I can't recall specifically the comment that I made, but what we have done . . . Just maybe go back. When I arrived I was actually surprised at the ability of the board and staff of the board to deliver any kind of programs. And I say that for the following reason. There were so many external and internal reviews underway and they were juggling so many balls including the Dorsey external review; the committee of review was under way. We had three internal reviews: business process simplification, reorganization, and team-based case management. They had taken senior staff off the front lines to reorganize the operation and provide a better service delivery model. I was actually surprised we could provide services and programs.

What we've done over the last 12 months that I've been there is that we've taken all the best recommendations out of all of those internal and external reviews, we've implemented the good recommendations that will improve our operation. And actually the last one, the team-based case management, just was fully implemented the end of September or end of August. And we need . . . What we're doing is evaluating all of these new processes and new approaches and they're ongoing. The board receives reports on a monthly basis. And I'm sure the auditor has access to them.

And it'll take about 12 months from now to provide a real comprehensive evaluation of all these new processes because some of them won't be implemented until actually January when Bill 72 fully kicks in and is proclaimed.

The Chair: — One final clarification I think from the auditor's office. On page 79 at the top, and I'm concerned about a statement there because this volume will be read publicly and it doesn't have a great amount of explanation. And the sentence I'm referring to is that, and I quote from that chapter. It says:

The Provincial Auditor Act requires us to do additional work when we are unable to rely on the report of an appointed auditor.

Without any further explanation.

It almost suggests that the appointed auditor in this case, Deloitte & Touche, has produced a report that someone can't rely on. And I'm wondering is that true? Is there something that we're missing or is there something that needs to be added for the people in the province when they read something like that? I think the impression that someone would get is that there's a report that's unreliable produced by an appointed auditor.

Mr. Wendel: — Yes, Mr. Chair. The comment refers to the pension plan, superannuation plan. And there's reports that come from appointed auditors on compliance with authority and controls to safeguard and control public money. And those reports come to us and those reports are the ones we're able to rely on within the statute.

With respect to the pension plan the appointed auditor didn't report that the rules and procedures were not adequate to stop pensions. In his view they were adequate. In our view they were not adequate. And when that happens we're required to do

additional procedures and then report our results, which is what we've done here.

The Chair: — Maybe an additional sentence could have been added there to clarify what that unreliable report was because I think it leads people to all kinds of interpretations that may not be correct.

Mr. Wendel: — We'll take that under advisement.

Mr. Trew: — Thank you . . . (inaudible) . . . I'm taking some offence to your language about that unreliable report in that I refer you to the bottom of page 78 where the Provincial Auditor says, and I quote:

We did not rely on Deloitte & Touche's opinions on the Superannuation Board's rules and procedures . . .

And it goes on. It doesn't say it was an unreliable report. It just simply says we didn't rely on their report.

I'm taking offence on behalf of the appointed auditor with some of the language that I just heard you use.

The Chair: — All I said, Mr. Trew, is it says, ". . . we are unable to rely on the report . . ." at the top of the next page. And I think it needs a sentence of clarification to ensure that it's not misinterpreted.

Mr. Trew: — Mr. Chairman, it says, "when we are." Like I mean, I urge you to read that whole, I'll describe it as a paragraph that starts on the bottom of page 78 and ends on the top of page 79. And it doesn't say . . . I mean it does say, "we are unable to rely," but you're taking completely out of context because the word before that is, "when we are unable to rely."

The Chair: — I don't disagree with your point, Mr. Trew. All I'm suggesting is that the auditor could have added a further sentence of clarification to that line to ensure that it is not misinterpreted, and Mr. Wendel has indicated that he is taking that point under advisement.

Thank you for your comments. Any further discussion?

Mr. Solomon: — If I might before we end the meeting just . . . I have a handout I'd like to leave with the members. Actually I have a number of handouts. One is on corporate governance, and I'd like to leave this with the members for their reading if they have insomnia one night.

But the governance model precludes board members from making operational decisions. What we do as a board is that we approve the strategic plan and we then receive from the operations division an operations plan. And our job as a board is to make sure that that plan is going to work and the executive team implement it. And we monitor that plan and monitor their performance against that plan as the board. Because there has been some perhaps confusion about the chairman and the board members actually running the day-to-day operations. We don't do that.

But we do monitor and gauge and evaluate the performance of the executive team and, of course, the entire operation on a

regular basis.

So I'll leave this with you. And if you have any questions, you'd like us back . . .

In summary I'd just like to thank all committee members for their questions. I appreciate them. And I want to thank the Provincial Auditor as well because he's outlined in his report some things which . . . that I brought to the table when I arrived that I wanted to see improved, and he's reinforced some of those things with our operation. And I think our operation will be a better board as a result of this. So thank you very much.

The Chair: — Thank you, Mr. Solomon, and we'll ensure that that handout is distributed to all members. Seeing no further comments, could I turn the committee's attention to the bottom of page no. 80, and in this chapter we have only the one recommendation as you see there.

Any further discussion on this recommendation or questions? Is anyone prepared to move resolution?

Mr. Harper: — I move concurrence.

The Chair: — Moved that the committee concur with recommendation no. 1.

Any discussion on that motion? Seeing none, all those in favour? Opposed? Carried.

That brings us to the end of discussion on chapter no. 8. I want to thank you, Mr. Solomon and Mr. Federko, and of course the auditor's office, Basher, for providing information to us this morning. We stand recessed until 10:30.

The committee recessed for a period of time.

Public Hearing: Justice

The Chair: — Okay. Let's reconvene the committee for our session for the rest of this morning. And we'll be dealing with chapter 14 of the 2002 Spring Report on Justice and that's found on page 139 of that report.

Mr. Wendel, I'd ask you to introduce your individual with you.

Mr. Wendel: — Yes, Mr. Chair, I have three new individuals here with us now. I have Jeff Kress, who leads our work at the Public Trustee who will be making a presentation to you; Rosemarie Volk, who also leads our work at Justice; and Victor Schwab, who will be making the next presentation, here a little early to make sure that the computer was going to work to make his presentation.

The Chair: — Okay. Thank you very much, Mr. Wendel, and welcome to all of you. Good morning, Jeff. And, Mr. Moen, would you introduce your officials with . . . accompanying you this morning.

Mr. Moen: — Pleased to, Mr. Chair. My name's Doug Moen and I'm the deputy minister of Justice. To my right is Gord Sisson, the director of administrative services. To my left is Rod Crook, the executive director of courts and civil justice and

beside him is Ron Krutzeniski, the Public Trustee. And in the back row behind me is Keith Laxdal, the associate deputy minister of finance and administration, and Mike Pestill, manager of financial services with community justice division.

The Chair: — Good morning to all of you. Welcome. Okay, as is our custom, we'll have a presentation from Jeff on behalf of the auditor's office first.

Mr. Kress: — Thank you, Mr. Chair. Good morning members. As Fred denoted, I am here this morning to discuss chapter 14 of the Spring 2002 Report. In chapter 14, we provide a status update of the Public Trustee's progress in correcting several significant weaknesses in his rules and procedures. We initially made these recommendations in our Spring 2001 Report. In that report we noted that the trustee needed to take prompt corrective action to properly administer his clients' affairs.

Since our Spring 2002 Report, the Public Trustee has taken several important steps. The first was completing a detailed review of client records. As a result of the work performed by the Public Trustee and our subsequent audit, we are satisfied the client records are now reliable.

Also due to weaknesses in its system of internal controls, there was the potential for the improper use of client assets. We are now satisfied that the Public Trustee has put adequate controls in place. This includes segregating incompatible duties, proper review and approval of payments, carrying out internal reviews, and performing timely bank reconciliations. Weaknesses in its information technology system have either been resolved or adequately compensated with additional controls.

The Public Trustee has been able to prepare financial statements. We have completed our audits for the years ended March 31, 2000, 2001, and 2002.

As we reported in previous reports, the Public Trustee needed to take strong action to correct the control weaknesses we identified. Overall, the Public Trustee has taken the strong action that was needed to resolve these issues.

Now that the control weaknesses have been resolved, the next step for the Public Trustee is to determine whether or not it has achieved the benefits from its new system. In our Spring 2001 Report, we recommended that the Public Trustee should improve its processes to ensure that it receives the benefits it planned to receive from the system.

Prior to developing the system, the Public Trustee prepared a business plan including a cost-benefit analysis that outlined the benefits that it planned to achieve. At this time, the Public Trustee does not know if it has yet achieved all of these benefits.

This concludes my presentation and I would be pleased to answer any questions you may have.

The Chair: — Thank you very much, Jeff. And, Mr. Moen, your comments.

Mr. Moen: — I'll be brief. I am very pleased to be here today and I'm pleased that the Provincial Auditor has acknowledged

the progress that's been made in addressing the issues raised in the Spring and the Fall 2001 reports.

Page 143 of the 2001 Spring Report notes that the trustee continues to make progress in addressing the weaknesses in rules and procedures but more work is necessary and we certainly agree with that. We agree with both propositions, that progress was made and that more work is needed to be done.

Since the issues were raised, the department has very seriously considered the Provincial Auditor's recommendations and has taken a number of the major steps that Mr. Kress has pointed out. The Public Guardian and Trustee has resolved, we believe, many of the concerns — again, as Mr. Kress has pointed out. But there is some additional work to be done.

Now I'll outline the progress since my predecessor last spoke on this issue in the committee on February 18, 2002. First of all, I'm pleased to note that the financial statements for the year ended March 31, 2000, 2001, 2002 have now been approved. And after the release of the Provincial Auditor's 2001 Spring Report, the Public Guardian and Trustee engaged a professional accounting firm . . . (inaudible) . . . to assist with the financial review and the preparation of financial statements.

We engaged additional staff to supervise the accounting functions and to oversee the system internal reviews. The internal review process was implemented in September 2001 and the office engaged an asset administrator and another financial assistant in order to ensure accounting records are accurate and reliable.

The Guardian computer system, version 5.0 contains enhancements to improve the reporting and control. Currently this version is in the final stages of testing and will be implemented in the fall of 2002, this fall. This will include a reports module which will assist management and staff in monitoring operations.

An update of the administrative manual is planned for the very near future. So we continue to ensure that all staff receive an appropriate level of training which was an issue and this is obviously an important means to ensure that staff know and follow the proper rules and procedures.

So challenges ahead? We will continue to strive to enhance our level of financial control and maintain accurate and up-to-date records of our client assets. The system of internal reviews, a semi-independent process to provide assurance of ongoing operations, will continue as it provides added assurance that we are properly managing the affairs of our clients. The fall implementation of Guardian 5.0 and its reporting module to improve financial reporting and control within the Office of the Public Guardian and Trustee will be undertaken. A review of income receipts and payment processes will be undertaken with a view to improving these processes. And we will update and maintain the administration manual as a training tool and ensure consistent treatment in our processes.

So to conclude, we're very pleased with our interaction with the Provincial Auditor. It's been a very constructive process for our department and it . . . Obviously the Provincial Auditor pointed out some areas that needed improvement and we are quite

committed to move forward with those improvements. Thank you.

The Chair: — Thanks, Mr. Moen. Questions or any comments? The material for this chapter is found on three pages: 141, 142, and 143. Any questions?

Mr. Wakefield: — Thanks, Mr. Chair. Just one question. On page 142 there's a brief description of a recorded 2.5 million more in earnings than should have from the clients' records. That's in about the fifth paragraph and then it goes on to explain what the corrective actions have been. And part of the corrective action was trying to collect the overpayment from clients and it said:

Former clients returned approximately \$100,000. The Trustee then requested and received the remaining \$135,000 from the General Revenue Fund.

It doesn't seem quite fair that some paid and some didn't, and the ones that didn't were actually paid out of general revenue which is taxpayers' money. Can you comment on that?

Mr. Kruzeniski: — I understand the concern that the member raises. The difficulty would have been that requests went out to all clients, all clients who had received more than \$100. And basically these were the clients that . . . the \$100,000 were those clients that opted to return the funds.

The alternative at that point would have been to commence legal action against the balance of those clients. Many of those were sort of estates that had been wound up and had paid income tax, etc., etc. I think the amounts related to the cost of commencing legal proceedings against numerous people would have, in effect, cost more.

So a major attempt was made to recover as much as was possible but there just was a point that people were not responding or not reading our letters and certainly not sending us a cheque.

Mr. Wakefield: — Thank you for the explanation but I guess the point, though, I was making was that if some did and some didn't, the ones that did, paid it back in good faith; the ones that didn't, virtually became subsidized then by General Revenue Fund. And to me that seems unfair. Has there been any thought of making that a more even solution to try and solve that inequity, at least the inequity that I see?

I guess the thought would be, shouldn't then everybody be . . . that error should be corrected by taking it from General Revenue Fund or . . . I'm not sure what the solution is. It just seems some are . . . some complied, some didn't and the ones that didn't, it got covered anyway.

Mr. Moen: — I think it's a, you know, it's a fair point. It's always a delicate question, how money that's improperly paid is going to be recovered, and we think it's . . . felt it was quite appropriate to request the repayment of those funds.

You know we . . . But at a certain point you have to make what is essentially a decision about whether or not it's practical to pursue all of those funds. And, you know, we came to the

conclusion that it's best to not pursue it into the court system and to receive money from the GRF (General Revenue Fund).

I mean I think the observation is fair. I think government is faced with this situation not infrequently, you know, at various levels. And it's my understanding that we follow the practice that has been pursued in other situations.

I agree with you, sir, that it's an awkward situation or a difficult situation but it's a choice that government has had to, you know, deal with from time to time in other situations as well and this sort of approach has been pursued.

The Chair: — Any further comments or questions? There are no recommendations in this chapter, any new recommendations other than the report indicating where that progress has been made on the concerns raised.

So with that, thank you very much, Mr. Moen and your officials, and thank you very much, Jeff, for your presentations.

Public Hearing: Information Technology Office

The Chair: — We will reconvene. Thank you very much for being so prompt. Our next section for the rest of the morning is the section that will deal with electronic service delivery in government. It's chapter 2 of the 2001 Fall Report Volume 2, and that is found on pages 21 to 32 of that report.

I'd ask Mr. Wendel to introduce your official.

Mr. Wendel: — Yes, Mr. Chair. I have Victor Schwab with me. He will be making a presentation on this chapter. He leads our work in information technology. And Mark Anderson who will be continuing this work into the future.

The Chair: — Okay. Good morning to both of you. And from the information technology office, welcome, Mr. Law. And I would ask you to introduce your officials.

Mr. Law: — Thank you, Mr. Chair. With me today from the ITO (information technology office) is Tim Whelan, Eileen McCrank at the far end, and Laurie Crowle.

The Chair: — Good morning and welcome to all of you. Okay, I'd ask Victor to go ahead with the presentation from the auditor's office.

Mr. Schwab: — Thank you, Mr. Chair. I'm here to discuss our chapter on electronic service delivery in government. Chapter 2 starts on page 21 of the 2001 Fall Report.

In the chapter we discussed several points: the importance of electronic service delivery, what the government is currently doing, and what other jurisdictions are doing. In regards to other jurisdictions, we note that in the chapter . . . we note that all levels of government see the Internet as a useful tool for citizens to obtain information and services from governments. This chapter also sets out good practices for electronic service delivery and discusses our future work.

Some of the definitions that we use in the chapter are electronic commerce, or e-commerce, which is electronic buying and

selling of goods or services over the Internet. A key characteristic of e-commerce is some form of electronic payment, usually with a credit card.

Electronic service delivery is the use of technology to deliver products and services and includes e-commerce. Electronic government, or e-government, is another term for electronic service delivery in government. It includes services to citizens, business partners, employees, other agencies and entities, and can include e-commerce.

There are two main benefits of electronic service delivery in government — lower cost and better quality service. There can be lower cost through a reduction of the handling and mailing of forms and applications. Also there may be less of a need for intervention between government employees and citizens. For example, a citizen could pay for something on-line and not need the assistance of a government employee. Another benefit is better quality service. Services can be available 7 days a week, 24 hours a day. Forms can be delivered instantly; information can be obtained instantly.

As with any undertaking, there can be risks. These risks are not new. The only change is the increased potential for the risk to occur. These risks include disclosure of information. When information is available over the Internet, there's potential for confidential or private information to be disclosed. Developers of electronic service delivery applications need to ensure adequate security controls are built into the application.

Citizen dissatisfaction. Developers of electronic service delivery applications need to ensure the needs of the users are met. If not, citizens will not use the application.

About 40 per cent of households have access to the Internet; the rest have access at schools and libraries. Citizens who do not have easy access to the Internet to obtain government services may become frustrated. Also, information can be changed or damaged on a Web site which will slow service or frustrate the citizens.

And finally, financial losses. If electronic commerce applications are not set up appropriately there is a risk that transactions could be lost or information could be stolen. This would lead to financial losses including the possibility of legal liability. There can also be a financial loss if projects are delivered late or over budget.

At the time of our work the government set targets for e-government including having all forms available on-line by 2002 and having 90 per cent of transactions available on-line by 2004. The keyword here is, available to meet the needs of all. Citizens would still be able to obtain the product or service the old way if necessary.

The information technology office can update you on how agencies are doing to achieve these targets.

In this chapter we set out five good practices that agencies should follow when implementing electronic service delivery. The first one is processes that promote accountability for success, including adequate planning, project management, and cost-benefit analysis.

Agencies should articulate in their plans how electronic service delivery will help them achieve their objectives. Agencies should manage projects to ensure that they are done on time, on budget, with quality, and meet objectives. Agencies should ensure that they have a complete business and financial plan that shows the costs and benefits, and they should monitor their results to ensure the plan benefits are achieved.

The second good practice is ensuring that there is adequate human resource planning. Agencies need to ensure that there are sufficient resources to deliver their programs and services electronically. For example, once a service is available 7 days a week, 24 hours a day, citizens may expect that service level to continue. Agencies also need to ensure they acquire human resources with the required knowledge, skills, and abilities.

The third area is information technology infrastructure. With the new services agencies will offer on-line, agencies will need the infrastructure to deliver the services. If there's not enough capacity, it could lead to citizen dissatisfaction. If there's too much capacity, it could mean wasted taxpayer dollars. For efficiency, agencies should share systems. Good security is also required.

There also needs to be sound information management policies. For example, there's already a lot of information on the Internet. The systems need to be set up so that it is easy for users to find the information. Efficiencies can be gained by sharing common information between agencies. If a citizen needs to change his or her address, consider if it can be done in one place for all government agencies.

The fifth good practice is ensuring adequate security and privacy policies. If citizens are not confident in the system, they won't use electronic service delivery. For electronic service delivery, security should be considered in five areas. Security, which is protecting systems from unauthorized access in conformance with an agency's security policies. Availability is ensuring the system is available for operations in conformance with an agency's security policies. Integrity means system processing is complete, accurate, timely, and authorized. Confidentiality is protecting information designated as confidential as set out in an agency's policies. And privacy, private information collected in electronic commerce or electronic service delivery transactions is collected, used, disclosed, and retained in conformity with an agency's published policies and applicable governing laws.

For our future work, we are working with the information technology office to determine which agencies might benefit most from our work.

This concludes my presentation. If there's any questions, I'd be glad to answer them. Thank you.

The Chair: — Thank you very much, Victor. Mr. Law, we'll turn to you now for your comments from the office's perspective.

Mr. Law: — Thank you, Mr. Chair. We've also prepared a short presentation which we hope would help inform the committee from the perspective of some of the comments that have been made from the Provincial Auditor's office, and with

your agreement we would propose to share that with the committee.

We have organized our presentation to cover essentially five areas or we've organized it into five groups. On the first slide you'll see that we're going to provide an update on some of the targets that were referred to from the Provincial Auditor's report. We will make some comments on some of the work that we're doing in information management, provide an update on the CommunityNet project, some of the challenges that we think we face for electronic service delivery, and some of our own future plans.

In responding to the question about where we are with respect to the two specific targets that we had to work towards, specifically how are we doing with respect to our objective of getting paper forms on-line. At this juncture, we are comfortable that those forms will be available and on-line by 2002. And our other target of having 90 per cent of available government transactions on-line for citizens by 2004 is also progressing well.

The objective as was referred to in the provincial audit presentation is that by providing these services on-line, it can provide essentially 24/7 access for citizens, business, and other members of the public who might be interested in doing this. We have identified approximately 1,345 government forms that we have identified to put on-line. And at this juncture, we are anticipating that we will be done that by the end of the fiscal year.

The process that we've used for converting the forms and having them put on-line has been really a joint initiative with the Queen's Printer. Through our office we've converted approximately 500 forms with the able assistance of IT-sophisticated (information technology) summer students who seem very comfortable with this form of doing business. And the Queen's Printer have focused on the conversion of those forms that pertain specifically to legislation or regulatory forms within the government.

There is also another category. We don't ... In making available the services of some of the summer students to government departments there were, I think, a handful that we did not cover off in terms of working with some of the government departments. And so while we've tried to provide assistance in terms of getting that done, there are I think a couple that we still have some work to do that may be proceeding independently of the summer student program.

The second thing that we thought we would address is an update as to the work we've been doing to bring some of the government on-line. At this juncture we have had a relatively modest program which over the course of the last year was, I think, in the neighbourhood of about \$5 million to start to identify some of the forms that we could bring on-line.

Those funds are made available to departments on the basis of individual initiatives that are brought forward through our office for consideration in terms of providing some support. Government departments themselves are of course doing some work in this area.

Some of the examples of the kinds of things that we're talking about here: there are a number of financial, management, and reporting packages that have been identified by some departments; some invoicing permits; and other options that would allow citizens, for example, to get on-line to get access to some of the things that they might require in terms of making payments for those kinds of things. We have also done some work in terms of geographic information systems. And we have identified and put in place a server that's available for all departments across government.

Some of the specific things that we're doing here — one of the initiatives the committee would be aware of has to do with our efforts to provide information on water quality monitoring and reporting. This system is currently in development. We've been looking at student loan applications, drug plan registration, to name just a couple of examples.

And we just have a statement there at the end that says right now we're comfortable that we're on track in terms of the progress that we're making on this objective.

The next section is on information management. To briefly summarize what we're talking about here, this is really our effort to try and get intelligent management of government documents and information in a form that from the time those documents are created, through their use and storage, to a time when they might be disposed of, we've got a comprehensive management system in place to look at how we can look after that.

The key elements in terms of what we're trying to support by virtue of the development of an infrastructure for information management are listed on the slide in front of you now. Namely to improve decision making on the basis of the quality of the information that's available for those things, as well as importantly ensuring that from a service delivery perspective people can understand where and how to get access to the services they're interested in.

The concept of information management is really one that is comprehensive. It's intended to include, in the broadest sense, all of the data, records, publications, policies, and guidelines that the government might be interested in using. We're talking about this not only in the context of what we might do electronically but also in terms of other channels of access — print data and so on. So all delivery channels are included in the concept.

And we think this is probably one of the important areas that as an agency within the government that we need to promote because we think this is an important part of how business in the future will be transacted. And we think we therefore need to devote some time and energy to that.

A brief update on the CommunityNet initiative. I think the committee is aware of our target priority areas for the extension of the high-speed broadband infrastructure. It includes education, health, government, and libraries. A total of some 1,600 facilities that we're working to extend the service to in 366 communities.

In terms of breaking that down for you, as of September 1 the

connections that we've achieved and their percentages are listed in this slide. Approximately 70 per cent of the schools and regional colleges that we're attempting to hook up are already hooked up — approximately 630 of the 880 institutions — about 60 per cent of our health institutions, 55 per cent of our government institutions. And we've just started a relatively new component to the program which is intended to ensure that all of the libraries across the province are also hooked up — that one just getting started.

Mr. Whelan: — If I can add, you may wonder why the government connections are actually lower and behind education and health in this regard. Government departments for the most part already had high-speed access, so they are converting from one technology to a new technology. But for schools and for health facilities, particularly in rural Saskatchewan, this is brand new, so they're really anxious to get it. So that's why education is moving faster than the others. It's brand new for them.

Mr. Law: — Our total budget for CommunityNet, both the operating and capital costs, is at about \$75 million. And we have . . . Again, just a reminder point here that although it's generally perceived that CommunityNet is equated to the Internet generally, that there is in fact a level of functionality attached to the data network here that we think is important in terms of some of the potential applications in the future of how government services may be provided.

Some of the challenges that we think we face in government right now in terms of our ability to move forward with electronic service delivery. To begin with, one of the major issues for us is the issue of establishing common standards. A very simple example has been highlighted here of how, in dealing with individual citizens, there's, you know, something as simple as a name needs to be sorted through in order for us to ensure that we can organize our services appropriately.

Another important issue in terms of standardization is ensuring that we have an opportunity across government departments in a number of different ways to ensure that we're managing the transmission of the information appropriately, that we're safeguarding its content where appropriate. These are, in governmental terms, relatively new concepts on the basis of what we're trying to do with the technology.

One of the most important features of our current work is that we're working on an enterprise architecture that will establish standards and directions for technology across the government. And this is being done on a collaborative basis through a committee that has a number of representatives from across the government that are working with our staff to try and get to a point where we'll be able to address this issue.

A couple of final ones here that were alluded to in the provincial audit report. One is we've been conscious of, and this is an area where there is a lot of work being done across government jurisdictions everywhere, has to do with how we manage personal information on behalf of citizens; establishing some protocols that will allow us to ensure that we have an ability to protect and manage confidential information for individual citizens. So privacy is a very important issue that we're working on at the present time.

Another has to do with authentication. This really is the issue of how we need to identify the individuals that we're working with in a format that allows us to ensure that we know who we're talking to and sharing information with. There's a number of solutions around how to do this, but suffice it to say that none of them are quick fixes or ones that wouldn't necessarily involve some level of expenditure or coordination that we think is going to take a little bit of work. So we've identified that as a major challenge.

We've been active in a number of these areas with other jurisdictions across the country, and the authentication challenge is one of those areas where we've been sharing data and information with other jurisdictions and looking at different models that we think we may be able to apply. At this juncture, Canada is one of the leading jurisdictions in the world in looking at this and there are some very interesting options that are currently being advanced and talked about across government jurisdictions that might position us to do very well on this particular issue in Canada.

Finally, just a couple of comments about what we think some of the key drivers will be in addressing these challenges. In order for us to be able to address what we think some of the opportunities are in this environment, we think the work that we're doing on enterprise architecture that will help us establish a common IT environment is fundamental. We will continue our work towards the targets that we've already established for bringing government services on-line and to that extent how we can use that to improve service delivery across government.

And our applications work we will continue to look at in terms of the opportunities for information technology to enable ways for us to be more efficient and effective across government. Thank you very much.

The Chair: — Thank you, Mr. Law. Okay, committee members, you've had information presented to you from both the auditor's office and the information technology office's point of view. There are no recommendations in chapter no. 2, 21 to 32, but I'm sure there might be questions. I have Mr. Harper already and Mr. Kwiatkowski.

Mr. Harper: — Thank you, Mr. Chair. My question is for Mr. Law. Recently I noticed that the *Leader-Post* had some criticism in regards to the cost of the CommunityNet program. What do you have to say on that and how would it compare with other provinces?

Mr. Law: — I guess two comments. First, in relation to some of the work that's going on in other jurisdictions, I can tell you that I think we're in very good shape. That is to say there are other jurisdictions doing work on similar kinds of programs that are, I would say, much more expensive in terms of the approach that they have taken.

Some of our neighbouring jurisdictions are working on programs that, not only on an absolute basis but on a per capita basis are much more expensive. There are some differences in some of those programs but for the most part I think our program is seen even from those other jurisdictions as probably amongst the most cost-effective approach as to how we're extending the service in our province.

On the issue of the individual budget, our budget is virtually unchanged from the outset and our progress in terms of implementation is at this juncture ahead of what we had targeted. So at this juncture if we were anywhere we would say we might be a little bit under budget as opposed to any concerns about us being over budget. So at this time we're certainly within parameters on that score as well.

Mr. Harper: — Do you have any information in regards to percentages of population served, say with Saskatchewan compared to say Alberta or BC (British Columbia) or Ontario?

Mr. Whelan: — It's important to remember that CommunityNet is a public sector network so it's serving schools, health sector, and government offices. I think it's probably the most ambitious public sector network in the country and it's probably farther along than any other jurisdiction.

I know Manitoba is just getting started on wiring the schools. Alberta is also, they've got a very ambitious plan but they're also just getting started. So coverage of things like elementary and high schools is essentially comprehensive but that doesn't really answer the question about access by individuals. And I'm not sure what question you were . . .

Mr. Harper: — I understand that the focus is a public focus. I guess my question is as to, in the education field the percentage of student population in Saskatchewan that has access to this on-line service versus the percentage of population of students in Ontario, say, or BC, or . . .

Mr. Whelan: — BC has an older program and they are, I hadn't thought of that before, but they are quite well connected in BC. We will be, you know, high 90 percentage — high 90s — when this wiring is completed; which will happen next year I believe.

As far as other provinces, they are still getting organized.

Mr. Harper: — You mentioned that the CommunityNet program was a very ambitious program, and my experience at entering into any new venture, you try to determine all the hurdles that you may face. But when you actually get into the actuality of a . . . into a new venture, there's always hurdles that come about that you would have never expected.

So how has the rollout of the CommunityNet program been? What's been your experience in the achieving of it?

Mr. Law: — I think our biggest concern in terms of the extension of the service has been why my service hasn't arrived yet in my particular community as opposed to whether or not we're getting there.

I would say there's one other challenge that we were aware of and are still working on. There's a recent announcement by the federal government of a new program that will provide about \$105 million to different rural communities. It's intended largely to address the kinds of things that we've already taken a pretty good run at doing under the first phase of what we've done with CommunityNet. But there may be some areas, remote locations — for us, for example, we're interested in farmsteads

that may not necessarily be immediately on the current network — that may require some different kinds of solutions to get to. So there will be a very small percentage.

We're already starting to understand a little bit about what some of those challenges might be in some specific rural locations that might be outside of the immediate infrastructure that we're providing. And there are some wireless solutions and there is a second phase that we've actually identified that is intended to, in the initial instance, access and leverage opportunities like the federal program to make those available to some of the areas that we have not yet been able to get to.

Mr. Harper: — Do you see any significant problems that you hadn't anticipated, anything that sort of like was a brick wall that, bang, all of a sudden, boo, what do we do here?

Mr. Law: — The general answer would be no, but I would be misleading you to suggest that everybody thinks the CommunityNet is the perfect answer for them in terms of a high-speed solution or that we've necessarily adopted a perfect implementation strategy. As I've suggested there I think . . . If I've heard a concern, it's probably been about, you know, how we've chosen to do the rollout in terms of what's come first, second, and third, which communities have been involved, even issues as amongst some of the users as between health facilities and why we seem to get such a great take-up in schools who have been very, very anxious to take advantage of the technology.

But on the whole I'd say that we have not encountered any real obstacle that would limit the program such as we've planned to implement it so far.

Mr. Harper: — I assume you had a schedule set out for achieving certain goals by certain times, and have you been able to stay on schedule?

Mr. Law: — In getting ready to come to the committee, we did some checking in terms of where we expected to be and what our anticipated costs would be to get us where we are, and in both cases we are a little bit ahead of the game. That is to say we're ahead of our implementation schedule in terms of where we expected to be.

I wouldn't want to take this too far, but we are anticipating that we may be able to make some further public statements about being done more substantially early than what we thought we were going to be able to do. We're talking with SaskTel and SCN (Saskatchewan Communications Network) and some of the others about whether or not that is going to be achievable, but I'm optimistic that we may be able to do that.

And as I've mentioned earlier on the financial front so far, in getting to where we wanted to get to, we're a little bit ahead of the game financially. So we've been under budget.

Mr. Harper: — You mentioned earlier that there was a real desire by the educational institutions to take advantage of this. Why would that be? What did they see as their potential benefit of having this service?

Mr. Law: — Well there's a number of . . . There's a number of

applications here that are of interest. I think the best example for me in looking at some of the on-site implementations that have already taken place is, if you go to the classrooms, many of the kids who are accessing this have a limited amount of time in the course of a day that is devoted in their curriculum to sit in front of that computer terminal and do their work.

And one of the things that the students will tell you is that the ability for them to actually sit down with a high-speed service and pursue some of the areas of interest or learning that they have in the programs that they're pursuing is significantly enhanced as a result of having this service as compared to sometimes having to sit and wait for things to get there. And I'm not talking about a matter of seconds or minutes but in some instances difficulties in terms of their ability to access the sites or information that they're interested in.

Beyond that, there are obvious administrative opportunities — opportunities to make available for things like the curriculum or for core programming that teachers may be looking to share with one another; things that can now be available to them, you know, virtually across the province and from other sources outside the province.

So there are a number of very interesting ideas that are currently being talked about, both administratively and programmatically, to enhance the level of services available for the schools.

Mr. Whelan: — One of the things we . . . I've been at a couple of the high schools around the province and seen response by the teachers and students. I was in Meadow Lake high school. It's a wonderful facility in Meadow Lake. And the principal was adamant in pointing out that she thought because of the connection to CommunityNet her kids were on par with access with anybody in North America, which is a remarkable thing.

We assume that other jurisdictions are farther ahead or major centres are farther ahead simply because of their size but in, for example, there are parts of Calgary where you cannot get high-speed Internet connection today because it's entirely market driven. And because this was a decision made by the government to extend this to all schools, you can get better access in a place like Meadow Lake than you can in parts of Calgary, for example.

Mr. Harper: — This leads me to another question. There's certainly advantages, I suppose, when various departments work together to achieve one goal. Have government departments been working together to further enhance the Internet service or the CommunityNet service?

Ms. Crowle: — Yes. What the government strategy has done has promoted that departments come together and step outside that silo approach that they've had and work together to do an integrated and co-operative approach to some of the projects.

Last year, with Government On-Line, we did have three proposals coming in that requested the same type of infrastructure and it was a geospatial server. So GOL (Government On-Line) Committee recommended that they come together and act as a whole — start thinking together. And through that initiative, what happened is we bought one server which is accessible by all government departments. They

stepped outside and thought for the better good and for the citizen delivery that they should come and put projects up and share information.

So yes, they are. It's not . . . We're not saying that it's 100 per cent and it's not a hard task — getting departments to realize that the service is to the citizen and there are efficiencies to be had and we want to avoid the duplication of effort. It's a daunting task but to give them all credit, they do come to the table and they are willing to co-operate.

Mr. Harper: — Do you have in place a system that continues to encourage departments to look at ways and means that can share and work together to . . .

Ms. Crowle: — The GOL Committee has representation from all government departments on it. And so what happens is through the application process we will bring in those applications and they are scrutinized by committee as well as the ITO. And what that has allowed us to do is see into some of the areas and say, you know, you are asking for a . . . For instance, this year we're doing a common approach to publications, and we have three or four departments coming and saying we need to build something and we'd like funding to do this. And committee said, wait a minute, I mean we see some commonalities here; let's work together, provide funding to one project where you all come in and contribute. And that is going forward and we're hoping to have something by the end of fiscal year up and running.

Mr. Harper: — . . . your presentation, you said there was 1,300-and-some-odd forms that you were able to develop to be available on-line. That was 1,300-and-some-odd forms out of how many?

Ms. McCrank: — We started this process by conducting an inventory of all of the public forms in government, forms that are used by people outside of executive government particularly. And that was 1,345. The number varies from day to day as we look at each individual form and people decide it's no longer in use, withdraw that one, but we've got this new one over here. So the number changes somewhat. So we're reasonably confident that that's the body of government public forms.

Within that number, I think we identified that about 500 of those are actually contained in government acts and regulations and by copyright and such. The Queen's Printer is responsible for the publication of those forms. So we're working very closely with them on the conversion to an electronic format, to put those forms on-line along with the relevant Act, regulation that they go with.

The other forms, we're taking a bit of a phased approach. The initial phase will be to see the government . . . the forms available to the public. So primarily what we're going to provide is a fill-in print version of the form so people can get access to the forms that they need wherever they are, whenever, 24/7. But what they will do is fill out the form on their computer screen, print it, and return it to government in some way.

The whole interactivity and integration of the forms and

connecting them into government programs and services and existing databases and that sort of thing comes more into the second target of having transactions on-line by 2004. So once the form is in its electronic format though, it's much easier for us to move it along to that next stage of creating that interactivity behind the form.

Mr. Harper: — Do you think that you'll be able to increase the number of forms that will be available to the general public?

Ms. McCrank: — Oh absolutely. I think right now we have about 185 forms active on-line, so by the end of the year we expect to have upwards of 800.

Mr. Harper: — Thank you, Mr. Chair.

Mr. Kwiatkowski: — Thank you, Mr. Chair. My question is for Mr. Law. Mr. Law, I'd be curious to hear how you would describe the mandate of the information technology office, and would you consider that mandate open-ended in terms of determining how electronic services are delivered by government?

Mr. Law: — I'd like to think that we could get to a point where we had a clear protocol and a set of standards that we could help ensure would contribute to the objective that you're describing.

We haven't done anything substantive legislatively or otherwise to change things at this juncture. We have done some work to understand what some of those options might be. But from the perspective of whether or not this is open-ended, I would say we're starting with a fairly decentralized environment so we'll be moving from one in which I think departments have been doing a lot of work on their own and we're trying to enhance collaboration and coordination as best we can.

Mr. Kwiatkowski: — The Provincial Auditor refers to human resource planning on a number of occasions. With respect to human resources, how many IT personnel does government employ right across the piece, excluding the Crown sector?

Mr. Law: — Well we have about . . . We are a relatively small agency; we have about a dozen folks in our group. The total in government, as best we know it now, is probably in the range of probably 300, 325 folks.

One of the things that we're doing in terms of trying to understand the environment a little better is to ask for some updated information from government departments as to the number of people that are currently directly involved in this.

This is an area that I think many departments have engaged resources that are not necessarily government employees to help them do the work. So this is something that we're currently in the process of trying to gather up over the course of the next few months.

Mr. Kwiatkowski: — Do you have any idea, Mr. Law, as to how many of those individuals would be contracted through private-sector companies as you're indicating, to help out in the different areas? How many individuals would be contracted through private-sector companies versus government

employees?

Mr. Law: — I don't have that number off the top of my head. I might be able to get an estimate for you, but that's not a figure that I'm familiar with.

Mr. Kwiatkowski: — I think we would appreciate some indication as to what that might be.

You, in your presentation, referred to information management as the foundation of government's restructuring agenda. Are there any specific examples of initiatives, those kinds of things that have been undertaken as part of government restructuring and the restructuring that was announced not too long ago?

Mr. Law: — I think the context for what we're referring to in the presentation is that we think that there's a lot of work that we could do to enhance management information for purposes of understanding how the linkages might work between different government programs and so on, largely in the context of having good information to make good decisions. But we have not done that in the context of this being an important part of anything that we've done so far, no.

Mr. Kwiatkowski: — The Provincial Auditor refers to a need to document goals, objectives, measurable targets, timelines, for electronic service delivery plans. With respect to some of the planning process, and perhaps even on an ongoing basis, have you recently been meeting with EDS or Electronic Data Systems to discuss the privatization of any or all IT services in government? Have there been any discussions whatsoever along those lines?

Mr. Law: — We have had proposals from a number of vendors regarding the services that they think they might make available to us. EDS is one. We've had representations from other firms as well. At this juncture we're not at the point of consummating any kind of an arrangement at this point with EDS or any of those other firms.

Mr. Kwiatkowski: — So then you are in fact then confirming, Mr. Law, that within the last three weeks there have been meetings with EDS involving CIC (Crown Investments Corporation of Saskatchewan) president, Frank Hart, deputy Finance minister, Ron Styles, assistant deputy minister of Highways, Don Wincherauk, and officials from EDS to discuss the outsourcing of technology services?

Mr. Law: — Over the course of the last three weeks I can tell you that we certainly have had discussions with a number of these firms and they're some of the people that you've alluded to. I'm not familiar with discussions that may have taken place with all of those folks, but there are some people who would be involved in doing due diligence on proposals of that nature.

Mr. Kwiatkowski: — The Provincial Auditor once again refers to, in chapter 2, a need to set overall goals and objectives for electronic service delivery consistent with and coordinated with the overall strategic plans for the government.

So I think it would be important to know if there are any plans of any kind to further privatize or outsource any of the government IT service to EDS or any other companies. If there

is such a plan or if there are discussions, how far into the process would you describe yourself as being?

Mr. Law: — Any of the proposals that we received so far I would say are at this point very preliminary in nature. Before we would be in a position to advance that as an initiative that might contribute to how government's operating, we would want to ensure that we've gone through an appropriate due diligence process. We're not at that point.

The Chair: — Mr. Kwiatkowski, I would ask you to ensure that your questions relate to the documentation that's provided in chapter 2 and regarding practices that are followed based on the fact that this is a 2001 Fall Report.

Now you made reference to the last two weeks or three weeks or whatever, so please tie your questioning to the comments. You've made reference to the good practices, but they have to be contained with the material that is current in this report, please.

Mr. Kwiatkowski: — Thank you, Mr. Chair. I guess perhaps then in terms of the overall planning, Mr. Law, then what is the overall policy in terms of government and the privatization of these types of services versus them being provided by government employees?

Mr. Law: — Well I won't . . . I don't think I'm in a position to comment on broader policy. But what I would say is that we have . . . I've certainly adopted the approach in this post that we are interested in working with all players — whether they are other levels of government or people in the private sector who may have something to offer — that can contribute to improving our service levels in the IT function of government.

Mr. Kwiatkowski: — And I guess one final question, Mr. Chair. Mr. Law are you familiar with or have you been involved in a project referred to as the northern lights project in terms of electronic service delivery planning in the province?

Mr. Law: — We don't have a project by that name.

The Chair: — Any further comments or questions from any of the members? Okay, seeing none, as I indicated at the beginning of this discussion chapter 2 does not contain any new recommendations from the auditor's office. It was meant for more of . . . for information purposes. And I want to thank Mr. Schwab and Mr. Law for attending and sharing with our committee. Thank you.

I'd like to remind members for tomorrow there are two different reports, to make sure that you're bringing the correct reports for tomorrow versus what we've been dealing with over the last two days. And we reconvene tomorrow morning at 9:00 a.m.

The committee adjourned at 11:55.