



# **Standing Committee on Public Accounts**

## **Hansard Verbatim Report**

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**Legislative Assembly of Saskatchewan**

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**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.

**Public Hearing: Saskatchewan Gaming Corporation**

**The Chair:** — Good morning, everyone. If I could call the meeting to order and welcome everyone this morning, on this foggy Regina morning.

I'd ask Mr. Wendel to introduce his people from the auditor's office, please.

**Mr. Wendel:** — Thank you, Mr. Chair. I have Rodd Jersak over there who attends all our meetings and helps us coordinate our activities at those meetings; Bashar Ahmad, who'll be giving a presentation on the Saskatchewan Gaming Corporation; and Carolyn Kirchner, who leads a lot of our work in Gaming.

**The Chair:** — Good morning to you all and welcome. Mr. Paton, comptroller's office, I've omitted you on a number of occasions, so please introduce your official with you.

**Mr. Paton:** — Thank you, Mr. Chair. I've got Chris Bayda from the Department of Finance with me today.

**The Chair:** — Thank you very much. And I do want to indicate that members present today for committee — Ms. Draude is signed in for Mr. Stewart for the day and everyone else is a regular committee member.

We're dealing with chapter no. 7 of the Saskatchewan Gaming Corporation . . . on Saskatchewan Gaming Corporation from the 2002 Spring Report. And I'd ask the officials from Liquor and Gaming to introduce themselves for the record, please.

**Mr. van Koeverden:** — We're not Liquor and Gaming, we're Saskatchewan Gaming Corporation.

**The Chair:** — Saskatchewan Gaming Corporation — my apologies, correct.

**Mr. van Koeverden:** — We're the operator, not the regulator.

And I'm Joe van Koeverden, the president and CEO (chief executive officer) of the Saskatchewan Gaming Corporation, proud operators of Casino Moose Jaw and Casino Regina. And to my left is Bill Davies, the director of the executive services responsible for government relations and board secretary. And to my right; Twyla Meredith, VP (vice president) of finance and administration; and behind us we have Wendy Hutchison, our comptroller; and Tara Kucher, our director of internal audit.

**The Chair:** — Great. Good morning, Joe. And again my apologies and welcome to you all. Okay, as is our custom we will have a presentation from the auditor's office on chapter no. 7.

**Mr. Ahmad:** — Thank you, Mr. Chair. Good morning. I will provide a brief overview of chapter 7. This chapter is on page 61.

During 2001 we examined more closely SGC's (Saskatchewan

Gaming Corporation) system and practices to ensure the integrity of its gaming operations. SGC views this system and practices to ensure the integrity of gaming operations as important because in order to maximize revenue, SGC must maintain the confidence of patrons in the integrity of its gaming operation so that the patron continues to visit the casino. To perform this in-depth examination, we developed criteria that was discussed and agreed with SGC.

First there are our conclusions and findings. In our opinion, SGC's financial statements are reliable. SGC had adequate rules and procedures to safeguard and control its assets except for the matters we reported in this chapter. And SGC complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing activities.

Overall SGC has done a good job of managing its affairs. We make four recommendations to help SGC improve its practices. Those recommendations are: first, SGC needs to establish an appropriate code of conduct for the entire organization including the members of the board of directors.

Also SGC needs to establish an appropriate conflict of interest policy for the board. Once established, SGC should have rules and procedures to monitor compliance with its conflict of interest and code of conduct policies. We are pleased to say that SGC has implemented our recommendation.

Second, SGC should work with SLGA (Saskatchewan Liquor and Gaming Authority) — that's the regulator — to establish standards for the testing of slot machines by independent gaming laboratories and ensure the laboratories use those established standards. SGC's policy requires slot machines are tested by an independent gaming laboratory before the machine is put on the floor. However SGC and Liquor and Gaming have not established standards for the laboratories to test slot machines before the machines are used on the gaming floor. We think SGC should work with SLGA to develop standards for an independent testing of slot machines.

Third, SGC should periodically monitor house advantage for table games. Liquor and Gaming approved the planned house advantage. In relation to the table games, house advantage is a theoretical percentage of money bet by the players that SGC should retain over time from the gaming public if the game is played fairly.

SGC does ensure that gaming staff follow the approved table game rules through training, supervision, and surveillance. SGC told us that when the table games are played according to the rules, it will result in achieving the approved house advantage. However we think SGC should randomly calculate and monitor the house advantage to show that the table games are played in accordance with the rules or discuss other means to monitor the table games.

Lastly, SGC should establish the policy setting out who is allowed to receive tips. To avoid perception of unfair play in the gaming industry, only certain employees are allowed to receive tips. Again SGC has now established a policy setting out who can receive tips from the gaming public.

That concludes my overview. Thank you.

**Mr. van Koeverden:** — In response to the recommendations, we were pleased to work with the auditor on this special project called the CoCo (criteria of control) audit to ensure that all our operation was fully in compliance with the newest standards that the auditor had presented.

In reply to comment no. 1, we have completed the directors code of conduct for the board. I have a copy here if anybody would like to see it. All the board members have filled in the forms accordingly and disclosed all other activities that they're involved with, and we now start off every board meeting with the second agenda item being any conflicts or perceived conflicts of interest are reported to the board before the meeting does start, according to the auditor's request. And that has helped us make sure that everything is done appropriately according to procedure. So we're quite happy with that.

We also have a code of conduct being signed off by actually every employee in the organization. And I think my internal auditor has suggested that we are about 50 per cent of the way there. As each employee is completing their performance review for the previous year, they do sign off this code of conduct format we've put together. So that's all in place.

On the point no. 2, on the slot machines, we have been working with GLI (Gaming Laboratories International, Inc.) to establish those standards. GLI is an international testing laboratory that tests gaming machines all over the world and they work out of the United States. Their primary thing that they test for us is that the random number generator is in fact a random number generator and does not have any patterning to it, and that over 10 million spins it will produce a certain house hold. And those standards have now been discussed between GLI, ourselves, and SLGA, and we're in the process of defining provincial standards for those testing procedures. And I think that's coming along well.

On the comment on table games, there's somewhat of a difficulty to do exactly as requested by the auditor because house advantage is something that is a theoretical house advantage and it is calculated on the house hold versus a total amount played. Unfortunately with technology as it sits today we are unable to calculate the total amount of play on table games.

We do know, however, what the amount of drop is. And the amount of drop is the amount of money that goes across the table into purchasing of chips. Whenever a chip purchase is made on the gaming table, that number is entered directly into our computer system and we can monitor that very closely. We have one of the most sophisticated systems in North America for doing that. What we do monitor then is the percentage hold which is the amount of win . . . house win in comparison to the number . . . the amount of chips purchased. And that is in somewhat correlated to house advantage.

So we're trying to work with SLGA and an understanding of the collation between house advantage and percentage hold on table games so that we can appropriately monitor the two side by side that way. So it's a little bit difficult to work through yet because of technology.

On the fourth item, on the tips. We had a practice in place for the tips and it was very well recognized that tips are only collectable by in-scope employees and that no out-of-scope or management or supervisory people could accept tips. The tipping process at Casino Regina is managed by the union. All tips are brought into a central collection area, counted, and then allocated back to the workers through the union themselves. But we have instituted a new policy which now formalizes the practice previously in place.

**The Chair:** — Questions, comments?

**Mr. Gantefoer:** — Thanks, Mr. Chair, and welcome, officials of Saskatchewan Gaming Corporation this morning to our Public Accounts meeting.

From what I heard from your comments and the four recommendations, that in essence you're in agreement with the general thrust certainly and have complied in . . . I understood complied completely with the first recommendation and have made substantial progress in the other recommendations. And I'd like to first of all direct comment to the auditor's office. And do you agree that this has happened? And the first recommendation, has that been complied with in your understanding?

**Mr. Ahmad:** — Yes, Mr. Chair, it has.

**Mr. Gantefoer:** — Thank you. And then in the second recommendation, I heard that Saskatchewan Gaming Corporation is working with GLI laboratories that do the testing of the accuracy and the random generation of numbers in the machines. And you acknowledge, as I understood, in your report that this testing was being done but that there wasn't a setting of standards that would clearly articulate the basis on which the testing was being performed. And I heard the official say that that process is underway and while it might not be totally complied with, that significant progress had been made. Would that be fair?

**Mr. Ahmad:** — That would be fair, yes.

**Mr. Gantefoer:** — And no. 3 — not being a patron of the corporation I don't really understand the nuances of house advantage or percentage hold. And from the auditor's office is there a correlation, as I understood it, between the house advantage and percentage hold? And do those statistics that seem to be available on the percentage hold basis, would they be sufficient to meet your concerns that you articulated about house advantage?

**Mr. Ahmad:** — I think, Mr. Chair, it would be once the Liquor and Gaming start putting the percentage hold in their approved games rather than house advantage, that will be true. It will do that. And they are discussing it right now — Liquor and Gaming and Gaming Corporation and other casino operators — trying to come up with some kind of number that they can put on for hold for those machines and then to monitor those things.

**Mr. Gantefoer:** — And that would be an appropriate measure from the auditor's point of view?

**Mr. Ahmad:** — Right. House advantage and hold has a

relationship, yes.

**Mr. Gantefoer:** — Okay. And finally on the fourth, in regard to tips where I heard that there is a process or has been a process of allocating of tips based on contractual relationship with the union, and that being formalized, that that progress would identify the concerns you've addressed?

**Mr. Ahmad:** — That is true.

**Mr. Gantefoer:** — That ends my questions. Thank you.

**Ms. Draude:** — Thank you, Mr. Chair, and to our officials. There . . . talked about provincial standards for testing and the house advantage. I'm wondering if there's anything that is . . . any agreement that's been worked on to have a national agreement on house advantages. I often hear from people who do go to casinos that there is . . . it's better to go to Winnipeg than to go to Saskatchewan. Now I'm just wondering if there's any sort of agreement or standard across Canada.

**Mr. van Koeverden:** — The national sort of common concept is that the percentage hold on slot machines will not . . . or the percentage payout will not be any less than 85 per cent which means your house hold could be as high as 15 per cent.

Windsor is part of the Ontario group and the Ontario group has quite a bit higher hold than we do. I think they manage to approximate 11.5 per cent hold, whereas we'll manage at a 7 per cent hold. So I wouldn't suggest Windsor is a better bet.

**Ms. Draude:** — So my question was, there isn't any national agreement on the type of hold as well?

**Mr. van Koeverden:** — No. Since gaming is regulated provincially, I think there is a common interest to keeping things relatively level across the provinces but it has been a provincial mandate to set different requirements.

**Ms. Draude:** — So can the government determine or does the corporation determine each year maybe the hold should be a bit different?

**Mr. van Koeverden:** — Yes, we have decreased our hold in order to increase the amount of play that customers get on the machines. And we've found that through researching our customers is that's what they were looking for is longer play on the machines. So we're actually lower than a lot of other operators in our percentage hold to give what we perceive as value back to the customers — longer play time.

**Ms. Draude:** — Thank you.

**Mr. Kwiatkowski:** — Thank you, Mr. Chair. The auditor made reference to the corporation's responsibility to ensure patrons' safety and it appears that he was satisfied that that in fact was being met. One of the concerns that I've heard from some people is, is that they don't feel safe in the parking lot. Like I have heard that issues where people feel that they are harassed or perhaps challenged by individuals as they attempt to enter the casino and I've actually had some women suggest to me that they just don't feel safe going into the casino. Are you aware of that at all? Has that ever been an issue or are you . . . and if so,

are you doing anything to deal with it?

**Mr. van Koeverden:** — Well we definitely did a lot of that. We considered a lot of that when we built our parkade. You may notice that our parkade has a lot of different features not common in regular parkades. It has 10 foot ceilings. It has exceptionally high level of lighting. It has a coating or I guess we painted it to give it a brighter appearance. And the whole parkade is also cameraed. So at any one point in time we have the person in the control room specifically looking at monitors that are monitoring not only the customer parkade but the employee parkade.

So we have . . . occasionally we've had the odd concern about security or feeling of security, but I think we've had very little incident that we haven't been able to react to immediately and I think that'll happen in any location that has the traffic that we do.

You have to recognize that we do have an average of 5,000 people a day and on weekends, we'll top out at 7 to 8,000 people. So that's a lot of traffic and I think, you know, it's hard to manage all those people at all the times.

**Ms. Atkinson:** — Well thank you and welcome. I have a couple of questions regarding your hiring policy, and I'm wondering if you could indicate to the committee what portion of your employees are Aboriginal people, either First Nations or Métis people. And then I'd be interested in knowing what is the employee turnover at the two casinos.

**Mr. van Koeverden:** — Okay. Well through the agreement, the original agreement that SGC was incorporated under, we have a mandate to maintain 50 per cent Aboriginal content in our casinos and we've extended that mandate also to Moose Jaw. We feel it's a corporate-wide mandate, not specifically for Casino Regina.

To date in Casino Regina we're just over 50 per cent and in Moose Jaw we opened with 40 per cent. You may be aware that in Moose Jaw there is not quite as many Aboriginal people living there and we have had to encourage a few people to move there and we are still working on filling the places that . . . or filling the positions that could bring us that 50 per cent. We probably would be there within six months to a year of having the corporation back up to a full 50 per cent across the board of Aboriginal employees.

Our turnover. At this point I think our turnover is probably below 15 per cent. That is quite exceptional for the casino industry. The hospitality industry, or food and beverage industry, has a turnover record of approximately 100 per cent a year. The casino industry has a normal turnover of about 35 per cent. In Vegas, actually, they've stopped recording turnover because too many times they have whole crews literally leave one casino, walk across the street, and work somewhere else, so they've stopped doing that.

But we're quite proud that we have a high level of employee retention, and I think a lot of that deals with or stems from a lot of our HR (human resources) policies. We're a very progressive employer in our EFAP (employee and family assistance program) programs. We offer counselling at no charge to any

employee that may be having any type of problem, whether it be personal, financial, or employment related.

We also have a very aggressive hiring policy, working with training organizations, specifically First Nations training organizations, that give employees that pre-employment training, and using a lot of the Saskatchewan Tourism Education Council materials that are excellent in developing those employees.

And then also once they are with us we have programs for tuition rebate. And we have just started our Aboriginal management development program which is a reverse co-op with approximately, I think there are five candidates in there right now which we take out of the workplace and allow to go back to school either full-time or part-time in order to improve their educational level so they can be ready to move up through the organization. Because we would like to have more Aboriginal representation at the higher levels of management.

**Ms. Atkinson:** — Do other casinos in Canada have . . . are they unionized and have they had the pay equity policy implemented which I know Casino Regina has, where we've gone through a process where people are paid equal work for equal value. And I'm just wondering where are we in relationship to other casinos, and do you think this has any contribution to the low employee turnover rate?

**Mr. van Koeverden:** — It definitely does improve our situation.

The pay equity was just completed in the last year with all the food and beverage employees. And their rates . . . Actually I just participated with the newest group of food and beverage employees in our orientation program because I like to meet every employee as they start with the corporation, and all nine of them were new food and beverage employees hired for the seasonal season for Christmas. And a big reason for them to apply to Casino Regina was that they do get paid approximately 25 per cent more for the same job at Casino Regina as in private industry. Which puts us at a dislevel with private industry, but it keeps within our corporation work of the same value paid at the same price and it gives that equality feeling on the gaming floor.

**Ms. Atkinson:** — Thank you.

**Mr. Wakefield:** — Thank you, Mr. Chair. Just a comment. I'm trying to relay this question back to the report and I guess it's under safety aspects. That would be I guess relating to the addiction, gambling addiction. I'm sure there's concern and I just wondered what the policy was or procedures, or if there is a way to address this that we're not aware of.

**Mr. van Koeverden:** — Gaming addiction is definitely a sensitive issue in the industry because we have to recognize our responsibility towards our consumers. And probably we . . . we can't be . . . it'll be a much quicker process accepting that responsibility than it has been perhaps in some of the other vice industries as alcohol and cigarettes.

There has been a recent report in January on gaming, gaming problem in Saskatchewan, which I'm sure you all have

availability to, which recognizes the percentage of people that have a propensity to problem gambling.

In our operation we attempt to, throughout our business planning, be sensitive to that issue. First is in our marketing. We ensure that our marketing does not lean on those dysfunctional attitudes towards problem gambling to bring people in. We advertise more the fun and excitement, the entertainment value of gaming. Also within how we operate, we have a very high level of integrity in all our operations, making sure that everything's operating properly.

As far as security goes, we probably have more cameras than most places. We have over 250 cameras which are monitoring all aspects of the gaming floor at all times. Everybody that's monitoring those cameras has been totally trained in all aspects of gaming and aspects of problem gaming to spot particular problems.

Our employees are aware that they need to help people break trances when they're playing because some people can get zoned out playing those slot machines. And we walk over and ask them if they'd like a cup of coffee and help them break that trance.

If someone is really exhibiting a lot of problems, the dealers and slot attendants are asked to direct to their supervisors any concerns of particular players. Because by the time someone exhibits problem gaming on the floor, our staff know who they are. They've been regulars for a while. And so they can, a supervisor or manager who's been trained in intervention can go and talk to that customer and just see if there is any signs of problem gambling. There's a whole list of problem gambling signs that we watch for.

Sometimes those people at that point will say, you know, you're right, I need to take a break. And they say, would you . . . And we ask them: would you like us to help you with that break? Would you like to sign up for a voluntary ban? And they can sign up for six months, a year, two years, or five years, or a life ban which helps us remind them when they perhaps re-enter the casino that they had asked us not to allow them entry.

If someone exhibits a lot of concern on the gaming floor and probably disruptive to other players and we see them at risk for themselves, we may also institute an involuntary ban. And that involuntary ban would be that we would tell someone I'm sorry, we have to ask you not to come back.

And at this point I think we have probably in the range of — I'm just finding the numbers — I think it's 75 voluntary bans, approximately 50 involuntary bans, and approximately 125 times that we've approached people and presented to them our problem gaming information and suggested that perhaps you should read over this brochure and think about if it's no longer a game. Because that's the whole thing — if it's no longer entertainment and it's progressed into a problem situation where they're misusing their family funds or spending too much time there, they need to look at that.

So as an operator we're working through our own program of this sort, and also as an industry I'm active on the Saskatchewan Responsible Gaming Association which is a

group of the industry operators including VLT (video lottery terminal) hotel operators, SIGA (Saskatchewan Indian Gaming Authority), ourselves, and SLGA, which are hopefully developing additional programs to assist operators to recognize the signs of problem gambling and to minimize the impact on our customers.

**Mr. Wakefield:** — Thank you. That's very encouraging. And I would continue to encourage you and your associated organizations to make that as profile as possible because of course that's the crux of most of the criticism of that aspect of what we do in Saskatchewan here in gambling.

Just one other question if I could, Mr. Chair, and that is now that the Moose Jaw casino is operating, is there, can you see an effect on the Regina operation from its proximity?

**Mr. van Koeverden:** — There's been very little real cannibalization of the property. We've seen some business go that way, but what we had expected was that there would be additional pent up demand in Regina that would fill that gap and I think we're experiencing that. So our levels in Regina have not decreased and we see the revenue from Moose Jaw pretty well incremental revenue.

**Mr. Goulet:** — Yes. My question is in relation to the turnover rate, you know, the 15 per cent, although it is low. What I want to know is, sometimes there is a comment made, particularly as I talk to Aboriginal people, you know, that have been on the Gaming and are no longer there. Some of the workers will state that, yes, it was . . . yes, I did work there and, you know, it was my first job and, you know, I've gone on to go to the next level; it was really a very good entry position, you know, for me, and I have gone past to work elsewhere.

To what extent do you think that statement is accurate? And is there any type of monitoring, you know, to that effect, and could you make a comment on that?

**Mr. van Koeverden:** — Yes, there is monitoring to that effect and we're very happy to say that a large percentage of our employees that leave our organization are leaving to better employment. We have now become very active in the provincial government and within the CICs (Crown Investments Corporation of Saskatchewan), and positioning ourselves as what we call a transitional employer.

Elma Shoulak, who's our VP of HR in Aboriginal Affairs, is quite an innovative person and a leader in the HR side and has demonstrated an exceptional ability to manage this whole issue. And at present we're looking at further helping other organizations to come and steal our employees.

And it's, you know, it's not the easiest thing to say, well . . . But I have to encourage our employees that what . . . perhaps after they've been with us for two, three, five years, that they may want to look at something else which perhaps doesn't give shift work. Shift work is a tricky element of our business and after a while you do burn out. And it also is good for careers these days to move on and do something different, especially if it's something at a higher level.

We do need to take a very strong, active role in integrating . . .

or not integrating but offering Aboriginal people the opportunity in our society. And I think that's one of the main roles that Casino Regina does, is take a lot of people as a first-time employer into the organization, help them develop those skills and adjust to a working climate, and then also assist them in moving on to CICs, provincial organizations, and private industry.

**Ms. Draude:** — Thank you, Mr. Chair.

Mr. van Koeverden, just one further question. And this is a follow-up to a question Mr. Wakefield had asked and a response you had made about Saskatchewan Responsible Gaming Association.

You had indicated your concerns about people who . . . for the . . . gambling was no longer just fun. The next step of it, in it will be talking about addiction centres and the help that they're going to need.

Has your industry been working to find if the . . . to . . . for financial support for addiction centres, or for people . . . even train people who can help people with a gambling problem?

**Mr. van Koeverden:** — I believe that activity is being looked after by the Department of Health and we are definitely, you know, working with them on a consultative basis to see what they're doing and help. But I believe it's under their area of control to develop the treatment centres as it has been done in other provinces.

**Ms. Draude:** — Is the casinos putting any money towards this?

**Mr. van Koeverden:** — 1.5 — is it million or per cent? — 1.25 million has been allocated through the CIF (Community Initiative Fund) as a contribution to that effort.

**Ms. Draude:** — Yearly?

**Mr. van Koeverden:** — Yes, yes.

**Mr. Harper:** — Thank you, Mr. Chair. Do you have a mechanism or a process of tracking where your customers come from — whether they come from Saskatchewan, whether they come from outside of Saskatchewan, whether they come from Canada, whether they come from outside of Canada?

**Mr. van Koeverden:** — Well yes, we do. Some of our . . . We do a number of things to sort of be aware of where our customers are coming from. You may be aware that we have the player club card, which is a sign-up and allows our members to collect points for their gaming activity, and that gives us some indication of where they're from.

We also do a telephone survey every six months and to see who is aware of the casino. And we also do an exit survey of customers to see where they're from.

And our newest results are that 70 per cent of our customer base is from Regina and 30 per cent is what we consider out-of-city tourism traffic: 4 per cent from Alberta, 8 per cent from Manitoba, and the rest from the rest of the province. So we have been tracking it quite carefully to see where they're coming

from.

**Mr. Harper:** — Thank you. You answered my second question before I asked it. Thank you, Mr. Chair.

**The Chair:** — Further questions? Okay let's deal with the recommendations. As indicated we're dealing with chapter 7 from pages 61 to 74 of the 2002 Spring Report and recommendation no. 1 is found on page 67.

**Mr. Gantfoer:** — Concur and note compliance.

**The Chair:** — Moved that we would concur with that recommendation and note compliance. Any question on that resolution? All those in favour? Opposed? Carried.

Recommendation no. 2 is found on page 70. Any further questions or comments about recommendation no. 2? Anyone prepared to move?

**Mr. Gantfoer:** — Concur and note progress.

**The Chair:** — Concurrence and noting progress on recommendation no. 2. Any discussion of that resolution? All those in favour? Carried.

Recommendation no. 3 at the bottom of page 71. Any further questions or comments?

**Ms. Atkinson:** — Concur and note progress.

**The Chair:** — Concurrence and noting progress Any questions? All those in favour? Thank you. Carried.

And recommendation no. 4 is on page 74. Any further questions or comments about this recommendation?

**Ms. Atkinson:** — Concur and note compliance.

**The Chair:** — Concurrence and noting progress.

**Ms. Atkinson:** — I think compliance.

**The Chair:** — Compliance, I'm sorry.

**Ms. Atkinson:** — On tips, haven't they complied? Yes.

**The Chair:** — Right. Concur and note compliance. Any questions? All in favour? Carried.

Okay, I want to thank the officials, Mr. van Koevorden and your officials, and Bashar from the auditor's office for helping us through this chapter.

We have finished a little early. We will recess until 10:15 for coffee break, please.

**The committee recessed for a period of time.**

#### **Public Hearing: Board of Internal Economy**

**The Chair:** — Okay. Welcome back, everyone. We'll begin our session pre-lunch and that is on Board of Internal Economy,

dealing with the chapter 17 of the 2001 Fall Report Volume 2. That chapter summarizes the recommendations that were deferred in earlier chapters as noted on your agenda, so we will be looking for just that one chapter.

I'd ask Mr. Wendel to introduce your new officials, please.

**Mr. Wendel:** — Thank you, Mr. Chair. I have three new people here. Regan Sommerfeld over here — she works at the board and Department of Health which is coming up next. Rosemarie Volk who will make a presentation on the board, who also leads our work in Health so she'll be here for the next one. And Glen Nyhus who also works in Health who's here for . . .

**The Chair:** — Good. Thank you very much, Fred. Okay. Go ahead.

**Ms. Volk:** — Thank you and good morning, Chair, members of the committee. Chapter 17 of our 2001 Fall Report presents our findings for the Board of Internal Economy for the year ended March 31, 2001.

On the top of page 372, we identify four areas that must be managed well in order for the board to successfully carry out its mandate. These include: ensuring the Assembly and its committees can function effectively; ensuring MLAs (Member of the Legislative Assembly) can access from the board appropriate resources, information, and advice to enable them to effectively carry out their responsibilities in the Assembly; ensuring MLAs can access from the board appropriate resources to carry out their activities in the constituencies and are accountable for the use of those resources; and finally, ensuring that the public can assess whether the work of the Assembly and MLAs is relevant and done well.

Our report includes two recommendations where the board can improve its rules and procedures to safeguard and control its assets and one recommendation for how the board can improve its public accountability. The first matter starts on page 373 where we report that the board needs to further improve its controls over expenses of the caucus offices.

Since this report the board has resolved this point. The board has improved its rules and procedures for monitoring how the caucus offices manage public money. In 2001 the board required caucus offices to table audited financial statements and an audited schedule of capital assets in the Assembly. And effective April 1, 2002, the board requires caucus offices to table audited opinions on the adequacy of caucus rules and procedures to safeguard and control public money and whether the caucus offices used the money given to them in compliance with the board's directives.

The second matter, which starts on page 374, we report that the board needs to improve the reports it receives from management. We recommend that the board should define and document its operational goals and objectives; define performance targets and measures needed to monitor progress in achieving goals and objectives; and finally to define and document the operational reports it expects to receive from management.

We note that since 1999 the board has made some



improvements in this area, whereas the board now receives quarterly financial reports showing the results and forecasts to year-end.

The last matter starts on the bottom of page 375, where we recommend that the board should prepare an annual report on its performance and provide the report to the Assembly.

That concludes my presentation. Is there any questions?

**The Chair:** — Great. Thank you very much, Ms. Volk. Okay. Any comments from the comptroller's office?

**Mr. Paton:** — No.

**The Chair:** — Okay. Thank you. Okay, the chapter that I indicated to you is found in the 2001 Fall Report on pages 369 to 376. There are three recommendations, and before we deal with the recommendations, are there any comments or questions of Ms. Volk?

**Mr. Gantefoer:** — Thank you, Mr. Chair. Just some general comments. Mr. Chair, I understand that the auditor has no other recourse but to report any concerns he might have in regard to a legislative committee or a board other than through the Standing Committee on Public Accounts and therefore it's quite appropriate that this committee is a receptacle of that information.

It's also, I think, quite appropriate for us to not pass judgment on a parallel committee, if you like, in terms of operations that they should be undertaking, but should note the auditor's concerns and that we would recommend to the legislature that these concerns be addressed to the Board of Internal Economy for action.

I note from the auditor's office's comments that there has been progress made, and I also note the letter from the Speaker of the House, who is the Chair of the committee if you like, to the auditor on March 7 addressing the issues that were raised by the Provincial Auditor's office. And so, Mr. Speaker, I'm not entirely sure of the exact wording, but that we recommend to the legislature that the issues raised by the Provincial Auditor should be referred to the . . . or recommend to the legislature that they be referred to the Board of Internal Economy to be dealt with.

**The Chair:** — Before I deal with your suggestion, Mr. Gantefoer, I'd like any other comments or questions in a general sense first of all. And I guess in response to your opening comments, Mr. Wendel, would you comment?

You're presenting the information on the Board of Internal Economy. It must be done through the Public Accounts Committee — is that correct?

**Mr. Wendel:** — The way The Provincial Auditor Act reads, I'm to report, and I report to the Assembly — like the report's actually to the Assembly — and then the Assembly in the law has referred parts of the report to the Crown Corporations Committee and parts of it to this committee. And at the moment those are the only two places that this report gets referred.

After that I have to defer to the Clerk as to how you can move it other than that.

**The Chair:** — Okay. So the suggestion is that the Public Accounts Committee would direct the chapter here, in this case chapter 17 of the 2001 Fall Report, to be sent to the Legislative Assembly for the Legislative Assembly to pass on to the Board of Internal Economy to deal with the recommendations, as I understand. Is that your recommendation, Mr. Gantefoer?

Any discussion of that recommendation or questions?

**Mr. Wakefield:** — Just for clarification, that would mean without any comment on our part; it would be just forwarded through?

**The Chair:** — That's correct. Any further discussion? Okay. It was moved that that is a recommendation, that the report go back to the Assembly for then Assembly's forwarding to the Board of Internal Economy. All those in favour? Opposed? Carried.

Okay, thank you. We'll be moving to the chapter on Health, and that is going to be in your 2002 Spring Report, chapter 11, and we'll wait for officials from Health to arrive.

#### Public Hearing: Health

**The Chair:** — Okay. We'll reconvene and begin our chapter, as I indicated chapter 11 of the 2002 Spring Report, on Health. And as Mr. Wendel has already indicated, he's introduced the officials that will be presenting and observing on this chapter from the auditor's office and I'd ask Ms. Yeates to introduce your officials this morning.

**Ms. Yeates:** — Thank you very much, Mr. Chair. I'm Glenda Yeates, the deputy minister of Health and with me are Lawrence Krahn, the associate deputy minister for provincial programs within the department; Dan Florizone, the assistant deputy minister for district or regional health authority programs; and Duane Mombourquette, who is our acting executive director of policy and planning.

**The Chair:** — Thank you, Ms. Yeates, and good morning to you and your officials. Okay, Rosemarie, I'd ask you to make your presentation from the auditor's office.

**Ms. Volk:** — Chapter 11 of the 2002 Spring Report discusses our planned work on the department's *Comparable Health Indicator Report*. And we also present our findings for the Moose Jaw-Thunder Creek District Health Board for the year ended March 31, 2001.

On page 111, we presented a brief discussion on the department's plans to produce a comparable health indicator report. And after several months of hard work by the department, the *Comparable Health Indicator Report* was released on September 30, 2002. Our audit report on the reliability of the health indicators is included in that report.

Our audit provides assurance to the report users that it is reliable and understandable. Our independent assurance adds credibility to the information contained in the report and it

allows the legislators to use the report to place more confidence in the information presented.

The *Comparable Health Indicator Report* presents the best information available to date. Where information has limitations, the department has appropriately noted it within the report. And with this report we hope that the legislators and public can compare measures of Saskatchewan's health system with those of other Canadian jurisdictions. The indicators report helps readers understand the effect of health services on the health and well-being of Saskatchewan residents. And the report provides useful information for legislators in making decisions on the health care system.

We congratulate the department in the preparation of the *Comparable Health Indicator Report* and note that the report is available on the department's Web site.

All ministers of Health in Canada have agreed to prepare a comparable health indicator report again in 2004, and we do plan to audit Saskatchewan's report at that time.

The next section deals with the results of the Moose Jaw-Thunder Creek District Health Board audit. It is reported separately as the audit was not completed in time to be included with our other . . . with the audit of all other health districts in the 2001 Fall Report. We were unable to rely on the work of the appointed auditor to determine if the district had adequate rules and procedures to safeguard and control the assets and whether the district complied with the law. As a result, we carried out additional work to make these determinations.

The recommendations noted on pages 114 and 115 are the same as the recommendations made for all health districts. And this committee has considered and agreed to these recommendations in previous reports.

On page 114, we note that the Moose Jaw-Thunder Creek District Health Board needs to advise management of what health outcomes they expect, and the measures and targets needed to monitor progress. The district's internal reports on health outcome should compare after performance to planned performance.

On pages 114, we describe how the board needs to ensure management has established adequate rules and procedures to comply with the law. The district needs to improve the information it submits to the minister and public to comply with The Health Districts Act. This Act requires districts to report annually to the minister on health status of residents and effectiveness of programs.

We note that The Regional Health Services Act replaces The Health Districts Act on August 1, 2002. This new Act also sets out new reporting requirements to the minister. The improved internal reports noted earlier will provide a sound basis for the preparation of the external reports to the minister required by the new Act. Consequently, these recommendations are also important to the Five Hills Regional Health Authority that now includes the Moose Jaw-Thunder Creek Health District.

That concludes my presentation.

**The Chair:** — Thank you very much, Ms. Volk. Ms. Yeates, your comments please.

**Ms. Yeates:** — Thank you very much. We were very pleased to be working co-operatively with the Provincial Auditor's office on the performance indicator report. We were very pleased just to be able to lift it, in some cases, since it's a very large document. There is a shorter version, an executive summary.

So there is an extensive . . . I just would echo the comments about the extensiveness of the work that has gone into this, both across the country in terms of this report. Some jurisdictions chose just to report on the Canadian average and their own statistics. We as a province felt that the whole purpose of the exercise was to make the indicators comparable, so we've actually got all of the other jurisdictions for each of the indicators for which they're available.

We've appreciated working with the auditor's office on the reliability and improving the data as we agree with the comment that this is the best data available — it's certainly more than has been available in the past — and are delighted to work with the partners at StatsCanada, the Canadian — CIHI (Canadian Institute of Health Information) — health information institute, as well as using our own databases to strengthen the public information available. So we have much work to do in this area, as do all our colleagues across the country, but I think we've made a very good start with the report and certainly appreciate the auditor's involvement.

With regard to the two reports, the two comments about the Moose Jaw-Thunder Creek Health District Board, we certainly concur with the recommendations. As was noted by the Provincial Auditor's staff, we have replaced the Act with The Regional Health Services Act as of August 1 and have begun the process over the last number of months of strengthening the accountability requirements and clarifying the reporting requirements for regional health authorities.

So we are quite confident that we are moving forward to have a clear-cut set of expectations in terms of reporting requirements. We've worked on a governance, an accountability document where the responsibilities of the minister and the responsibilities of the RHAs (regional health authority) are much more clearly articulated than they have been in the past. And we have been working forward then, and now we are defining what kind of performance measures we will have — in the service contracts for example — what kind of constant information reporting. And we've begun that process even with the interdependent planning process that we've already undertaken with RHAs.

So while the . . . it won't change overnight, we understand this will be a multi-year, moving forward to deal with refining roles and responsibilities, defining the kind of service agreements, performance contracts, the kind of reporting that's needed.

We've also, as part of our Department of Health annual report, published a performance plan for the department, and that we've also shared with all of the regional health authorities so that as they plan their performance targets, that they are fitting in with the overall provincial plan.

So we, again, we have much work to do but we are feeling that we've made good progress and will continue to do that over the next number of years.

**The Chair:** — Thank you very much, Ms. Yeates.

Any general questions or comments? I want to point out to the board that . . . or to the committee that there are no new recommendations in this chapter other than an information chapter on older recommendations that the PAC (Public Accounts Committee) committee has already dealt with as well as an updating on the two issues.

**Ms. Junor:** — Quick question, I think it would be for the auditor. What is the integrity and reliability of our data in the health indicators study there as compared to other provinces? Since I was in the Newfoundland meeting of the auditors I got to hear some of their concerns. I'd like you to actually tell the rest of the committee.

**Mr. Wendel:** — Well I again want to congratulate the department for putting out an audited report. Not all jurisdictions did that, and those that did, the committee can have the assurance that the report's understandable, accurate, and unbiased, and any limitations in the data are properly recorded so you can make your own assessments of that. And as we say, it's the best information available. While it's a work in progress, you should use it. And that's my comments on the accuracy.

**Ms. Junor:** — But compared to other provinces, do you have any comment on that?

**Mr. Wendel:** — Well insofar as the other provinces, not all of the other provinces had an audit carried out on their performance indicators. Some of them, there was only certain specified procedures done. So you don't have that assurance when you look to some of the provinces. Was it four or five?

**Ms. Volk:** — Five.

**Mr. Wendel:** — Five that didn't. So I'll have to defer to the person that did the work.

**Ms. Volk:** — The provinces that had specified audit procedures were Alberta, Ontario, New Brunswick, Prince Edward Island, and then Newfoundland-Labrador.

**Ms. Atkinson:** — Could you repeat that, please?

**Ms. Volk:** — The provinces that only . . . that had specified auditing procedures as opposed to an audit were Alberta, Ontario, New Brunswick, Prince Edward Island, and Newfoundland.

**Ms. Atkinson:** — You may not be able to answer this, and this is a question to the auditor. But when you looked at the health indicators report — and let's take wait-lists for example, where we try and compare our wait-lists, waiting times, for certain procedures from one jurisdiction to the other — are we comparing apples to apples? Or is that part of the difficulty that is raised by Ms. Junor's questions in terms of reliability and validity of the data that's being presented?

**Ms. Volk:** — There was a common agreement among all of the first minister . . . the deputy ministers of Health on how certain measures would be reported and measured, and on . . . for some things like wait-lists, not all jurisdictions were able to do it. They didn't have information available, so consequently in some reports the wait-lists wouldn't have been included. So they did have a common agreement on how it would be measured and then not . . . some jurisdictions realized that they couldn't do it.

**Ms. Atkinson:** — Can you indicate which jurisdictions weren't able to do it? Can you recall that?

**Ms. Volk:** — Not off the top of my head, no.

**Ms. Atkinson:** — Okay. Can the Department of Health tell us? Just on the wait-list issue?

**Ms. Yeates:** — Yes, and Duane may have more information here. But I would say that of the 67 indicators in total, some of which were on wait-lists, we reported on 61, and I think that was . . . some jurisdictions were not able to report on as many.

The wait times are typically not comparable because we've learned, even as . . . with our own work, we are probably, we've been told, further ahead than anyone in the country in doing work on this, but we've not . . . So we understand our data in its context, but it's not work that has been national in scope so there are not Canadian comparators. So we reported where we had it from our own data.

But I don't know, Duane, if you recall specifically the list of provinces . . . on each of the 67 there would be some that, some could and some could not. And I don't know if we have that here in terms of details.

**Mr. Mombourquette:** — In terms of additional detail, I don't have the list as to who did report on wait-lists and who did not. But it is, as Glenda has mentioned, it is the one area in particular where it was very difficult to compare from jurisdiction to jurisdiction.

**Ms. Atkinson:** — Then my final question is this. And I recall this with great clarity. When the Fraser Institute reports on waiting lists and waiting times across the country and makes the . . . it comes to a conclusion that Saskatchewan has the longest waiting lists and waiting times in the country, does this report, the health indicators report, not indicate that it's difficult to reach that conclusion given the lack of comparable data and comparable definitions of data when it comes to this particular issue?

**Ms. Yeates:** — Yes, it does. And we have had considerable concerns, as have all provinces and territories, about the Fraser methodology. It is not in our view, in StatsCan's view, in CIHI's view, a reliable methodology.

It is a . . . there is a tremendous . . . It is a survey that is sent to physicians; the response rate in many cases is very low. And there is a lot of selection bias in terms of which physicians respond and which do not. So it does not correlate very well with the actual data we do have, which is one of the reasons Dr. Peter Glynn, who is working with us on wait-lists, actually went

to Fraser to try and understand their data . . . some of their methodology better because in fact, the correlation is so poor.

And I think there was actually some recognition by the Fraser Institute of Dr. Glynn's visit and the fact that there were some methodological questions that that raised for them as well because of the CIHI data being so inconsistent with what they were finding. But, I venture to say, probably no auditor's office, but certainly none of the jurisdictions, would have found the Fraser methodology a reliable one.

There was, in one area — it's not that survey methodology is always flawed — there was a decision we didn't have good data on, the access to primary care for example, 24-hour access. And so StatsCan actually did a survey to try and get some information on what we could learn here. So that was a survey that was, I think, much more methodologically sound. And StatsCan with all of its rigour and science has been in this business a long time and provided some data on where they created data for the report where we hadn't had it before.

So I guess I don't want to imply that survey data is always unreliable but the Fraser Institute survey data is not used by any jurisdiction and we don't find it correlates very well.

**Ms. Atkinson:** — A follow-up question to your response. Is there any work being done nationally in order to allow provinces to compare their wait-list wait times in a way that is reliable, valid, and meets all the tests of research?

**Ms. Yeates:** — Yes. I'm not absolutely certain of this but my recollection is that CIHI is doing some work. Now it probably won't be on waiting lists because the data systems don't exist across the country to actually measure that. But the notion of how long people who had surgery have waited is something that people have talked about measuring. And my recollection is that CIHI has a project, at least, that they are scoping out in that area.

**Ms. Draude:** — Mr. Chair, and to the officials, I'm impressed with the sheer magnitude of that report and I'm not embarrassed to say I haven't read it all.

But I am wondering if the idea for compiling this indicator's report was one of the first ministers or was it a federal government initiative?

**Ms. Yeates:** — It was, for me, it was of the first ministers as part of the September health accord when all of the first ministers met — the Prime Minister and all of the premiers and territory leaders. And as a result you'll recall that there was an infusion of federal dollars for health care at that time.

And one of the commitments was that there would be greater accountability of all of the province and territories and the federal government to their publics directly on what we were achieving in the health system. And there were 14 indicator areas that were actually included in the communiqué of first ministers from that September 2000 meeting. And that was the real impetus, although 14 grew to 67. There is more than one in each of the areas because as we took something like wait times or health status, there was a lot of very good discussion and very good work with stakeholders and others about what things

should we be measuring in the health system.

And it's — well maybe I'm just a person who finds this interesting — but I think it's a fascinating combination of health status indicators, things like infant mortality, how long we . . . life expectancy, personal health practices. So there are indicators in things like physical activity, teenage smoking, body mass index for example. Then there's a set on public health indicators: vaccine-preventable diseases; how are we doing with tuberculosis, meningococcal, for example.

And then there's some . . . We start to get into the more disease end of the spectrum: how are we doing on breast cancer, age-standardized rates; how are we doing on survival rates for breast cancer, for prostate cancer. And then there's a set on health services, the waiting times: how are we doing . . . how many hip replacements do we do, for example; what are the waiting times; what is our access to primary health services.

So those 14 areas were scoped out by the first ministers, and then working groups of officials across the country then began to look at what data was available, what data was reliable, and what would actually be useful in shaping the health system and giving feedback to people about how we're doing. And this was the list they came up with.

**Ms. Draude:** — Thank you. And just a follow-up question to that. Obviously there was a tremendous amount of time and effort put into collecting all this data and I'm wondering if you have an idea of what the actual cost of that was and if it's paid for federally?

**Ms. Yeates:** — I do not. Most of the data would have come from federally sponsored agencies. For example I think 40 of the 61 indicators that we reported on are StatsCanada indicators and the federal government is the main funding body for StatsCanada.

Another set came from CIHI, and each jurisdiction does make a contribution to the Canadian Institute for Health Information, so it would be the case that . . . but as part of our ongoing work with CIHI we do not pay an extra fee to CIHI for doing this work.

The other came from our own databases and our own staff time. So we would have allocated in our policy and planning shop, for example. People worked very hard and did very good work in terms of pulling the report together.

Where we would have had federal funding would have been in some of the new data sources. So the StatsCanada survey on 24/7, that was federally funded to get new data.

And as the group met, as they did periodically, my recollection is that the federal government would have paid the transportation costs for the meetings. So they supported the process of putting it together in that way.

**Ms. Draude:** — I would imagine that your department must have time allocated for different projects and keeping track of it so you know what is considered administration costs and what is put towards various reports. So did you do that for this report?

**Ms. Yeates:** — We don't do as a private firm would do and do billable hours, for example. We would typically take our policy and planning time and allocate it to high priority items. So for example, a year ago it would have been the development of the action plan on health care. There was a lot of policy work that went into that.

When something like this, a requirement like this comes up we simply diverted our existing resources there.

In terms of dealing with administration, policy branches tend to be counted, I suppose, as part of our departmental administration. Generally speaking we don't have sort of a code for reports as opposed to other things.

**Mr. Gantefer:** — Thank you, Mr. Chairman, and welcome to all of you. In this indicators report, it goes back to September 2000 and the report is based on statistics from that period to what period? I mean what timeline is this report based on?

**Ms. Yeates:** — We used the most recent data in all cases. So we didn't . . . it doesn't have a consistent 2000, or 1999 or 2001 . . . Wherever we . . . and we didn't cut it off at a certain point. So there would be certain data that would be available for, I think, 2000. There might have been some for 2001 — I'm just trying to think if there weren't some 2001 data. And there would have been some that perhaps only had 1999 data, for example. So it was the latest that was available.

**Mr. Gantefer:** — As I understand it there's an undertaking for another report, and I believe it's '04.

**Ms. Yeates:** — Yes.

**Mr. Gantefer:** — Is there work being done nationally that would try to get every jurisdiction more fully compliant or able to report on all of the 67 indicators? And will there be some methodology so that we can make meaningful comparisons between the information in this report and the '04 report to see if, in selected areas or across the piece, if there is indeed progress being made or we're slipping backwards or . . . What I'm getting at, is there some standardization efforts being made?

**Ms. Yeates:** — Yes, there was a lot of effort to make the data comparable because in a sense it's not that meaningful without understanding how we compare perhaps to other jurisdictions. We tried wherever possible, where there were international comparisons — from OECD (Organization for Economic Co-operation and Development), for example — to include those. Because in some things you want to know how Saskatchewan compares in the Canadian context but you may also want to know how Canada compares to the United States or to Britain or France or other countries. So where we had that we would put that in as well. And we also showed trend information.

So even in this report, the trend, we didn't start just with this as the first one and you only get a two-point trend with the next report. We've actually gone back historically. So there is a trend . . . trend information for all that we had it available for is actually in this report. So we would continue that standardization and that trending because I think that's what

makes it meaningful to people.

**Mr. Gantefer:** — Is the '04 report scheduled to be released in the fall of '04 or is that when it's going to be compiled or what's the actual timeline?

**Ms. Yeates:** — My recollection is '04 . . . November — thank you, Duane — November of '04.

**Mr. Gantefer:** — Okay. Thank you very much.

**The Chair:** — One clarification, Mr. Wendel. And I pass no judgment on those comments, I just want an explanation based on our previous meeting. On the bottom of page 112 there are two comments there in the auditor's report that says, and I quote:

. . . we were unable to rely on the District's appointed auditor . . .

And later on in the same paragraph it says:

The appointed auditor did not do sufficient work . . .

Could you explain what were meant by those comments?

**Mr. Wendel:** — Yes, Mr. Chair. We're required to form an opinion on all government organizations as to whether or not they have adequate rules and procedures to safeguard and control public property and whether they comply with the law and whether their financial statements are reliable.

The appointed auditor did enough work to report that the financial statements were reliable. He didn't do enough work for us to satisfy ourselves that the rules and procedures were adequate for safeguarding and controlling public money and for complying with the law, so we did those procedures ourselves. And we're required to report that fact to you.

**The Chair:** — And to you, Ms. Yeates, does this happen regularly? This is obviously one district health board that was audited. Is this a procedure that would be raised by the auditor for most appointed auditors and is that of any concern to you, or is this a rarity?

**Ms. Yeates:** — My recollection is this is very unusual, and I'm trying to recall if I've ever seen it before but I don't . . . I think it is not usual and yes, it would cause us concern. Typically the appointment of the auditors is a regional health authority — or health district, previously — responsibility. But obviously where there are concerns raised, we would then pass those on to regional health authorities and deal with them. But this is not a usual circumstance. And my understanding is that there were presumably some . . . that there were some specific circumstances in this case.

**Ms. Junor:** — From your question, it lends me . . . or leads me to ask the question: is this a question of clarifying whether this is a lack of direction to the auditor or is it a lack of . . . inability of the auditor?

**Mr. Wendel:** — Well, Mr. Chair, we do write a letter to each of the auditors before they go out and start their work and tell

them what our expectations are, to avoid this kind of situation. So as to why the appointed auditor didn't carry out the work we thought was necessary, you would have to ask him that question.

**Ms. Junor:** — Well I was thinking more from the district level, that the district lays out what they expect the auditor to do and then if it doesn't get done is one thing; if it's not directed to be done is another.

**Mr. Wendel:** — I'm not aware of any concerns from the district's direction.

This would have been . . . Like when they're appointed, there's an expectation; the districts tell auditors there's an expectation they have to do certain procedures for us so we can satisfy the Assembly's requirements. And we then communicate with them and try and make sure that we're able to work together to avoid this situation. But in this case it didn't work.

And there are each and every year a few cases where we have disagreements of opinion and, in a few cases, where they haven't done sufficient work. And those we report to you and tell you why and try and explain it to you.

**Ms. Yeates:** — Perhaps it may be that Dan Florizone, who was . . . obviously now with the department but would have some — from his previous work — some knowledge of the Moose Jaw situation, could speak to this as well.

**Mr. Florizone:** — Certainly the expectations of the auditor were clearly expressed by the health district. In this case the appointed auditor was unable to dedicate the professional time to complete the work and certainly the new regional health authority, the Five Hills Regional Health Authority, will be following up with the auditor on this matter.

**The Chair:** — Thank you for clarifying that.

Are there any other questions or comments from any of the committee members? If there are none, I want to thank you, Ms. Yeates, and your officials for coming here this morning, and to you, Rosemarie, as well for assisting us in dealing with chapter 11. Thank you.

Okay, committee members, we're finishing early this morning and we have no ability to have sections from this afternoon moved into this morning. But might I suggest, and Ms. Woods is going to make some contact with departmental officials and Mr. Wendel is also going to talk to officials from the auditor's office, if we start at 1 o'clock with Ag and Food instead of 1:15, and then we'll try Municipal Affairs and Housing at 1:30, and Intergovernmental and Aboriginal Affairs for 2 o'clock. We'll move those up and that way then we may be able to finish earlier in the day, as well as then we'll have officials on standby — back them up.

Okay. We are recessed then till 1 o'clock, and I prefer sharp 1 o'clock if we could start please, since you have two full hours. Thank you very much.

**The committee recessed for a period of time.**

### Public Hearing: Agriculture and Food

**The Chair:** — Good afternoon, everybody. We'll recall our meeting to order. For this afternoon's first session we're going to be dealing with Agriculture and Food, specifically chapter 11 from the 2001 Fall Report which is the most recent report since chapter 6 of the 2001 Spring Report is repeated. There is also mention of chapter 7 of the '99 Fall Report Volume 2. And I believe the auditor's office will make comments about that.

I'd like to welcome Fred back again and introduce your officials from your office please, Mr. Wendel.

**Mr. Wendel:** — Well, Mr. Chair, I have a lot of officials here now. I'm trying to make sure everybody's here for all the presentations. Bashar Ahmad, who you met this morning, in the corner; I have Leslie Wendel, who used to work in Municipal Government; Rodd Jersak, who's always here; Rod Grabarczyk, who's going to give you the presentation on Agriculture; Andrew Martens, who also works in the agriculture sector, and Brian Atkinson, my assistant, who attends most of our meetings.

**The Chair:** — Good afternoon to everyone, and welcome. And Mr. Nystuen, would you introduce your officials from the Department of Sask Ag and Food?

**Mr. Nystuen:** — Thank you. Today I have with me, on my right, Doug Matthies, our general manager of the Crop Insurance Corporation. To Doug's right, we have Louise Greenberg. She's an assistant deputy minister in the Department of Agriculture — looks after lands and our regulatory licensing for the livestock industry. To my left is Laurier Donais. Laurier is an accountant with our administration services branch.

Now in the back row, starting on the extreme left, is Karen Aulie. She's our director of administration. To Karen's right is Maryellen Carlson. She's an assistant deputy minister for our development division. To Maryellen's right is Dave Boehm. Dave is the director of our financial programs branch. And finally, Ken Petruic is also in our administration branch. And that's our officials today.

**The Chair:** — Great. Thank you very much, Deputy Minister. And welcome again to all of your officials as well. Okay I'd ask Mr. Grabarczyk to go ahead with the presentation on the chapter.

**Mr. Grabarczyk:** — Good afternoon. I will provide a brief overview of chapter 7 from our 1999 Fall Report Volume 2, pages 219 to 220; chapter 6 from our 2001 Spring Report; and chapter 11 from our 2001 Fall Report Volume 2. These chapters report our audit conclusions and findings for the Department of Agriculture and Food, now called the Department of Agriculture, Food and Rural Revitalization, the special purpose funds and the Crown agencies it is responsible for.

The first matter before the committee concerns a transfer of approximately 3 million in net assets from the Sask Pork to SPI Marketing Group. The committee reviewed this issue in November 2001. At that time there was a differing legal opinion on whether or not Sask Pork had the authority to transfer the net assets to the SPI Marketing Group.

The committee deferred its decision on our recommendation on page 220 and asked the department to share its legal opinion with our office. We have now received and reviewed the department's legal opinion from the Department of Justice. After reviewing the opinion, we think the law does not specifically authorize the transfer of net assets from Sask Pork to the SPI Marketing Group. We think the department in the future should ensure that it has the necessary authority prior to making any such transfers.

The next matter before the committee relates to our recommendations on page 126 and 129 of our chapter 6, in chapter 6 of our 2001 Spring Report. There is a difference of opinion between our office and the department on the proper accounting treatment followed in the financial statements of the Agri-Food Innovation Fund and the Saskatchewan Agricultural Stabilization Fund. We think revenue received from the General Revenue Fund should be shown as a liability of these funds until the department incurs the related program costs. The department disagrees.

The committee was informed that this was an issue that was being studied by the Canadian Institute of Chartered Accountants as there were disagreements on how to account for these transactions. The committee decided to defer its decisions on these recommendations because the issue is being studied by the Canadian Institute of Chartered Accountants.

To provide an update on this issue, we spoke to Chris Bayda, who is a member of the project group studying the issue, and Chris advised that this matter is still under study and that a report is expected in 2004. We would recommend the committee wait for guidance from the Canadian Institute of Chartered Accountants before dealing with these recommendations.

I will now discuss matters we report in chapter 11 of our 2001 Fall Report Volume 2. We report on page 289 that the department needs to prepare an annual report for the Saskatchewan Agricultural Stabilization Fund that includes a report on its administration as well as the fund's audited financial statements. It also needs to provide the fund's annual report to the Assembly by the date required by law.

We report that the department now prepares an annual report for the fund and has tabled its 2002 annual report on time. We also continue to report that the money received from the General Revenue Fund should be recorded as a liability to the fund until it incurs the related program costs or returns the money to the General Revenue Fund.

In this chapter we also report the same matter for the Ag-Food Innovation Fund. As discussed earlier, we would recommend the committee wait for guidance from the Canadian Institute of Chartered Accountants before dealing with this issue.

On page 292, we report that the department's accounting staff were not aware of all the revenues that were to be collected by the pasture revolving fund. We report that the department has now established procedures to ensure staff are aware of all the revenue that is to be collected. We also report, as required by The Provincial Auditor Act, a loss to the Crown of 219,000 for the loss and injury of cattle due to dehydration at the Meyronne

Community Pasture.

Since we reported on a Livestock Services Revolving Fund on page 293, the department now prepares accurate quarterly and annual financial statements and submits these to Treasury Board as required. Also the Prairie Agricultural Machinery Institute has segregated the duties of employees who control the bank account since we reported our recommendation on no. 5, on page 294.

On pages 295 to 302, we report that the Saskatchewan Crop Insurance Corporation provided its annual report to the Assembly late. The corporation has though tabled its 2002 annual report on time. We also report on the work we did to see what action the corporation has taken to address the recommendations we've made to improve its claims adjusting system.

In our 1999 Spring Report we reported that the corporation had an adequate claims adjusting system and provided five recommendations to improve it. We found the corporation is making progress, and it will . . . and we will continue to monitor the corporation's actions to address our recommendations.

That concludes my overview of these chapters. Thank you.

**The Chair:** — Good. Thank you very much, Rod. Mr. Nystuen, do you want to make comments on the chapter . . . chapters, I guess.

**Mr. Nystuen:** — I guess the only comment that I would make is that with regards to both the '99 and I think the 2000 outstanding issues, is that I think we're both waiting for some resolution of outside parties before we can move on those items.

I think with regards to many of the items within Fall 2001 Report, many of the pieces of advice and direction that we've received from the Provincial Auditor we are in support of and have been taking actions to put those recommendations into implementations.

**The Chair:** — Good. Thank you. I think the general focus then for us will be on chapter 11, which is found on pages 280 to 302 of the 2001 Fall Report Volume 2, and there are six recommendations contained in this chapter and we've had comments on a couple of them. And I think before we get into each individual recommendations, are there any general questions or comments of the presenters from any of the committee members?

**Mr. Wakefield:** — Just a question of clarification. Correct me if I'm wrong. I think the auditor reported, regarding the 1999 Fall Report, the net assets of the hog producers required authority. I think you have determined that you had received an opinion and then you've based judgment on that and I think I heard you say that that's still outstanding. Is that correct?

**Mr. Nystuen:** — The direction or the steps that the department took when it was making the decisions about how to deal with the assets of SPI was . . . what we normally do is we go to the Department of Justice and say, provide us with direction on how we should be proceeding. We received that direction and then acted accordingly with regards to the dissolution of those

assets.

I think the position that we find ourselves in with the auditor is that our department acted under the guidance of the Department of Justice and the Provincial Auditor is stating that, all things being considered, we acted within . . . under the guidance of the department. They just disagree with the legal opinion that the Department of Justice provided. I guess I'm uncertain how we will resolve that.

**Mr. Wakefield:** — I guess that was going to be my next question. What happens now? We have two differing opinions here. Is this going to just continue on?

**Mr. Wendel:** — Mr. Chair, no, I don't think it will continue on. This is an instance that we noted where they wound up SPI, I think it was called, and they transferred the assets to the new organization. We have . . . Two organizations were created I think and they transferred the assets to one of these organizations.

The argument is, should they have got an order in council before they did that winding up the old one and saying in the order in council where it should go? Or as Mr. Nystuen has said, that they had advice from Justice they didn't need that. It was questioned.

So our opinion from our lawyer was you had to have it and they had advice from Justice. I'm required to report if I think something is without authority. I've brought it to your attention and . . . they can't pass a retroactive order in council, I don't think, so it's just information.

**Mr. Wakefield:** — One other question on the next item which was in the 2001 Spring Report, a decision on recommendations postponed until the Canadian Institute of Chartered Accountants came forward with their recommendation, and I think you said 2004 is when you're anticipating . . .

**Mr. Grabarczyk:** — That's correct.

**Mr. Wakefield:** — That's a long time. Is there a reason for that long delay?

**Mr. Wendel:** — I'm going to let members of the public union board speak.

**Mr. Paton:** — Mr. Chairman, all I'd like to say about this is that it's not just a report of the Institute of Chartered Accountants of Canada. It's actually a study that's being done and a handbook section that'll be issued subsequent to that. It's a due process that unfortunately takes a fair bit of time. A lot of consultation takes place between provincial auditors' offices across Canada, comptrollers' offices across Canada, and other interested parties.

So it takes a long time. When they say 2004 maybe it's early 2004, but all of these standards in development take a fair amount of time.

**The Chair:** — Thank you, Mr. Paton. Any other general questions before we begin discussions on the recommendations?

**Ms. Draude:** — Thank you, Mr. Chairman, and to the officials. I have a question on the Crop Reinsurance Fund. I imagine this year it's something that's going to be needed. Can you kind of give us an idea of where it's at and what happened last year? I understand that there was . . . it said this fund receives a portion of the annual premiums and when the SCIC (Saskatchewan Crop Insurance Corporation) incurs losses, the fund pays SCIC for part of the losses. Can you update us on that?

**Mr. Matthies:** — Mr. Chairman, in terms of . . . if I can answer all the pieces of the question, last year we paid out approximately \$331 million in total claims. The financing of claims under crop insurance, the money is in three different funds actually; the Crop Insurance Fund itself, which is the originating fund if you will, where we charge and collect the premiums. Part of those premiums are then passed to both a federal and a provincial reinsurance account and that's where we get our deficit financing from.

At the end of March 31, 2002, we did not have to dip into the reinsurance accounts to pay the 2001 losses because we had enough money in the bank. So I'll just maybe give you the balances that we had coming into this crop year, if that gives you what you're looking for perhaps.

The Crop Insurance Fund itself had approximately \$173 million in its favour. The Saskatchewan reinsurance fund had a balance of approximately \$120 million in its favour and the Reinsurance Fund of Canada for Saskatchewan was in a deficit position of approximately \$6 million. So that gave us a total of about 285, \$286 million in reserves to use coming into the current crop year.

**Ms. Draude:** — So this can be taken away from what will have to be paid out this year?

**Mr. Matthies:** — That's correct.

**The Chair:** — Any other questions?

**Mr. Gantfoer:** — Thank you, Mr. Chair, and welcome to the officials. And please excuse — these questions come from someone that doesn't have an extensive farm background. But I do see an awful lot of crop out in the field as I travel to and from Regina and around the province. And I wondered if you could outline what steps the department and the corporation are taking in order to address that reality.

**Mr. Matthies:** — From the perspective of Saskatchewan Crop Insurance, if a farmer is unable to get his crop off by November 15 in any crop year, he can request an extension of insurance. That would allow him to be insured until the spring when he has an opportunity to take the crop off. So if he does suffer further deterioration of the crop due to over-winter losses, for example, he can be compensated for that.

I think at this time, I guess I would advise the committee that we have approximately 5,200 claims that have been filed requesting an extension until the spring at this point. And there is until November 15 for farmers to make all of their final decisions in terms of whether they're going to need the extra coverage or not . . . or the extended coverage.



**Mr. Gantefer:** — Are there premium implications associated with the extension?

**Mr. Matthies:** — Not specifically with the extension. Premiums are calculated based on what our historical loss experience is. So to the effect that additional losses are paid out because the crop has to over-winter, then that will be reflected in the normal rate-making process. When a farmer signs up for insurance in the spring though, it's based on that historical experience and there's no extra fee added to request an extension of insurance.

**Mr. Gantefer:** — Are there . . . Because the crop is out and in most areas the crop, at least in my part of the world, the crops as experienced in the fall were disappointing — would be the kindest word that I could use — and many of them subject to claim, how does that affect a farmer's ability to receive a payment or some compensation from Crop Insurance when the crop is still out there and a final determination of the actual result is put off or deferred till spring?

**Mr. Matthies:** — Mr. Chairman, the procedure that we use with an extension is we try to get an adjuster out to the farm in the fall and we do an appraisal on what crop the producer has. In many circumstances the farmer has been able to combine some but not all of the acres, so we can measure all of the production that he was able to combine, and then we go out in the field with the producer and we'll do an appraisal for what's left still in the field. So we can then calculate an interim payment, if you will, based on the crop that we can identify this fall.

And then we go back in the spring once he's been able to finally put the crop to its end use, whether he's able to harvest it or whether in some cases they end up destroying it. If they do that, then we just adjust the claim to whatever is the final values come the spring. So they do get cash in the fall and there may be an additional payment in the spring.

**Mr. Gantefer:** — Is the cash in the fall a percentage of the estimated actual net amount that might be anticipated given the appraisal of the crop as it stands, and is there a consideration taken for the fact that in all likelihood crops deteriorate to varying degrees if left out in the field over the winter?

**Mr. Matthies:** — Mr. Chairman, what we do is we make the payment based on the actual appraisal that we see out there. We do not include in the appraisal a provision for anticipated future losses.

We do, when we make the appraisal, include an estimate for what we call harvest loss which is if there is part of the crop that we don't think the producer will be able to pick up — for example if you have a very thin crop and the combine may not be able to pick up a thin or light swath — we will make an allowance for that, but we do not include a provision for unincurred future deterioration if you will.

**Mr. Gantefer:** — And if you've determined or estimate that a certain amount of crop is actually there and that it's anticipated based on that appraisal a loss of whatever amount would be incurred, do you pay out that full amount in the fall or a percentage of it?

**Mr. Matthies:** — Mr. Chairman, what we would do — it will depend a little bit on the circumstances, I might add — if we are able to get out into the field and actually do physical counts in the field and measure what's in the bin, we will make the payment based on what we actually find. If we get into a situation where we get further snowfall and it becomes impossible to get out and do accurate plant counts in the field because of snow conditions, for example, then what we will do is we will make an estimate in conjunction with the farmer and we will add a comfort margin, if you will, to the estimate until we can finalize it in the spring.

**Mr. Gantefer:** — Thank you.

**The Chair:** — Mr. Matthies, you mentioned the crop insurance reinsurance programs. Could you indicate how they're going to work for this year in light of you . . . Your report was that Sask reinsurance had 120 million and the reinsurance of Canada was sitting I think at a minus six on March 31.

How will they affect the payouts? I mean we don't know, as you've indicated, tremendous number of claim extensions. And I guess we're somewhere between probably half a billion and a billion dollars of anticipated payout and that's a wide range. So how will reinsurance programs kick in?

**Mr. Matthies:** — Mr. Chairman, the reinsurance arrangements that the corporation has with both levels of government requires the governments to provide the necessary funds regardless of the balance that are in the reinsurance accounts. So in essence the crop insurance fund directs part of its annual premium into the reinsurance accounts like a savings account for bad years, if you will. And then we can draw down on those funds if we get into a loss situation.

If the loss is so significant that there is not enough in the savings, if you will, in the reinsurance accounts, both governments are obliged to loan the reinsurance accounts the additional money and then funnel that through to crop insurance. And then those debts, if you will, or advances, are repaid through future premiums.

So producers will be paid regardless if . . . and if the reinsurance accounts don't have sufficient cash on hand then they have to acquire the funds from the two governments. And in the federal government's case they've been probably, I think 17 or 18 years since they've been in the black. And they were almost out this year. They would have been out this year but unfortunately the crop didn't work for them. So they will be going back to . . . for an advance, a loan.

**The Chair:** — Good. Thank you.

**Ms. Atkinson:** — Thank you, and welcome to the officials.

I want to follow up on some questions on crop insurance. Obviously you have some preliminary numbers in terms of acres. Could you indicate to the committee how many acres we are presently dealing with in terms of crop insurance?

**Mr. Matthies:** — Mr. Chairman, the crop insurance program is insuring approximately 25 million acres of grain crop this year. A matter of fact if I can just pause for a moment, we have

actually 25.5 million acres of grain crops that we are insuring this year. That represents 74 per cent of all of the seeded grain crop acres that were put in this spring.

In addition we are also insuring 4.2 million acres of perennial forage this year. And that represents approximately 22 per cent of the available hay and pasture land in the province.

And we ran an annual crop pilot . . . annual crop rainfall pilot program this year which insured an additional 900,000 acres.

**Ms. Atkinson:** — And of those 25.5 million acres, what do we have so far in terms of claims under crop insurance?

**Mr. Matthies:** — Mr. Chairman, the claim numbers are calculated based on the number of individual crops that a producer is insuring. So for example, if they have wheat, barley, and oats, that would be three crops and if each crop was in a loss situation, we would count that as three claims.

So we have this morning received 36,383 pre-harvest claims. Those are claims where a producer has contacted us with a concern that they may not be able to get all of their crop harvested this year. And most of those would have come in during the summer.

We have received at this point approximately 34,200 post-harvest claims. Those are claims from producers who have completed their harvest this fall and are in a loss situation.

We also had approximately 5,900 claims in the spring regarding reseeding or establishment issues.

So we end up with approximately 77,000 claims in total as of this morning that we've had reported to us.

**Ms. Atkinson:** — Is it possible for you to indicate how many acres that represents — those 77,000 claims represent? Of the 25.5 million acres of grain crop, 4.4 in forage, can you . . . is it possible to give us that information?

**Mr. Matthies:** — Mr. Chairman, I don't have any information to answer that specific question available with us. We insure a producer based on, sort of, their total production. So a loss in one field, for example, may be offset by a bumper crop in another and so we don't normally track our statistics tied to the acres per se, but we do develop or can pull queries, if you will, out of our database to come up with information that may be useful to the member in answering that specific question.

**Ms. Atkinson:** — There are certain parts of the province that have experienced drought in the last six years, maybe five droughts in six years. You would be able to share with the committee what parts of the province we're talking about.

**Mr. Matthies:** — Certainly. Mr. Chairman, the northwest part of the province in particular has seen a greater frequency of high-loss years relative to other parts of the province in the last five or six years.

**Ms. Atkinson:** — And would you be able to indicate of the 25.5 million acres, what percentage would come out of that northwest part of the province?

**Mr. Matthies:** — Mr. Chairman, I don't have that statistic available with me today for the 2002 crop year. We can obtain it and provide it to members of the committee.

But I would say, generally speaking we have a fairly even distribution of acres around the province. So for discussion purposes, about a quarter of our acres are in the northwest.

**Ms. Atkinson:** — Okay. And then in terms of the pre-harvest claims, you indicate there's 36,383. Would a large portion of those claims come out of that west central, northwest part of the province?

**Mr. Matthies:** — Mr. Chairman, yes, they do. Matter of fact, the northwest area, and I would include Prince Albert in that area as well . . .

**Ms. Atkinson:** — Rosetown, Biggar.

**Mr. Matthies:** — Rosetown, Kindersley . . .

**Ms. Atkinson:** — Kindersley, Eston, okay.

**Mr. Matthies:** — . . . Saskatoon, North Battleford, Turtleford, that area — they would account for approximately 26,000 of our pre-harvest claims.

**Ms. Atkinson:** — Would you be able to provide for the committee or if the committee's not interested, certainly, sort of the claims of record in that region of the province in the last six years? Is that possible?

**Mr. Matthies:** — Certainly, Mr. Chairman, we can pull that information out.

**Ms. Atkinson:** — Okay. Thank you.

**Mr. Matthies:** — I don't have it with me, but we can provide it.

**Ms. Atkinson:** — Thank you.

**Mr. Wakefield:** — Thank you, Mr. Chairman. Just maybe a follow-up to that. Can you tell us what the subscription rate is to crop insurance by farmers and do you have it broken down by region? Not everyone takes out crop insurance.

**Mr. Matthies:** — I'm sorry, Mr. Chair, I missed the last part.

**Mr. Wakefield:** — Not everyone takes out crop insurance. I'm wondering what the percentage would be.

**Mr. Matthies:** — Mr. Chairman, we have in crop insurance this year approximately 34,800 producers that are enrolled. We find that it is sometimes a difficult . . . an easy question but a difficult answer in terms of how many farmers of the total are in crop insurance because when you go to permit book numbers or NISA (Net Income Stabilization Account) account numbers or other definitions, people sometimes define their farm entity differently depending on who's asking. So the per cent of acres that are seeded versus what's insured is sort of our constant measure because no matter how you define your farm, the land is the same. So 74 per cent of acres that were seeded is insured.

And that's sort of our more constant statistic.

**Mr. Wakefield:** — Okay.

**Ms. Draude:** — Thank you. I have a question on a different issue and that is on PAMI (Prairie Agricultural Machinery Institute). And I notice that the revenues and expenses is coincidentally 4.3 million so I'm just wondering if you, how . . . Most of their work is contract I believe. Is there . . . just accidental that it worked out to the exact amount of money or is there actually money from PAMI given as a dividend to Crowns, or how does this work?

**Mr. Nystuen:** — The resources that PAMI gets is a flow from government to PAMI for research work. And in fact I think that the target that PAMI would always set for themselves is that the revenue that they would receive would match, either as close as possible or exactly, with the effort that they have to put on research projects. Our department, I think, makes an annual payment to PAMI somewhere in the neighbourhood of 6 or \$700,000 a year.

**Ms. Draude:** — So the rest of it is contract?

**Mr. Nystuen:** — It's contract from a number of different research institutions. We have an Ag Development Fund that does grant research projects to PAMI as well for specific ag projects, but there are a number that are also industry related.

**Ms. Draude:** — Okay.

**Mr. Nystuen:** — Mr. Chair, I know we were discussing this in Crop Insurance and some members had asked for information about claims. One of the other things that, if the committee is interested in, is the department tracks soil moisture and specifically subsoil moisture.

One of the things that we have been analyzing in the last number of days is the correlation between fall subsoil moisture and the overlay of next year's predicted crop insurance claims. And so I think we've got soil moisture maps for November that go back to about 1998. And so if the committee's interested in that, we can show RM (rural municipality) by RM where the subsoil moisture was and then overlay the next year on where the claims risk is. And it is a reasonably decent predictor because without subsoil moisture the timing requirement for the following year's rainfall becomes very, very critical in order to get a crop.

One of the good things about Saskatchewan this year is that we have not seen, sort of, fall subsoil moisture conditions this good for some considerable point of period of time. And I know the minister or the member said probably five or six years it's been a bad claims history in the Northwest. And I think if you go back and look at some of those subsoil moistures you'll find a very close correlation to that.

But if the members are interested we can provide that as an overlay as well. They're just pictures and they essentially lay out where it's dry and where it's not.

**The Chair:** — I think that would be useful information and we do appreciate receiving that. Okay. Any further questions? If

not . . . Yes, Mr. Harper, a question?

**Mr. Harper:** — A procedural question, Mr. Chair. In regards to the auditor's recommendations on PSI . . . SPI, pardon me, do we need to deal with this or will it . . . if we don't deal with it, will it continue to come back?

**Mr. Wendel:** — No, it's a one-time, Mr. Chairman — one time.

**Mr. Harper:** — Okay that's all I was interested in. Thank you.

**The Chair:** — Okay if I could focus your attention then on chapter 11, pages 280 to 302, and we have six recommendations contained in this chapter.

The first recommendation is on page 289. Just for clarification, Mr. Nystuen, on recommendation no. 1, is there an annual report? Did you report that there is an annual report?

**Mr. Nystuen:** — There is an annual report for Ag Stabilization Fund. This past year we did file an annual report.

**The Chair:** — Okay. So that's, I think, information useful for committee members. Is anyone prepared to deal with recommendation no. 1?

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

**The Chair:** — Compliance rather than progress.

**Mr. Harper:** — Compliance.

**The Chair:** — Okay. Committee concurs and notes compliance with recommendation no. 1. Any question on that resolution? All those in favour? Opposed? Carried.

Recommendation no. 2.

**Ms. Atkinson:** — We concur with the Provincial Auditor and note compliance.

**The Chair:** — Okay, thank you. Resolution before you is concurrence and noting compliance. Any discussion of that resolution? All those in favour? Opposed? Carried.

Recommendation no. 3 is on page 292. Any further questions?

**Mr. Gantefoer:** — Concur and note compliance.

**The Chair:** — Moved by Mr. Gantefoer that we concur and note compliance of recommendation no. 3. Any questions on that resolution? All those in favour? Carried.

Recommendation no. 4 at the bottom of page 293.

**Mr. Wakefield:** — I'll move concurrence and note compliance.

**The Chair:** — Compliance. Concurrence and compliance. Any question? All those in favour? Carried.

Recommendation no. 5 dealing with the Prairie Agricultural Machinery Institute on page 294. Any questions on that

resolution? Did you indicate Mr. Nystuen that this was occurring?

**Mr. Nystuen:** — Yes.

**The Chair:** — Okay. Motion.

**Mr. Harper:** — Move concurrence and then compliance . . . note compliance.

**The Chair:** — Okay. Concurring with the recommendation and noting compliance. Any discussion? All those in favour? Carried.

And your final recommendation is on page 295, dealing with the Saskatchewan Crop Insurance.

**Mr. Gantefoer:** — Concur and note compliance.

**The Chair:** — Mr. Gantefoer, concur and note compliance. Any questions? All those in favour? Carried.

Thank you very much, Mr. Nystuen, and your officials from the various departments. And thank you to you, Rod, for your presentation.

Okay I want to indicate to committee members that in trying to create a different order to the agenda we are going to move Intergovernmental and Aboriginal Affairs to right now or as soon as they get here, because Municipal Affairs was unable to get here earlier so they're still going to be at 2:15 approximately. So we should still be able to work on the proposed timeline just before lunch. But we'll await those officials. They should be here momentarily.

But it will be Intergovernmental and Aboriginal Affairs, chapter 8 of your 2001 Fall Report.

#### **Public Hearing: Intergovernmental and Aboriginal Affairs**

**The Chair:** — Okay could I call committee members back to order, please, and we'll begin with the next chapter on Intergovernmental and Aboriginal Affairs. And I want to thank the officials from that department for restructuring your timelines to be able to come a bit earlier. We thank you for that.

I'd ask Mr. Wendel to introduce your official that will be handling . . . or your officials that'll be handling both parts A and B.

**Mr. Wendel:** — Yes, thank you, Mr. Chair. I have two more officials here since I introduced the last ones and have Judy Ferguson who will be leading Chapter 8A and Jane Knox who will be leading 8B.

**The Chair:** — Okay. Thank you and welcome to both of you.

And Mr. Cotter, welcome and I'd like you to introduce your officials for this afternoon.

**Mr. Cotter:** — Thank you, Mr. Chair. I'm joined today by Wanda Lamberti on my left, who is the executive director of finance and management services for the Department of

Government Relations and Aboriginal Affairs. And I'm also joined by Mary Tkach who is the director of the Métis and off-reserve strategy and urban initiatives for this part of the discussion.

My understanding is that we would do work in relation to Intergovernmental and Aboriginal Affairs and then followed by Municipal Affairs, at which time I'll be joined by Russ Krywulak who is the executive director of grants administration and provincial-municipal relations and, if you like, I'll reintroduce him at that time.

**The Chair:** — Great. Thank you very much, Mr. Cotter, and welcome to your officials. Judy, your presentation, please.

**Ms. Ferguson:** — Thank you, Mr. Chair, members, and officials. This afternoon the chapter before you actually has two parts. It has a part 8A and a part 8B. I'm pleased to present part 8A and Jane will present part 8B and we'll just do them back to back and then handle questions after the presentations.

Part 8A includes our audit objectives and findings for the department and for the First Nations Fund for the year ending March 31, 2001. In this part we make five new recommendations for the committee's consideration.

Before I launch into the actual detailed findings and conclusions, I want to give you a little bit of background about the First Nations Fund. In 1994, The Saskatchewan Gaming Corporation Act established the First Nations Fund. Cabinet appoints the trustees to this fund. The trustees, by law, are accountable to the Minister of Aboriginal Affairs who in turn is accountable to the Assembly to make sure the fund operates in accordance with the law. The Federation of Saskatchewan Indian Nations, FSIN, provides administrative services to the fund.

Each year the fund receives a portion of the gaming profits, the casino profits from the Department of Intergovernmental Affairs. The Act sets clear restrictions on what the fund can spend its monies on. Expenditures must be for purposes related to economic development, social development, justice, health, and other initiatives related to First Nations. Expenditures can include administrative expenses.

The department assumed responsibility for this fund in August 2000 from the Department of Municipal Affairs and Housing. The department is responsible for supervising the trustees of the fund to ensure they spend the money with due care and in accordance with the provincial legislation.

On page 200 of this report it . . . we set out our conclusions. We conclude that the financial statements of the fund for the year ended March 31, 2001 are reliable. The fund did not have adequate rules and procedures to safeguard and control public money, and we are unable to conclude or determine if they complied with the law. Also, we conclude the department had adequate controls to safeguard and control public money with the exception of its supervisory role over the fund.

In this part we provide the committee with an update of concerns that we initially reported to the Assembly in chapter 3 of our 2001 Spring Report. The committee has not yet had the

opportunity to discuss these concerns.

As set out in pages 200 and 201, the department is charged with ensuring the 11.2 million that it provided to the fund in 2001 is spent with due care and is in compliance with the conditions set out in The Saskatchewan Gaming Corporation Act.

We expected the department to work with the trustees of the fund to ensure the trustees sufficiently understood their responsibilities and undertook steps to ensure monies were spent appropriately and for the purposes intended. We also expected the department to receive information from the fund periodically throughout the year.

For the year ended March 31, 2001, the department did not have sufficient procedures in place to know if the fund spent the money with due care and in accordance with the law. After year-end, the department met with FSIN (Federation of Saskatchewan Indian Nations) officials to discuss their respective roles as they pertain to the fund and to request information that the fund . . . that the department needed to fulfill its responsibilities. At the time of the report the department had not yet received the requested information from the fund.

On page 200 we recommend that the department should supervise the trustees of the First Nations Fund to ensure the trustees spend public money with due care and in accordance with provincial legislation.

On pages 201 to 213 we set out our detailed findings related specifically to the fund. We worked with KPMG, the fund's appointed auditors, to carry out our audit.

We have four main areas of concern. The first area of concern relates to payments made out of the fund to various First Nations. In 2001 the trustees paid approximately \$9.4 million to the First Nations.

We expected that first, the trustees would have processes to know the First Nations plan to spend the money they expected to receive from the fund . . . know how they planned to spend the money they expected to receive from the fund and that the processes would include receipt and review of funding proposals from First Nations prior to providing funding to ensure planned use of monies was consistent with the expectations set out in law.

Second, we expected that the trustees would have processes to ensure that First Nations actually spent the money for the purposes intended.

We found that the trustees had neither of these processes. As a result we were unable to determine if the \$9.4 million was used for the purposes set out in the law.

On page 207, we recommend that the trustees should establish rules and procedures to ensure First Nations only use the money received from the trustees for the purposes described in The Saskatchewan Gaming Corporation Act.

Our second area of concern relates to payments to other organizations. In 2001, the trustees paid FSIN a total of 1.4

million.

Pages 207 to 210 provide a breakdown of these payments in further detail. Payments included 944,000 to the First Nations Addiction Rehabilitation Foundation, about 71,000 to the Saskatchewan Indian Veterans Association, 298,000 for justice initiatives and 100,000 for the administration of the fund.

The Gaming Corporation Act allows for payments for programs for gambling addictions, for senior and youth programs, for justice initiatives, and for administration. Our expectations for these programs were similar to those for payments to First Nations.

We expected that, first, trustees would have processes to know how the organizations expected to receive monies from the fund planned to use the monies. Processes could include receipt and review of business plans prior to providing monies to ensure the planned use of monies was consistent with the law. We expected the business plans to set out what the organizations expected to achieve and how they planned to use the money requested.

Second, we expected that the trustees would have processes to ensure the organizations who received the monies actually spent the monies for the purposes intended and achieved what the organization expected to achieve.

We found that the trustees had neither of these processes. For the payments to the FSIN totalling 1.4 million, the trustees were unable to provide us with sufficient information that the monies were used for the purposes set out in the law. The FSIN handles the administration of the fund. In 2001 the trustees paid FSIN 100,000 for administration. From time to time, FSIN makes payments on behalf of the fund and requests reimbursements.

We expected that the trustees would have an agreement with FSIN, and we expected the agreement would set out the roles, the administrative roles and responsibilities of each party. We also expected the agreement would set out a process for the reimbursement of expenses.

For the year ending March 31, 2001, the trustees did not have an administrative agreement. Also the trustees did not have any evidence supporting the payments made to the FSIN for administration. As a result we were unable to determine if the 1.4 million paid to FSIN was for the purposes allowed for under law.

On page 210 we recommend that the trustees should establish rules and procedures to ensure recipient organizations only use the money received from the trustees for the purposes described in The Saskatchewan Gaming Corporation Act and in the framework agreement.

Our third area of concern relates to payments made out of the fund that were not permitted under the Act. During the course of our audit we identified payments totalling 244,000 that did not comply with the conditions set by The Saskatchewan Gaming Corporation Act. On pages 205, 206 we describe the Act's conditions.

The \$244,000 was comprised of 144,000 paid to the FSIN

senate to provide \$2,000 to each First Nation to subsidize the cost of travel to a national Assembly of First Nations general meetings, and of 100,000 paid to the White Bear First Nation for historical costs related to the planning and development of a Bear Claw Casino. This \$100,000 is one-third of a total of \$300,000 approved by the trustees for payment to the White Bear First Nation. The remaining \$200,000, if paid, would also lack proper authority.

On page 211 we recommend that the trustees should ensure that all payments comply with the law.

And our last area of concern deals with the need for the trustees to prepare and table an annual report. Currently legislators and the public receive annual audited financial statements for the fund. They do not receive an annual report. Financial statements alone do not provide all the information needed to assess the performance of the fund. Most public sector organizations publish annual reports and are working on improving those reports.

The fund's activities are important to foster educational, cultural, and social development in First Nations in Saskatchewan. Legislators and the public need information about the fund's goals, objectives, and the extent to which they have achieved them.

On pages 213 and 214 we recommend that the trustees should prepare an annual report including the fund's audited financial statements, the fund's goals and objectives, the fund's planned and actual performance, the risks the fund faces and how they manage them, and a list of organizations and persons who receive money from the fund.

Unfortunately since our 2001 Spring Report there has been no significant progress at the fund.

This concludes our presentation on the first part and I'm going to turn it over to Jane to discuss the second part.

**Ms. Knox:** — Good afternoon, Mr. Chair, members, officials. I'm pleased to present the audit report in chapter 8B of our Fall 2001 Report on pages 215 to 229. This chapter looks at how the government is managing two serious risks that it faces: first, how the government coordinates action across many departments to manage accountability risks; and second, how the government responds to demographic changes and related risks.

It's in this context that we carried out our audit. Governance structures are changing in Saskatchewan. It's now common to see government agencies involved in partnerships or working closely together to achieve common goals. In many agencies . . . sorry, when many agencies work together, accountability can become blurred so often one department takes the lead to ensure effective action. The audit we are discussing today examined how one lead department coordinated action for an interdepartmental strategy. The lead department was Intergovernmental and Aboriginal Affairs, now the Department of Government Relations and Aboriginal Affairs.

In 2002, the government directed all lead departments should use new ways to plan when many agencies are working together

to solve complex problems. I would like to touch briefly on these new ways to plan because they are related to our recommendations, and because these multi-agency arrangements now occur quite frequently.

The government recognizes three types of multi-agency plans and now provides guidelines to help with this planning. First, sector plans involve a range of agencies within a sector like health or education, and these plans are intended to guide the organizations to work together in a consistent direction.

In addition to sector plans, some departments are also involved in planning for government-wide initiatives that have either an operational or a policy focus. Interdepartmental plans with an operational focus are usually for service delivery, as is the case in the forestry strategy or the safe-water strategy. Interdepartmental plans with a policy focus are for broader strategies such as the *Partnership for Prosperity* or the one we are speaking about today, the Métis and off-reserve First Nations strategy.

The formal title for this interdepartmental policy strategy is the Framework for Cooperation, the Métis and off-reserve First Nations strategy, and we use the short form, Framework for Cooperation.

The Department of Intergovernmental and Aboriginal Affairs has been the lead department for this important strategy since its beginning in 1997. The department's coordination role was the focus for our audit. To work toward the strategy, the department coordinates the work of many departments — at present 12 — and this is a complex task.

The objective of our audit was to assess whether the Department of Intergovernmental and Aboriginal Affairs, as the lead department, had adequate processes to coordinate action by key government departments on the goals set out in a Framework for Cooperation. We examined the department's practices during October 1999 and July 2001. The criteria we used to assess the department's processes are set out on page 219 of the report and I'll just highlight them here: to establish accountability particularly for action on the common goals, to provide leadership for action, and to make visible the extent of progress.

We found that the department did have adequate processes for the time October '99 to July 2001 to coordinate action, except in two areas. The department needs to work with central agencies to develop better processes to plan. We did not make a formal recommendation in this area to the department, but we note that some departments participating in cross-government strategies resisted action towards goals that they could not fit into their usual programming or funding. It's very difficult for lead departments to be effective in achieving the government's objectives under these circumstances. It's important that central agencies and lead departments work together to find ways to work with the participating departments to balance their resources with the expectations placed on them by these cross-government strategies.

Secondly, we found that the department was not receiving written reports from participating departments. Those departments did make verbal reports in meetings but some

departments did not report at all in the almost two-year time period that we audited. And the content of the report varied. Without written reports, the lead department cannot monitor progress or assess whether further coordination may be required.

We encourage the government to continue to strengthen its planning and reporting processes for these multi-department strategies. Better planning and reporting processes will strengthen accountability. We expect central agencies to be accountable for broad government planning and reporting processes.

We've made other recommendations in other reports and we will not repeat them here. As noted at the beginning of these comments, the government has recently improved its planning guidelines for cross-government strategies that involve many departments and we anticipate this may help. We do recommend that the department obtain regular written reports from all participating departments about their action toward common goals. The department needs these reports to assess what is done, what is not done, and what requires more coordination. Written reports will also help the department to report the actions and results to the cabinet and to the public.

We're pleased to note that in early 2002 the government directed that departments, the participating departments, annually provide reports of their activities and results to the Department of Intergovernmental and Aboriginal Affairs. The department recently received its first set of written reports.

Thank you, Mr. Chair, for the opportunity to speak to the standing committee about this important government strategy. We hope our recommendation will help strengthen the effectiveness of lead departments in all government-wide strategies that have to coordinate action across government agencies in order to reduce accountability risks.

**The Chair:** — Good. Thank you very much, Ms. Knox. Mr. Cotter, I guess we'll begin with probably part 8 and your comments on part 8A.

**Mr. Cotter:** — Thank you, Mr. Chair, and to the Provincial Auditor and his staff both for the reports and the presentations.

I'd like to be able to respond to the recommendations in both presentations and both parts of the report, but I would say more generally that the work of the auditor in this report highlights and focuses on one of our greatest inherited challenges, the challenges around the First Nations Fund, and on one of our most significant achievements, the Métis and off-reserve First Nations strategy — a nationally recognized strategy. And I think it's therefore appropriate that we are working at kind of two ends of the same spectrum in relation to Aboriginal people with respect to the work the auditor's done for us all.

With respect to the set of . . . all of the recommendations that have been shared with you and with us by the auditor, we concur in all of them. And I would like to speak briefly to each of them and to indicate steps that have been taken and are in the process of being taken to address the shortcomings or the expectations of government and the people of Saskatchewan with respect to the use of their/our money.

First with respect to the recommendation that the department should supervise the trustees of the First Nations Fund to ensure that the trustees spend public money with due care in accordance with the legislation, as I said, the department concurs in that recommendation.

I can just offer you a little bit of background with respect to this. As was identified in the presentation, the Department of Intergovernmental and Aboriginal Affairs received this set of responsibilities partway through the year 2000, partway through the year for which this audit report is relevant. We had a series of meetings early on with the FSIN under, and with Jack Hillson, the minister for Aboriginal Affairs, as he then was. But following, I think, the work that we received from the Provincial Auditor we have been able to take some more substantial steps since. Several measures in fact have been implemented.

Payments to the First Nations Fund were delayed until the Provincial Auditor's office received access to audit the fund. The minister of Aboriginal Affairs in the fall of 2001, Minister Lorjé as she then was, met with Chief Perry Bellegarde in June of 2001 to discuss issues related to the fund and to seek a commitment to have the fund develop accountability measures. The FSIN has formally . . . at that time formally requested to provide copies of regular reports to the department and they have now . . . and they now require First Nations bands to submit regarding the expenditure of money they receive from the First Nations Fund.

Beginning in 2000-2001, that is before the end of the fiscal year for which this audit report is relevant, the fourth quarter payment to the First Nations Fund — that is, an apportionment of that total quarterly payment — was withheld to recover funds previously spent by the Saskatchewan Indian Gaming Authority which were considered to be inappropriate and without authority. And these deductions, as you will probably know, will continue against each quarterly payment for a total of two fiscal years until the total amount is fully recovered.

In June 2002, as you know, the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations entered into a new 25-year gaming agreement. Among other things it establishes a First Nations trust and in the trust indenture identifies purposes for which the funds paid from the trust can be expended and contains a series of accountability measures, in many respects guided by the perspective that the Provincial Auditor has brought to this file.

Let me list a few of them: the trustees shall participate in training to allow them to fully understand and fulfill their obligations under the trust indenture; trustees shall develop and maintain a fair and equitable method of allocating money pursuant to the trust; trustees shall ensure that any payment made from the trust is only for the purposes intended; trustees shall require recipients of payments to provide annually a report that demonstrates that all money received from the trust was used for the purposes intended; trustees shall maintain adequate records of all transactions and shall prepare financial statements; an annual audit will be conducted by an auditor acceptable to the trustees, the FSIN, and the Government of Saskatchewan; trustees shall prepare an annual report, including audited financial statements, a statement of risk management

practices of the trustees, and compliance with such practices as well as a list of all recipients of funding and the amount each has received.

Trustees shall provide to the government copies of the auditor's management letter and their response, audited financial statements, annual report, auditor's reports upon request, and access to reports submitted by beneficiaries.

Furthermore, and in an effort to I think guide our work with respect to the relationship of providing a provincial kind of oversight of the First Nations Trust as well, we have been working with the Department of Finance and with the Saskatchewan Liquor and Gaming Authority to put in place a set of accountability responsibilities for the First Nations Fund that would be administered by the government.

This work has been undertaken in the last four or five months and the Provincial Auditor is being consulted with respect to whether we have that accountability regime sound and in place, and we will ask the Provincial Auditor to review the final accountability process approach that we intend to implement.

If I may go on to further of the Provincial Auditor's recommendations in relation to the First Nations Trust and trustees, mostly related to accountability, that is the recommendations that the trustees should establish rules and procedures with respect to the use of money; trustees should ensure that all payments comply with the law, the annual report requirements, etc. Once again I think, as I indicated, we concur with respect to these recommendations.

Progress noted in the Fall Report. I think as you heard again, Minister Lorjé met with Chief Bellegarde to discuss issues related to the mechanisms by which, and the commitment of the trustees to have the fund develop accountability measures. The Chair of the trustees in 2001 in the summer sent a letter to all First Nations advising that money received from the First Nations Fund could only be used for specific purposes as set out in a letter and consistent with the Act.

Trustees passed a motion directing staff of the fund to request appropriate work plans and budgets for those institutions and programs receiving funding. The FSIN passed two motions in September 2001. One reads that the board members are to be replaced by non-elected, non-political appointments of individuals who have appropriate and relevant business backgrounds. My understanding is that that has happened.

The second reads that they support the board in developing and implementing a process of accountability. I would just stop here and say parenthetically that I think the First Nations Fund Board of Trustees has taken the set of expectations of not only the auditor but the provincial government quite seriously.

Management has developed and recommended an accountability process — firstly that the trustees and individual First Nations sign agreements to confirm that money was spent on specific purposes and that the mechanisms are in place to deal with non-compliance; a separate schedule of . . . within the financial statements can specifically state what the money was spent on, and the trustees would develop a policy to address and outline actions taken in cases of non-compliance.

Management indicated that it intends to publish an annual report that will include some of the information just described. As the auditor states in his report, these steps are encouraging but the accountability process must be further strengthened, and the document to which I referred indicates the efforts that we are undertaking to try to achieve that.

If I could turn for a moment to the second of the presentations with respect to the Métis and off-reserve First Nations strategy or a Framework for Cooperation. Once again, as I indicated earlier, the department concurs with the recommendations and in particular the recommendation regarding receiving regular written reports with respect to the goals and the process . . . progress being made in the implementation of the department components of the 12-government, cross-government strategy.

This has been fulfilled. And quite frankly I would say quite explicitly this recommendation was a benefit to the strategy and a benefit to our ability to . . . I think as Jane kind of indicated, lead departments have a bit of a challenge in the sense that the structure of accountability in governments is necessarily I think within — and particularly with respect to financial accountability — is within departmental budgets and structures. So working across those structures and getting the necessary information to ensure that a cross-government strategy is being successful is something of a challenge.

So the recommendation here and by the Provincial Auditor has been of assistance in tightening up those reporting and communication processes, and I'm pleased to report that this spring we received written reports on progress on departmental initiatives from all departments participating in the strategy.

We now have a model of what we call critical analysis that tries to make an assessment of whether the work that is being done by departments truly does support strengthening the economic and social circumstances of Aboriginal people. And pursuant to that exercise, the written reports on progress and the value of their work was helpful in focusing our efforts with respect to the strategy.

I think what you will see in the coming months and years is more quality reporting on whether we are achieving the targets and objectives and with specific performance measures that have been set out by departments and adopted by the government and for which we will be reporting regularly, including in our annual report.

I know there may be some questions and other observations and I'd be pleased to stop there, Mr. Chair.

**The Chair:** — Great. Thank you very much, Mr. Cotter. Okay we've had an overview from both the auditor's office and from the department regarding both of the sections 8A and B, and I guess we'll open it up for comments or questions on the entire package. Seeing no comments and questions, let's go directly to the recommendations.

**Ms. Atkinson:** — Ms. Draude has some questions too. I'm not going to look at the fund questions. I want to look at the overall strategy and Framework for Cooperation.

First of all, I have these observations. I think the Provincial



Auditor has done good service to the people of this province by indicating that we need to receive regular written reports and that is a . . . and the analysis that was provided in the Provincial Auditor's report I think is really helpful as we move this piece along.

The second observation is a congratulatory note for all of the people who have worked on this piece since 1997. There's been a lot of work done, lots of committee meetings, and lots of engagement with the Aboriginal community and the public. So I want to congratulate all of the people who did this work because I think this is probably the most important piece of work that we can do given the change in demographics of the province.

I guess I'm . . . When you say there were some written reports that were provided this spring, how are we doing in terms of meeting some of these targets, benchmarks, in terms of progress?

I'm thinking of infant mortality amongst Aboriginal people. I'm thinking about high school completion. Do we have any information into health status — diabetes? Because I know there are a number of benchmarks that were targets that were identified in the work and I'm just wondering is there anything that can be reported that is positive?

**Mr. Cotter:** — With respect to the strategy overall, some of you may know that in the consideration of 132 submissions regarding innovative management strategies across the country, the Métis and off-reserve First Nations strategy received the silver medal having come second among those 132 submissions this summer. I think if we had been able to have acted more effectively on the auditor's recommendations a little bit earlier, we might have come first. So we'll try and . . . It's a terrific strategy but it can be better.

More specifically in terms of outcomes, some of the data that we would be looking for in measures we extract from Statistics Canada, for example. So we only obtain that periodically. And with respect to the three that you have identified, I'm hoping that we are making progress in those but we don't have specific data with respect to them.

In the places where we do have specific data that I think are fairly significant, we are making progress with respect to employment development. And we are seeing a growth in the numbers of Aboriginal people working and finding jobs, and I don't want to be too overly optimistic, but retaining jobs, which is equally important.

And while we have real reservations about whether we are making progress on high school completion, we are seeing significant numbers of Aboriginal people in post-secondary training. For example, the number of . . . the percentage of students at the University of Regina who are Aboriginal is 12 per cent; percentage of students who are at the University of Saskatchewan is 11 percent; and the percentage of students who are in training programs, post-secondary training programs — whether it's SIAST (Saskatchewan Institute of Applied Science and Technology), Gabriel Dumont, Saskatchewan Indian Federated College, SIIT (Saskatchewan Indian Institute of Technologies) — is 18 per cent.

Now that is a combination of kids who are finishing high school and adults who are coming back to those programs as mature students. That's — if I can describe it — a combination of draft picks and free agents. It's not sustainable if you can't make sure that the draft picks is a significant number of folks. And that's the high school kids graduating and continuing on. So we have to strengthen that base, but the combination is quite encouraging in the post-secondary dimension.

The health measures are awfully important. We have a series of strategies around early childhood development that we will think . . . will address more effectively those base measures like reducing fetal alcohol syndrome, fetal alcohol effect. But it's too early and we don't have access to the measurement data yet.

**Ms. Draude:** — Thank you, Mr. Chairman. And I also would like to add my congratulations to everyone who is making this very important issue work. I know it was a contentious a while ago and now it seems like everyone is on the same page, so that's great.

I have a couple of questions. First of all, I know that not all the bands in the province are a member of FSIN. So I'm wondering if any of the bands that aren't members are eligible to receive funding from the First Nations Fund?

**Mr. Cotter:** — I don't have that at my fingertips but my understanding is no. We can confirm that for you though. And I believe one of the bands who is a member has declined to receive payments. Here I'm operating from a memory of a development of perhaps 18 months ago, but I would need to go back and confirm the details of that.

I don't have at my fingertips the rule for FSIN distribution, but I would be very surprised if non-FSIN members are recipients since the process of distribution to the bands is through the trust and in . . . pursuant to the agreement with the FSIN.

**Ms. Draude:** — So in the 25-year agreement that's recently been signed, does that eliminate the opportunity for people who are . . . for the bands who are not currently a member of FSIN to receive funding? Is it . . . Maybe you don't have that answer . . .

**Mr. Cotter:** — I don't have that one at my fingertips.

**Ms. Draude:** — Okay my other question is I . . . this intersectorial collaboration that we're talking about is something that every department has been working towards and the initiative is great. But now the information that you're talking about is information that we also hear about in Learning and in Health and that's important that everyone knows what's going on, but who do you determine who's taking the lead here? Who is the one that's going to be taking the ball, and should we be able to ask every department every question, or how are you defining it?

**Mr. Cotter:** — Well I think you should ask every department every question on these files. We are, quite frankly, championing this cross-departmental initiative with respect to Métis and off-reserve First Nations people. And what we have been trying to do is to get departments to believe that this is not just an attachment, a carbuncle to their regular work. In

Saskatchewan, this is their regular work.

So in partnership with us, if you are able to hold departments to the mark in producing those achievements, we will do overall better. It is hard to remember in department land to do everything that you're signed up to do. And, you know, we worry that the conventional thinking is that we are the Department of Health or the Department of Education; we don't think of ourselves sometimes as the department of Aboriginal health or the department of Aboriginal education.

The way in which the work gets done and the performance achievements are parcelled out is that they are very specifically in the sectors. So the Health department is the department that is expected to produce the health results and report on how we're doing on the items that Ms. Atkinson spoke about.

With respect to employment development and employment achievements, part of that is the work that might get done in the Department of Learning or the Department of Social Services since it takes the lead in trying to get people, for example, off welfare into the workplace.

In our case, we are responsible for an Aboriginal employment development agreement which has a series of partnerships with private and public sector employers. And we have measures and standards with respect to those programs that are expected to achieve success in seeing Aboriginal people become employed, being able to compete for job openings without quotas but in ways that we try to connect potential candidates with the employer, and then have the employer work to make the workplace receptive to Aboriginal people working there so that we can strengthen retention. We think we are accountable for that program as opposed to somebody else.

But what might be being done in terms of the success of getting not just Aboriginal people but Aboriginal and non-Aboriginal people to be able to make a transition from welfare to work, that's a good question to ask the Department of Social Services. I think they're doing pretty well, but they're the ones who need to answer that one, I think. We ask them and we expect them to provide the reports on how well they are doing, but you should ask them too.

**Ms. Draude:** — Just one last question. So then, does this mean that every month or quarterly your group of 12 different departments get together and submit a report to each other or is one report written from everyone together or is someone expected to combine reports?

**Mr. Cotter:** — We meet monthly or so. Mary Tkach heads this up and we meet monthly with all of the departments who are part of the strategy.

We don't get monthly reports but we get periodic reports and the auditor was wise in saying we should get annual written reports on progress toward those goals which then we roll up for a government-wide report. We don't . . . We are only able to kind of champion the work that gets done in other departments, but this puts in place a more formal form of accountability for those successes and ultimately for the success of the program.

**Mr. Goulet:** — Just a commentary in regards to the overall

strategy. When I was looking at it on the Framework for Cooperation and when I looked at the impact, when you mentioned, you know, the aspect of social services, you know, even on the Northern Affairs side, the social services rates had dropped by 30 per cent, you know, over the past so many years. But some of the key aspects as I was, you know, travelling the province recently, we were . . . a lot of people are talking about the tremendous need on the evolution and the development of science and technology, you know, the idea of business development and the management systems as we're talking about accountability and so on. And could you make a commentary on that?

**Mr. Cotter:** — Our experience, I think . . . Let me just start just demographically, if I can. Aboriginal young people are leaving undergraduate or at least high school education in the area of the hard sciences to a greater extent than non-Aboriginal kids. So they're dropping math and science and precluding themselves from significant employment opportunities and often employment opportunities that have quite promising levels of pay and often are a transition into sort of the modern economy businesses and the like, even small businesses. That's a worry for us. It's also the case that this problem exists both on- and off-reserve.

What we have been trying to do in promoting this, less from a learning point of view and more from the point of view of employment in the new economy, is promoting in the schools the consequences, the adverse consequences of dropping out of math or science because of the kinds of jobs and careers it precludes you from.

So for example, we have a document that we distribute and try to promote to the schools that lists the 100 jobs that you can never get if you don't get high school math, to try to get the attention of people to — these are not mine; these look like a whole department — to try to get Aboriginal kids to realize that, golly, they will be shutting the door to a number of areas if they don't, if they don't continue and sometimes struggle but get support to succeed in the harder sciences.

And if you look at the university experience, while it is beginning to change, the Aboriginal people are well represented in many of the humanities and social sciences and in the professional discipline like law, but not as well represented in the hard sciences and the professional schools like, you know, medicine and dentistry and engineering. And the base of science and technology is crucial for that, and it's crucial for a representative society to see people of all races and all cultures participating in all aspects of work and life in the society. Thanks.

**The Chair:** — Okay. Thank you, Mr. Cotter. As I indicated on chapter 8A, we have five recommendations to deal with. They're found on pages 197 to 213. I turn your attention to recommendation no. 1 on page 200 and the top of 201. Yes, Ms. Junor, question?

**Ms. Junor:** — Concur and note progress.

**The Chair:** — Okay. Concurring and noting progress. Any questions? All those in favour? Carried.

Recommendation no. 2 is found on page 207. I think same . . . similar comments from Mr. Cotter about concurring and noting progress. Ms. Atkinson, thank you, so moved. Any discussion? All those in favour? Carried.

Recommendation no. 3 is found on page 210.

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

**The Chair:** — Moving concurrence and noting progress on recommendation no. 3. Any discussion? All those in favour? Carried.

Recommendation no. 4 is found on page 211.

**Ms. Junor:** — Concur and note progress.

**The Chair:** — Okay. Concurrence, noting progress on recommendation no. 4 as well. Any questions? All those in favour? Opposed? Carried.

And recommendation no. 5 at the end of page 212 and 213.

**Ms. Atkinson:** — Concur and note progress.

**The Chair:** — Concurring and noting progress there as well. Any question? Seeing none, all those in favour? Carried.

Recommendation found in chapter 8B. There is one recommendation for you to deal with that's found on page 220, regarding the Framework for Cooperation.

**Ms. Junor:** — Concur and note progress.

**The Chair:** — Concur and note progress. Any questions? Seeing none, all those in favour? Opposed? Carried.

Thank you very much for the officials from the auditor's office and to you, Mr. Cotter, and your officials for being present and assisting us. And I understand that an official will be present for the next chapter dealing with Municipal Affairs?

**Mr. Cotter:** — Mary Tkach is going to leave and Russ Krywulak is going to join us, but Wanda Lamberti will continue. She is the executive director for finance for this part of our department as well.

**The Chair:** — Okay. Thank you.

### Public Hearing: Municipal Affairs and Housing

**The Chair:** — Okay, if I could have your attention please, and if I could refer you to the 2002 Spring Report, chapter 13. And if you'll look at the information that we have to deal with in this chapter, there are a number of topics that are now responsibilities of different departments: Saskatchewan Housing Corporation, the Saskatchewan Archives Board, and of course the provincial-municipal infrastructure program.

So we're going to deal with the topics that are relevant to the officials from your department, Mr. Cotter, first.

**Mr. Cotter:** — Thank you very much. And I'm presuming then

that Ms. Durnford might introduce herself and her officials when you come to her share.

**The Chair:** — That's correct. But we'll deal with . . . for the benefit of our committee members who need to know why we have so many visitors this afternoon when we thought we were dealing with one part.

**Mr. Cotter:** — It's not really your fault that we're now divided up like this.

**The Chair:** — We appreciate all the input. Thank you very much. I'd ask Ms. Ferguson to make the presentation on behalf of the auditor's office on the first part of the afternoon.

**Ms. Ferguson:** — Thank you, Mr. Chair, members, and officials. As we've just discussed, this has been a department that's been subjected to a lot of change in the last couple of years.

In the chapter before you, just one thing that I want you to note is effective February 8, 2001, cabinet transferred the responsibilities for sport, recreation, and culture from Municipal Affairs and Housing into a new department called Culture, Youth and Recreation. So there's a bit of a stub year in the chapter that's before you.

And then effective April 1, 2002, as was just alluded to, the department was disestablished by cabinet. And its programs, although they continue, are now divided amongst four different departments. And I'm just going to walk you through that a little bit. And maybe if you have your table of contents before you, then you'll be able to piece who belongs to what a little bit.

The municipal programs were amalgamated with those of Intergovernmental and Aboriginal Affairs to form Government Relations and Aboriginal Affairs.

The housing programs, which includes Sask Housing, is now the responsibility of the Department of Social Services.

The provincial libraries, which is referred to in the report, is now the responsibility of the Department of Learning. And the various public safety programs are now the responsibility of Corrections and Public Safety.

So before you there's matters that deal with the new Department of Government Relations and Aboriginal Affairs, the infrastructure program there. So Sask Housing will be the responsibility of Social Services, and then the provincial libraries point is the responsibility of Learning.

This chapter focuses on our 2001 audits of the department and the seven special-purpose funds and Crown agencies for which it is responsible. On page 130 provides a listing of those funds and agencies. In this chapter we make one new recommendation and provide you with the status of previous recommendations discussed with this committee and agreed to. For the year ended March 31, 2001, the department had revenues of 20.2 million, of which 12.1 related to lottery licences. It had spending of 181 million.

On page 132 we set out our conclusions and findings. We report

that the 2001 financial statements of the seven funds and agencies were reliable. The department and these funds and agencies had adequate rules and procedures to safeguard and control these assets except for the matters reported in the chapter. And the department, funds, and agencies complied with the laws except for the matters reported in the chapters.

On pages 133 to 134 we note that the department is making good progress in implementing two of the three recommendations. It continues to improve its annual report. In addition, library boards have agreed to prepare their financial statements in accordance with generally accepted accounting principles and provide additional information that will show how they have spent the money provided by the department. This will help the department determine if the library boards spend the money as expected. Now that's the Department of Learning.

On pages 134 and 35 we note that department . . . note that for the year ended March 31, 2002, the department needs to do additional procedures to make sure its payments of 9.2 million to the municipalities under the provincial municipal program were spent as required by law. You may wish to ask the Department of Government Relations and Aboriginal Affairs of changes they have subsequently made to that program to correct this problem.

On pages 135 and 136 we note that the Saskatchewan Archives Board continues to receive administrative services and office space from the university without an agreement. An agreement is necessary to make sure each party understands and fulfills the responsibilities and legal obligations. The agreement should set out the board's right to access accounting records maintained by the university on its behalf, its confidentiality needs, and rules and procedures necessary to safeguard and control its assets.

We have discussed our concern with the committee in the past — in 1998 and again in 2001 — but unfortunately the board has been unsuccessful in entering into an agreement with the university on this matter.

On pages 136 to 138 we focus on our findings at the Saskatchewan Housing Corporation. In September 2001 the committee reviewed our concern that legislators and the public did not receive sufficient financial information about the corporation's housing authorities and territories. The committee asked the corporation to consult with our office on alternative methods of providing this information to legislators and the public.

In 2001 management in our office provided a proposal that would address this committee's concern. As a result of these consultations management has included, as an insert to its annual report, a schedule. This schedule shows the assets, liabilities, and revenues and expenditures as reported in each of the authorities' and territories' audited financial statements. In addition, the schedule includes a notice indicating that audited financial statements for each authority or territory is available from the corporation upon written request. Our recommendation on page 138 reflects this process.

That concludes our comments on this chapter and we'd be pleased to respond to any questions.

**The Chair:** — Okay. Thank you very much, Ms. Ferguson. As indicated, the comments have been made on all aspects of Chapter 13 which is various departments. And I guess, Mr. Cotter, we'll deal with the section that's relevant to your . . .

**Mr. Cotter:** — Thank you very much. I think there are two recommendations relevant to that part of the former department that now resides in Government Relations and Aboriginal Affairs, one in relation to improvement to its annual report. The department concurs in that recommendation and in the view that improvements should continue to be made to the report to reflect the strategic direction of the department.

Since the restructuring of the department on April 1, 2002, one of the initiatives we took was to try to reshape the nature of the annual report related to Municipal Affairs more in line with the strategic direction and including to try to build the response to the report around the goals of the department and more particularly, in this instance, the goals related to Municipal Affairs. We think we have at least begun that process.

We are in the process of redoing a comprehensive strategic direction for the merged department which will again have a more strategic focus than in the past. And I think in the further work and the next annual report of the merged department, you will see an even more focused annual report that will be more useful to you and more useful to those citizens of the province who read these annual reports to like to know whether or not we are doing effective things with their money.

Not everybody reads these annual reports. They aren't the most riveting reading, but we're trying to make this slightly less boring and a little more meaningful in the future. The people who do the hard work on that might find that a little uncharitable but you get my sense of it, and we're trying to strengthen that for your and everybody else . . . other readers' purposes . . . (inaudible interjection) . . . Enjoyment, yes. Trying to make you not be able to use it for insomnia.

The second recommendation related to improvements to procedures related to the provincial-municipal infrastructure grants program. This is the grants program to municipalities. As you will probably know, this program no longer exists and it has been replaced by Canada-Saskatchewan Infrastructure Program which is a three-cornered partnership of the federal, provincial, and participating municipal governments.

I'll just say a word about that in a moment, but I did want to tell you what we have done in relation to the auditor's recommendations in relation to the provincial-municipal program. As I said, we concur in the auditor's recommendations and we have . . . we took the following steps in relation to this. In fact, Russ and his colleagues did . . . this work was done prior to the merger of the departments.

Firstly, arranging for inspection of all rural road projects to ensure that the project construction was consistent with the work approved and that it was completed and then releases signed off by the department.

Conducted visual spot checks of other projects to ensure that the funding that was provided was used for the projects consistent with approvals.

Involved the department's northern staff in the delivery of northern water and sewer projects approved under the program so that the department would be fully and directly acquainted with the decision making and achievements in relation to northern water and sewer.

Performed audits on 12 projects funded under the provincial-municipal infrastructure program. Identified problems with one of those projects and resolved those problems to the satisfaction of the department, and is preparing an audit report that will be made available to the Provincial Auditor with respect to this work.

The program terminated at the end of March 2001 and was replaced, as I said, by the Canada-Saskatchewan Infrastructure Program. This program has three partners and in the design of this program, the Provincial Auditor, his office, and the Auditor General, were consulted prior to the implementation of the program to ensure that the kinds of concerns expressed in relation to the provincial-municipal program — the predecessor program — were addressed in the design by which Canada-Saskatchewan Infrastructure, CSIP (Canada-Saskatchewan Infrastructure Program), services and funding is provided.

So we think we have a sound accountability structure for the Canada-Saskatchewan program supported by advice we've received from our own auditor and also from the Auditor General of Canada, who has a similar interest and expectation since federal government funds — and usually about one-third — are provided under CSIP.

So that's where we stand. Again I think we made . . . we took the recommendations of the auditor seriously, have tried to address those and adapt that advice into the new programs that we are now managing under the CSIP program. Thank you.

**The Chair:** — Thank you, Mr. Cotter. Are there any questions of Mr. Cotter and/or Ms. Ferguson regarding the first section that we've just talked about?

Since there are no recommendations for that, I want to thank you, Mr. Cotter, and your officials. And if you could, if you could excuse yourselves from the tables, we'd appreciate that.

And I'd like the representatives that will be here from the Department of Learning who will be responsible for libraries and the Government Relations representative dealing with the Archives Board — I guess that would be Mr. Powell? — if you could come forward to the table because both of those sections do not have recommendations as well. And there may not be any questions but for the record of Public Accounts . . . Ms. Stonehouse, would you introduce your official as well.

**Ms. Stonehouse:** — I'd be pleased to do that. With me is Joylene Campbell, the provincial librarian. I'm Lily Stonehouse, the assistant deputy minister in Learning. And George Meredith, our acting director of financial planning, may arrive.

**The Chair:** — Thank you very much. And I want to also introduce Mr. Trevor Powell who's responsible for the Archives Board as well. Now for members, now that the officials are

before you, are there any questions dealing with the information presented to you on the sections in the report on libraries or the Saskatchewan Archives Board? Thank you very much.

**Ms. Stonehouse:** — Thank you.

**The Chair:** — And now the Saskatchewan Housing Corporation is our final section to this chapter which is now under the . . . within the guidance I guess of Social Services. And I'd ask Deputy Minister Ms. Durnford to introduce your guests. And welcome this afternoon.

**Ms. Durnford:** — Thank you, Mr. Chair. My name is Bonnie Durnford and I'm deputy minister of Saskatchewan Social Services. I'm joined on my left by Darrell Jones, who is the assistant deputy minister for Saskatchewan Social Services and president of Saskatchewan Housing Corporation. And Don Allen on my right, who is the executive director of our financial services area.

**The Chair:** — Good afternoon and welcome to both of you. The section on Saskatchewan Housing Corporation is found on page 136 to 138. And we have already heard from the auditor's office the response to the Saskatchewan Housing Corporation. And I'd ask Ms. Durnford for comments. There is one recommendation that deals with this department, if you have any comments.

**Ms. Durnford:** — Yes, thank you, Mr. Chair. I'm very pleased to say that we have been able to comply with the Provincial Auditor's recommendation. The corporation has provided to the Legislative Assembly, as an insert in its 2001 annual report, a schedule consolidating information reported in housing authorities' and territories' audited financial statements for the year ended December 31, 2001, and we will continue to provide this schedule on an annual basis. So we are pleased that we were able to work with the auditor's office in coming to a mutually satisfactory conclusion on this one.

**The Chair:** — Great. Thank you very much for that update. And questions of Ms. Durnford or Ms. Ferguson?

Seeing no questions. I turn your attention to page 138 and we have a recommendation there. So are there any questions? No questions.

**Ms. Junor:** — I move we concur and note progress . . . (inaudible interjection) . . . Oh, compliance.

**The Chair:** — Ms. Junor has noted that we would concur with this recommendation and note compliance. Are there any questions? Seeing none, all those in favour? Carried.

Thank you very much for coming and assisting us this afternoon.

Okay, committee members, and officials from both the auditor's office and the comptroller's office, that brings us to the end of our agenda for today. I want to thank you very much for your participation.

And we are limited in terms of the number . . . of the amount of work that we have left; it's down to a very minimal. Justice has

reported that we will not deal with that section until we hear again from Justice. And we'll hear again from the Provincial Auditor in the way of a new report. So we're done for the short while — the short while, yes.

So thank you, and Merry Christmas and all the blessings of the holiday season come December.

The committee adjourned at 14:55.