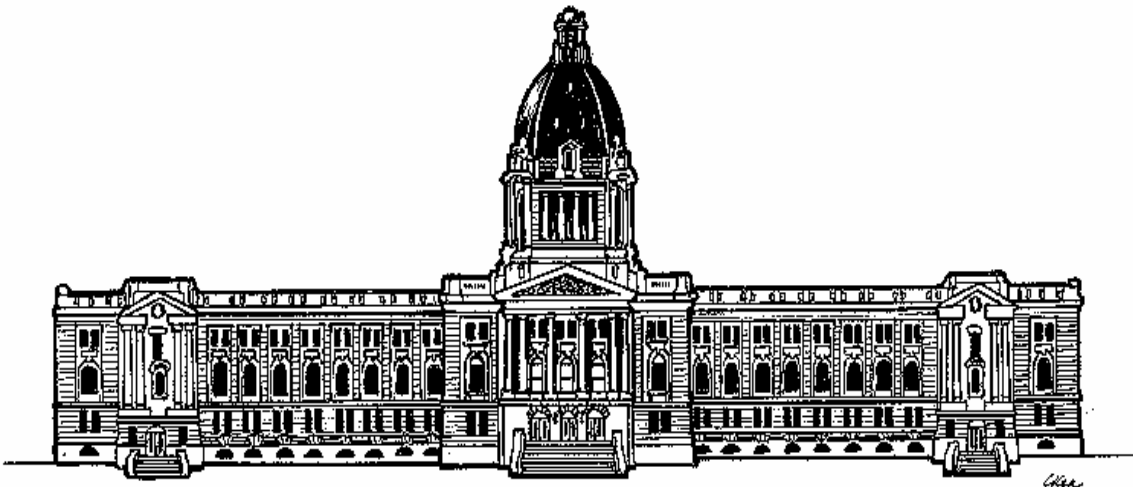




STANDING COMMITTEE ON PUBLIC ACCOUNTS

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2004**

Mr. Elwin Hermanson, Chair
Rosetown-Elrose

Mr. Lon Borgerson, Deputy Chair
Saskatchewan Rivers

Mr. Glenn Hagel
Moose Jaw North

Mr. Glen Hart
Last Mountain-Touchwood

Mr. Ken Krawetz
Canora-Pelly

Mr. Kim Trew
Regina Coronation Park

Mr. Kevin Yates
Regina Dewdney

The committee met at 09:00.

The Chair: — Good morning, ladies and gentlemen. We will call the Public Accounts Committee to order. I'd like to welcome committee members back again for the second day of a two-day session to try to clean up a number of items that have been on our table for quite some time.

I'd like to welcome again Fred Wendel, the Provincial Auditor, and his staff; Terry Paton and the Provincial Comptroller's department. And we have witnesses first off this morning from the Information Technology Office.

But before we get into the meat of the day, I'd just like to remind everyone that from time to time we are given information or request information. If you don't get something, please contact myself or Margaret Woods, the Clerk. For instance, we've got a detailed payee disclosure policy change from Terry Paton on July 7. We've got other Department of Finance documents from July 29. And we also have documents from the Saskatchewan liquor and gaming association dated September 22. These are all tabled, but if for some reason you wonder what happened to them and didn't get a copy, they are certainly available and we'll do our best to make sure that you have that information.

Secondly, four MLAs (Member of the Legislative Assembly) were privileged to attend the Canadian Council of Public Accounts Committees conference in Fredericton, New Brunswick the last about three days of August — Lon Borgerson and Andy Iwanchuk from the NDP (New Democratic Party), and Glen Hart and myself from the official opposition Saskatchewan Party.

I thought it would be appropriate if we just took a couple of minutes to report to our colleagues our impressions of that conference. Lon, I wondered if you might want to share first — try not to make it too lengthy — and then I'll ask Glen if he would follow up, and I'll have a couple of concluding remarks.

Mr. Borgerson: — Well a couple of minutes, Mr. Chair; I'll try to keep within the time. It was, for myself as a new MLA and as a new member of this committee, it was . . . Probably the most important part of the conference in Fredericton was just to get a context for the work of public accounts committees across the country. There were representatives of the PACs (Public Accounts Committee) from all of the provinces and territories, as well as representation from Bermuda, and in fact an interesting panel that involved representatives from Quebec, Alberta, BC (British Columbia), as well as from the federal government.

If I had one regret, it was that Sheila Fraser wasn't there from the federal government. I was interested in hearing her comments on the sponsorship scandal. I think as much as we all try to do good work, incidents such as the sponsorship scandal in the federal government unfortunately reflects on the work of all of those who work in government, and so there was some discussion of that particular issue there.

I found it interesting that there were a number of differences in terms of the public accounts committees across the country, in

terms of membership, how often they meet, the manner in which they meet.

There were certain areas that were similar. A member of the opposition I think chairs the public accounts committees in pretty well every jurisdiction. They deal with many of the same issues. And I think if there was a common thread that came from all of the public accounts committees it was this, that their best work is done when the members of the committees operate in a non-partisan manner and set aside the political differences and focus on the good work of looking at the work of government and serving the people of their province or territory.

There were two particularly interesting sessions, one on generally accepted accounting principles or GAAP, which was a presentation by Jenny Kwan from British Columbia who was in the unusual situation of chairing the Public Accounts there as one of only two members of the opposition NDP. And perhaps with a little bit of bias, I felt that that was the most interesting presentation of all, just simply because of the enthusiasm and commitment that she has to GAAP. Although I must admit, with apologies to the auditor and the comptroller's office, that numbers usually put me to sleep. So it was a very good presentation.

There was a presentation, health accountability, which demonstrated I think that no matter what your political persuasion, health care costs are a concern right across the country.

And there was a presentation on public performance reporting which I found interesting because I realized, in the course of that presentation, that our Provincial Auditor has in fact been moving us in that direction. All you have to do is take a look at one of the Finance chapters later today and see the number of times he has used the word results. I counted 13 or 14 in one page alone. And of course, it is . . . performance reporting is a results-focused type of public reporting.

And I must say I enjoyed the opportunity to have conversations with my colleague, Andy Iwanchuk — in the course of our work we rarely have a chance to sit down and talk about things — and very much enjoyed the discussions I had with Mr. Hermanson and Mr. Hart, reminding each other all the time that we may have political differences but, darn it, we're from Saskatchewan and that's what comes first.

Okay. Ultimately it was I think very helpful for all of us in terms of doing our work for the people of Saskatchewan.

I'm sure I used up my two minutes, so there you go.

The Chair: — Thank you, Lon. Excellent report. Glen Hart.

Mr. Hart: — Thank you, Mr. Chair. Well I think Mr. Borgerson probably covered most of the ground, but I certainly would agree with most of, in fact all of his statements. It was certainly a worthwhile conference. Being the first conference I've had the opportunity to attend, I found it very informative, very worthwhile.

The sessions were for the most part, you know, educational. It certainly gave you an indication as to where Saskatchewan stands in relation to other jurisdictions. We maybe aren't at the top, but I don't think we're at the bottom either. I think by and large we have a fairly effective Public Accounts Committee. There are some provinces that have perhaps taken the lead, and particularly in the generally accepted accounting principles. I think that's an area that this province is moving towards and we need to get there.

I feel what we heard from those provinces who have gone that route and where the financial statements reflect all areas of government operation, it removes the debate from whether the financial statements actually reflect reality because if you're using generally accepted accounting principles, the facts are the facts. And so there is no debate around whether they are actually the facts, and I think then you move on.

And, as Mr. Borgerson said, the next step is the way you use this information to report to the public. And there is research — and that is the new initiative on the horizon — to use the facts to report accurately to the public so that the citizens of the province have a true indication of where we are financially. And so, you know, as I said, I found the conference very useful.

I must add that the host province of New Brunswick did an excellent job of hosting us. They treated us royally; absolutely no complaints. I have nothing but praises for the way the conference was put together and so on. And I think the interaction with other representatives from other jurisdictions was very useful. So again I would just like to thank the committee for having the opportunity to attend the conference.

The Chair: — Thank you, Mr. Hart. Mr. Borgerson and Mr. Hart have done such a fine job of describing what happened at the conference, there isn't much left for me to say that would be new information.

I will report that the auditors also meet at this conference in a separate association that joins in with the Public Accounts Committee members on some of the sessions, as well as Clerks from the various provinces and territories attend the conference. And I think that adds a stronger, more positive dimension and better interaction, as it sort of fills things out to a larger degree, and I think makes the effort more profitable.

I will concur with my colleagues that the generally accepted accounting principles was really driven home, that every province, territory, the federal government needs to fully embrace that. Saskatchewan's not leading in that area, so we are . . . We have made some progress such as moving to summary financial statements, something my colleague from Canora-Pelly has been harping on for quite some time. And it's good to see Saskatchewan making some progress in that regard.

The other issue was also generally accepted reporting standards, so that you take the information and you deal with it in a systematic, thorough way so that the information is accurately and thoroughly reported to the public and to groups such as the Public Accounts Committees.

As was mentioned, the federal presence wasn't large at this conference because their new Public Accounts Committee had

not been appointed post-election. So not only did we not have Sheila Fraser there, but we didn't have federal representatives at the conference.

I would join with Mr. Hart in suggesting that the hospitality was excellent. People in New Brunswick fed us lobsters and mussels and wined and dined us, picked us up at the airport, went out of their way to make sure that we were given all of the resources that we needed and that we were assured that we were welcome in their province. And for that we were particularly grateful, and it made our stay very, very enjoyable. And so best wishes to those of you who will have the opportunity to go next year. It's certainly an opportunity that you'll want to take.

Now getting on with the agenda for today. Our first item is the Information Technology Office, and we have the chief information and services officer, Don Wincherauk. Did I pronounce that correctly, Don? We also have from the auditor's office, presenting a summary of the auditor's report, Phil Creaser.

And Phil, we'll turn the meeting over to you to give us a summary of your findings and then we'll give you, Mr. Wincherauk, an opportunity to respond. And then we'll open the meeting up to questions.

Public Hearing: Information Technology Office

Mr. Creaser: — Thank you, Mr. Chair, members, and guests. I plan to give a brief overview of the three chapters that we've written over the last two years in information technology security and information management. There are some common issues and I'll try to highlight them as I'm going through.

The general theme is it's important that government agencies that share information and communicate confidential and private information have strong security and information management policies and there is some oversight to ensure these policies are followed.

The first chapter is our security . . . chapter 3 from our 2002 Fall Report Volume 2 on information technology security. I think it starts on page 25.

We surveyed agencies on their security practices every three years. It's based on a survey of 32 of the large government agencies including departments, CIC (Crown Investments Corporation of Saskatchewan) Crowns, educational institutions, and health authorities. The results are based on a self-assessment of the agencies. This was our third survey. There was little progress from the '99 survey, so all 20 of the recommendations that we made in 1999 were carried forward from our 1999 report and all these recommendations have been concurred to by this committee.

There are a number of trends that have occurred or are occurring that indicate that IT (information technology) security will even become more critical to government since '99 . . . or in 2002. These include increased use of the Internet, CommunityNet, to provide government services, the use of electronic service delivery to do business, the increased sharing of information electronically with other organizations — both in and outside of government — and the need for . . . a need to

report more non-financial performance results.

As a result, agencies must adequately protect their information from unauthorized disclosure, accidental or deliberate changes, or destruction. Agencies must also ensure their procedures are adequate to recover from system interruptions.

In our survey we looked at the government's security practices by asking some of the following questions. First, who is responsible for security? We wanted to see if a senior manager who was responsible . . . was responsible for security. Ideally a senior person would be independent of IT. This reduces the risk that operations and security can be in conflict over the need for good security. In our 2002 chapter only 53 per cent of these agencies assigned a senior person independent of IT to manage security.

Second question. Are there other adequate security policies and procedures? We expect government organizations to have strong security policies based on government-wide minimum policy and a threat and risk assessment. It is important that the government establish security policies that ensure they set out to whom and what service they apply. Policies should also be based on a recognized standard like the ISO (International Organization for Standardization) standards — international standards organization — like ISO 17799. In 2002 there was no approved government-wide security policy. Also 91 per cent of the agencies had security policy but only 38 per cent covered all the risks.

The third question. Is there is a security awareness program? Security awareness is very important. Employees need to know what policies are and that following them is a condition of their employment. It's a lack of awareness that causes many of the security breakdowns — for example the ISM (Information Systems Management Corporation) hard drive or the inappropriate use of driver information that's happened in the last number of years. Those agencies did not formally make it clear that following security policies is a condition of employment and only 13 per cent gave security awareness training.

Fourth. Do agencies adequately protect their IT resources? The physical protection of IT resources assets is a key element of security. Organizations need to know where their IT assets are and to protect them from loss or harm. For example, 53 per cent of the agencies stated they had good physical . . . only 53 per cent of the agencies indicated they had good physical security.

Do agencies adequately protect the confidentiality and integrity of its IT resources? The key elements to protect the confidentiality and integrity of information can include ensuring information in organizations is classified and protected based on that classification.

Secondly, agencies need strong control as to ensure information is recorded and stored correctly and access to that information is protected and monitored. For example, only 38 per cent of the agencies said they track access to confidential information.

Do agencies ensure . . . And finally, do agencies ensure the availability of IT resources? Government agencies need to assess the threats and risks to key business processes and

determine how long they can operate without them. Based on this analysis, they develop a business continuity plan to ensure that they can keep and get key processes operating in the event of a disaster like a strike, flood, fire, environmental contamination.

Most agencies stated they did not have a complete business continuity plan but they also listed that they had over 250 critical applications that tie in to their key business processes. So I think business continuity planning is very important.

To summarize, progress is slow and more improvement is needed. Policies based on a government-wide security policy, awareness training, and business continuity plans are three critical areas that need to be fixed, but all recommendations should be acted on.

The second chapter is chapter 6 of our 2003 Report Volume 1 that's on page 115, where we look at the Information Technology Office's processes for coordinating the development of an information system to serve the needs of several government departments or agencies. We looked at this area because it is important that government agencies have processes to share information to achieve common goals. This is often referred to as information management. The ITO's (Information Technology Office) role is to help this happen.

The project we looked at was the development of the Saskatchewan water information management system or SWIM. The ITO worked with a number of agencies regarding SWIM including the Department of Environment and the Department of Health. SWIM was intended to allow more effective sharing of water quality information. Government agencies would be able to use the information to make decisions to improve water quality. The public would also be able to assess information about their water quality. We found that overall the ITO used adequate processes to coordinate the development of SWIM except for two matters reflected in our recommendations on page 120 and 121.

We recommended that the ITO communicate to its partners a single cohesive plan for its projects that include benefits, results, and targets. We also recommended that the ITO work with its partners to maintain a coordination structure for the duration of its project, including strong project management practices. The ITO and its partners told us the SWIM system provides public access to water quality information. They also told us that the project did not achieve its goal of a fully integrated system that meets the needs of all the partners.

The third chapter is chapter 12 of our 2004 Report Volume 1, page 169; this was just issued in the spring. It deals with IT governance and security over CommunityNet. CommunityNet is Saskatchewan's high-speed, province-wide data network. Private and confidential information travels over CommunityNet. CommunityNet is a large network with diverse users and transports sensitive government information. Security is not only its weakest link . . . Security is only as good as its weakest link, so CommunityNet must be protected by strong security oversight policies and monitoring.

We made three recommendations. First, we found that the role of the ITO has not been clarified in legislation. In our chapter

on SWIM, we also highlighted this issue. The ITO has a coordinating role for IT and government; the government should clarify its role including overseeing the security . . . including the security of CommunityNet.

Second, as also stated in our security survey chapter, the government needs to prove a government-wide security policy based on risk and recognized security standard. Security policies for CommunityNet should ensure security is consistent and adequate for each government agency. Where non-government agencies use CommunityNet, the ITO should use contracts to ensure they comply with these security standards.

Third and finally, the agency responsible for overseeing the security of CommunityNet should also have the authority for monitoring security. Monitoring achieves two purposes. First, it verifies user compliance with security policies. Second, it ensures corrective action is taken against weaknesses in security and threats, both internal and external.

In conclusion, it is important that if government agencies want to share, communicate, and protect confidential and private information, that they have strong security and information management policies and therefore . . . and there's some oversight to ensure these policies are followed. Thank you very much.

The Chair: — Thank you, Mr. Creaser. And, Don Wincherauk, if you and your colleagues would care to respond. And perhaps you could introduce those folks you have brought with you today.

Mr. Wincherauk: — On my right I have Richard Murray, executive director of policy and planning; on my left Jennifer Hogan, technology and security advisor; and then behind me and on my left is Sheldon Biblow, who is senior technology advisor. So I have just a few opening comments, if that's okay.

The Information Technology Office supports the Provincial Auditor's recommendations related to security, project management, and CommunityNet. With respect to the 2000 report on security, we recognize that ensuring security and protecting personal information is a critical part of managing information technology systems.

In the last couple of years the ITO has made progress. Security policies and data classification standards have been developed. We have helped departments undertake a threat and risk assessment of their security process. A government-wide security incident handling team was created to quickly analyze the threat of viruses and recommended actions to mitigate risk. We take security seriously and recognize there is room for improvement.

The ITO is developing a government-wide security policy but does not have the mandate or resources to implement security standards in each department. However, some steps are underway to advance these. The IT organization that was providing IT services to Agriculture, Highways and Transportation, and Northern Affairs has been moved over to the ITO. This provides the ITO with an operations unit that has already implemented good security processes over the last

couple of years. This also provides an environment where we can pilot new security processes and policies. We are developing a legislative framework that will provide the mandate to oversee security policies and standards, IT security audits, risk assessment, and infrastructure protection. We plan to aggressively push government security agenda in the future.

With respect to the 2004 CommunityNet chapter, we agree that legislation is needed to clarify the ITO's role in CommunityNet and information technology security. As previously mentioned, we are considering legislation which will clarify the ITO's mandate and make us responsible for IT security issues across government, including CommunityNet. The operations unit gives us resources to assess, monitor, and ensure security of CommunityNet.

With respect to the 2003 chapter on coordinating system development, the auditor's recommendations are based on solid project management principles and we agree that good project management is important in all IT systems development projects. In 2003-04, in response to the Provincial Auditor's concerns, the ITO trained and achieved project management certification for four of its staff. Adding the operations unit enhances our ability to coordinate and manage cross-department IT projects. We now have a project management office that uses best practices in project management to ensure roles and responsibilities are defined and project scope, schedule, quality, and budgets are managed.

If there are questions we would be happy to answer any of the questions from the . . .

The Chair: — Thank you very much. Just before I open up for questions, I think a little clarification would be helpful certainly to myself and, I think, members of the committee and also the public who may be happening to watch this. The ITO office — are you an advisory group to all departments of government? Do you have any role with any of the Crowns, be they the CIC Crowns, the Treasury Board Crowns and also do you play like a policing role? Are you in charge of managing information technology in these departments? Just to help us understand the clout you have and the specific roles that you play.

Mr. Wincherauk: — I'll talk about it and Richard can also jump in on this one. But I think in the past the ITO has served as sort of a policy . . . in a policy and in an advisory capacity. With the addition of the operations arm from Highways, Agriculture as of July 1 of this year, it now gives us an opportunity to get into some of those operational issues where in the past we had to go out and persuade people to participate in some of the directives that were being put out. We now think we have an opportunity where we can actually work on some of those in our own shop and then push those back out to departments. And I don't know, Richard, if you'd like to follow up on some of that.

Mr. Murray: — I might say that in the past we've been responsible for providing IT direction and leadership to line government departments and Treasury Board Crowns, not the CIC Crowns; they would fall outside of our purview. We've largely operated in a consultative and collaborative role. But as Don has indicated, the recent addition of this new operations wing which we've identified a number of times as being critical

and important to our role, now allows us to take perhaps more of a hands-on role in perhaps the provisioning of some of these services to government departments.

The Chair: — I thank you for that. It does clarify some things for me at least. Any questions? Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Chair. First comment and question is to Mr. Creaser from the auditor's office. You indicated in the 2002 report that you consulted with a number of agencies, one of which of course was the Department of Health. Privacy has become a major issue within, you know, the health field as we see the regulations being put together and the Privacy Commissioner's response to those regulations and what that office sees as needs to ensure that, you know, the privacy of individuals is maintained.

How is the auditor's office and the ITO office working with the Department of Health in ensuring that the privacy concerns of individuals are maintained and yet that there is a need for the sharing of information in the health system. What work is being done in that area?

Mr. Creaser: — It's a good question and it's a tough question as well. One of the things that we talked about in our reports is information management and security. Both together should provide a good framework to ensure that organizations are in a good position to be able to protect the privacy of personal information.

First of all on the information management side, what we're looking to see is that we want to make sure that organizations classify their information correctly. And in the health field, that's becoming really critical. I know there's some work being done in that area now.

Once the information is classified then it can be protected to that level of classification. You've probably seen in the old, you know, the federal system and that, they have a . . . you know, information is classified as A, B, C or, you know, top secret or whatever. But the same thing goes with here, and they're looking at that same system in the government here as well and it's one of our recommendations that we're making.

So then when you put the security layer on top of that, then you start to protect that information at the particular levels. So that if you're sharing personal information it's shared in a manner that protects that information. So if your policy is that individual health information cannot be shared with anybody outside a very small group, well then that has to be . . . there has to be some way of de-identifying that information before it goes to that other group. And a lot of times it's summarized; it's grouped. It'll be grouped as a, you know, a whole group of people with a particular ailment or something. Or if it has to go as an individual, then it's got to be made so that nobody can identify that information. So that's really important in that field.

So I think what we're pushing is that, you know, it's making these things even more important because of the privacy issues that they have good information management policies and practices in place, and that the security is even better than it is now. So that the security . . . Part of privacy is confidentiality. You want to make sure that there's doors and windows and

locks on the doors to protect your information so that it's only being used for the purpose that it was intended. And you want to make sure that when it's being . . . with the CommunityNet stuff, the chapter that we're talking about, we're concerned about, you know, in a lot of cases it's stored very secure. But we were wanting to make sure that there was an adequate process when it's actually moving from one organization to another or outside of government that it's adequately protected.

So I don't think there's any inconsistencies. It's a very challenging job to come up with a balancing between security, privacy, and also sharing of information.

Mr. Wincherauk: — Just a couple of comments. Health is governed by The Health Information Protection Act, or HIPA. They are working on developing policies and procedures to meet the HIPA requirements and I think Richard . . .

Mr. Murray: — Yes, Don. I'll also note that our office has been working quite closely with, both at the federal national level as well as with Phil and his folks in the Provincial Auditor's office, to develop a data classification scheme for adoption within government and also to work on associated security standards.

Mr. Creaser's quite right, it's sort of a two-step process. First there's an identification of the . . . a classification of which data is confidential in some fashion. That would be the data classification standards and then appropriate security policies to be applied to that data and that would fall under the security standard's side. And our office has been working at, as I say, both at the federal level as well with the Provincial Auditor within the province to develop such standards.

Mr. Krawetz: — Thank you to both of you for those comments. I'm sure not only my office, but I'm sure the offices of all members . . . the setting of that standard . . . There was concern raised by a very specific sector when you commented, Mr. Creaser, on a specific group, and that was individuals — females — who received letters from the cancer clinic based on the fact that the information about them had been shared by the medical profession, I guess, because they had seen a doctor. And then there was a follow-up letter from the breast cancer society.

So the concern that was expressed by individuals is, is this sharing of private information necessary, first of all, number one? And then who protects the person then as far as where do these names actually end up? Are they being distributed within the province? Are they being distributed outside of the province? And there was some suggestion that in fact, you know, research teams out of United States were able to access these names.

So I'm wondering, the setting . . . you talked about the setting of a standard in terms of making sure that people are protected, and yet there is a need to, you know, have information shared. Who establishes that standard as to whether or not the names collectively become something that can be shared with other agencies within that health area? Health seems to be the biggest concern right now in establishing privacy regulations. So I'm wondering how are standards going to be developed? I know you've indicated that, you know, that that specific area is the

responsibility of HIPA, but what is occurring between the ITO office and the Auditor's office and HIPA to ensure that that the standards are being followed throughout?

Mr. Murray: — Well I will say that, in particular, Health we have always viewed as a special and unique case under CommunityNet, for example, recognizing that HIPA is a very specific piece of legislation that Health is required to adhere to. They are on their own separate piece of the network. We call it a virtual network with . . . and Health is . . . I'm trying to say this in a non-technical way.

I'll just say that the network stuff is rock-solid protected from a security perspective. Their data is likewise protected. There are already standards and policies in place that fall under, within HIPA, to protect their data from inappropriate access and we've also got freedom of information protection on their data. So those standards are already in place.

Some of those standards and policies have come from our office. Some of them have been developed by the folks at SHIN (Saskatchewan Health Information Network) and with the Department of Health. And some of them have been developed in conjunction with work done with the Provincial Auditor's office, altogether to lockdown the confidential and personal data that's contained by Department of Health. Thank you.

Mr. Creaser: — Yes. To continue on that, I think that one of the things that we'll be looking at, we're using, there's a Canadian Standards Association principles on privacy. And they have 10 principles that they use to ensure that all information is adequately protected. And from an auditor's perspective, we need something that's fairly simple so we can, you know . . . because the legislation is very complex and very difficult.

So we will be doing a number of projects over the next few years on privacy, trying to ensure that we feel that, you know, information is being adequately protected; not just the classification of it but also looking at the accountability of somebody responsible for privacy in the organization.

One of the big things with the example that you gave is consent and do the individuals give consent to have their personal information given to another organization. And that's an important element that has to be assessed to see if that is the information used for the purpose that it was intended — when you gave that information or had that service, was it given for that, is that part of that purpose, you know. And sometimes that's set out in legislation, sometimes it's based on individual discussions with a doctor or whoever else. So it's a big field and very complex.

Ms. Hogan: — I just have something to add to this. The freedom of information and privacy Act does define what personal information is. You had asked that as part of your question, so I just wanted to let you know.

Mr. Krawetz: — You stated that it was defined within the freedom on information Act?

Ms. Hogan: — That's correct.

The Chair: — In the 2002 report, which is the first . . . the fall volume, the first time that this committee or the first report that this committee has seen from the auditor's office, there were a lot of concerns expressed; things like the current result show that only 50 per cent of agencies do a risk analysis and have it approved by senior management.

I wonder, Mr. Creaser, if you could just in general terms tell us what, from your perspective, you've seen by way of improvements in the last three years from various agencies and their ability to do risk analysis and improve security risks and that sort of thing.

Mr. Creaser: — Yes, I think that we're going to . . . we probably will do another survey. If we follow the trend it would be in 2005. We haven't decided yet at that time where . . . The ITO office is working on some security policies and processes that we think will help ensure that the government agencies have stronger policies than the past.

There has been some work on threat and risk analysis in a number of organizations that we've seen. My gut feeling is that security, that they've improved since 2002, but we'll have to wait and see. It's a bit of a self-assessment too, so it's a question of what they feel. Sometimes they're harder on themselves than we would be, so it will be interesting to see.

At the time they were doing the survey, the ITO had initiated a project to look at security and security policies and had invited most of the organizations that we surveyed to that. And so I think there was a heightened awareness of security as a result of that, of those sessions as well that made them rethink some of their . . . where they were at and so I think that that contributed to some of the answers.

But in overall, we feel that the big area is threat and risk assessments, business continuity plans. There's still some . . . still a ways to go.

The Chair: — And you did the survey in 2002, that means you would normally do this type of survey every three years. I just noted, would you . . . a couple of questions about the survey, would you do this . . . you know, would you survey the same agencies that you surveyed two years ago in the next survey or do you survey different agencies as far as measurement purposes are concerned?

Mr. Creaser: — I think that there's a few agencies that have changed since that report. We will have to reassess that we . . . our office has looked at . . . created a list of what we call significant agencies and we've been using it in some of our planning, so we may have to re-look at the list a little bit and it may change somewhat. But I think for the most part, most of those organizations in there would be re-surveyed.

The Chair: — Okay. And just out of curiosity, there were two agencies that did not . . . or entities that did not respond to your surveys. Any reason? Has that been corrected . . . the Teachers' Superannuation Commission and the University of Saskatchewan?

Mr. Creaser: — Yes, both agencies had some difficulty gathering information in the time frames that we had given

them and at the end we kind of agreed that we weren't going to delay the report. We've got some fairly tight deadlines for when our reports have got to go out and we like provide timely information. So it was either that or we would have to delay the report for six months.

So we said that, you know, we gave them a deadline and they weren't able to meet it. And so we went with . . . But we told them that we would make everyone aware who hadn't surveyed so.

The Chair: — So did they follow up and provide the completed survey after the deadline or is it . . . I see your colleague behind you is confirming that actually happened. That's good to know. Are there any other questions? Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. In chapter 12 of the 2004 Report the auditor makes three recommendations. And when I look at the three recommendations, it seems to me that the first two deal more with government policy and I would think that those questions would probably be more appropriately addressed to the Minister Responsible for the Information Technology office.

But I do have a question to the officials here regarding the third recommendation where the auditor recommends that the government make your organization responsible for overseeing the security of CommunityNet and monitoring that security process. I guess, my question is do you currently have the resources and the capacity to oversee the security and monitor the security of CommunityNet? And if you currently don't have that capacity, what would you need to be able to do the job effectively?

Mr. Wincherauk: — That is a good question. I think in the past it would have been questionable whether or not the ITO had the resources to do that. But with the addition of the operations arm from Highways, Agriculture, we now believe that we do have the resources that we need to be able to monitor and to assess and follow this through.

Mr. Hart: — Are you currently doing any of that for CommunityNet, the overseeing of the security? Are you involved in that at all or where's that at?

Mr. Murray: — We are currently responsible for developing the standards by which all agencies connected to CommunityNet must adhere, but at the moment our service provider, SaskTel, actually is responsible for monitoring the security. We are currently doing an evaluation in conjunction with Tel in our office to determine which of those pieces might be more appropriately taken on by our office as per the recommendation made by the Provincial Auditor in '04.

Mr. Hart: — Okay, so there is work in that area but you're not quite there yet as per recommendation no. 3. And have you received any direction from the government as far as the policies and that sort of thing? Is there anything in place as far as recommendations 1 and 2 that the auditor makes as far as identifying your agency as to be the security agency and monitoring agency?

Mr. Murray: — Yes, indeed, we've got legislation. It is our

intention to have legislation in the next session that would quite clearly delineate in a more clear fashion our roles, our office's roles and responsibilities in this and other areas.

Mr. Hart: — Good, thank you.

The Chair: — Other questions on . . . I guess CommunityNet, that's where we're at right now? Just one thought. I was a bit troubled, Mr. Creaser, when you suggested that CommunityNet would only be as strong as its weakest link — something to that effect. Was that just an ominous dream you had or is there a particular weaker link that caused you to make that statement? I'm not trying to put you on the spot, but it did tweak my curiosity.

Mr. Creaser: — The comment, what I'm getting at there is that there's quite a number of organizations that are connected to CommunityNet. So it's important that they all, that any one of them . . . if one of them has weak security policies or processes in that organization, that that could be a place where the network could be compromised. So we're just suggesting that there should be some process to make sure that anyone that's connected to this, because it's all . . . these networks are getting . . . there's a fine line between what CommunityNet is and what the Internet is. So you know, you've got to make sure that the security is adequate in every organization that's connected. And I think in our discussions with the ITO, they're very aware of that and are working on some of the issues surrounding that.

The Chair: — Mr. Wincherauk, just what are the greatest security . . . what are the sources of the greatest security risk? Would it be internal, someone having access to information and either being sloppy with it or deliberate with it in releasing it where it shouldn't be released? Is it hacking? Is that still a potential problem where, you know, someone in Manila or London can somehow hack into a computer system here in Regina and get health information or something else? Or is it storage and locking doors so that intruders . . . Just what are the issues that you are contending with and, sort of, where are your priorities as far as security and information technology in Saskatchewan?

Mr. Wincherauk: — I'll let Richard answer that and then maybe we can get Sheldon up here too, or can he speak from back there?

The Chair: — No, he should come up to the mike.

Mr. Murray: — Well, I'll note that in terms of CommunityNet itself our weakest security link would probably be — and we recognized this early on — would be the Internet, and virus threats from the Internet, and hacker threats from the Internet. And so the Internet connection has been well protected with a variety of very high-tech devices intended to keep such dross out of our network.

And we've also recognized that the schools of the province would probably be another weak link in the security. So the provincial schools are, again, on a separate data network. So there's no real connection between the schools and the health network and the government network. They're really three separate security entities. And so it's impossible for a high school student, for example, to inadvertently or intentionally

gain access to health data or government data. Likewise, government employees cannot gain access to health data unless they've been provided such access. So those would be our three biggest security threats on CommunityNet; would be the school networks, the virus threats, and Internet. And I think we've quite successfully addressed all of those.

Sheldon is our CommunityNet technical wizard. Do you have anything you'd like to add to that, Sheldon?

Mr. Biblow: — In regards to ensuring that there is adequate security on the network and it is protected from threats from outside, again, we do have the CSIRT (Computer Security Incident Response Team) group, the governance committee that does alert agencies of threats that are known out in the Internet or in the wild, so that agencies can take preventative measures to ensure that they are adequately protected, i.e., from viruses, exploits, and etc. The group has been very effective in the past number of months, or in the overall year, with preventing virus outbreaks, etc., or exploits of known vulnerabilities in the systems within agencies connected to CommunityNet.

The Chair: — Have there been any incidents that you're aware of where there have been breaches of security, you know, in the last year or two? Obviously maybe you can't share the specifics but, you know, is there evidence that there are weak spots in the security of our information that has caused you concern?

Mr. Biblow: — No nothing, overall. The only incidents again have been occasional virus incidents.

The Chair: — Well that's good news. Are there any other questions or concerns particularly over CommunityNet?

Just also looking at Chapter 6 of the 2002 report volume 1, I know back when the North Battleford water problem, water quality problem occurred there was . . . there was reports that — I'm trying to remember the department — I think it was Sask Environment had a different technology system than Sask Health and they had trouble communicating.

This is a little bit of a different tangent than security. It's just basically, you know, have government departments tackled this? Are we starting to get systems that can talk to each other? Is there some continuity? Is there some overall planning that would not allow that type of thing to happen? Perhaps you could just update us as to whether, you know, everyone's on their own when it comes to information technology — every line department, every Treasury Board Crown basically does their own thing.

Also I'm curious as to whether or not government is still trying to develop their own information technology systems and programs. The particular thing what ISC (Information Services Corporation of Saskatchewan) did with the whole land title system where they started from scratch to try to build a better mouse trap, and I think the argument would be that they didn't and perhaps it would've been better to find something off the shelf.

I'd just like to know what direction government is going and what role your office plays in that ongoing evolution of technology systems.

Mr. Wincherauk: — Okay, that's obviously one of the great challenges that we face, and again I take it back to our operation arm. We've had tremendous success in bringing a lot of rigor and discipline back to the system and how applications are developed, what standards that you impose on a department. And the success we've had within that organization is something we want to take out across the rest of government.

We're all very concerned about application development that doesn't come in on time and on budget. And I think again we look at our track record over the last couple of years at . . . Highways and Agriculture have been able to deliver on some of them. And it's something that we, I don't want to say impose on the rest of the system, but you do have to develop a governance structure within the departments that allows them to get their initiatives forward, but also have them present business cases on why we should be building some of those applications and then allowing Treasury Board to make the correct decision on which ones we should build.

But yes, it is a problem. But again we are bringing about . . . I think we've done a fair bit of work on this and I think we've had some success, but there's still a ways to go.

The Chair: — Perhaps, Mr. Creaser, you could also comment on that from the auditor's perspective.

Mr. Creaser: — I think in this particular project that was one of the primary issues, was there was more than just Health and Environment; there was Agriculture and, I think, Government Relations and Aboriginal Affairs, and a few others that were using information. And they were coming from different systems, and they didn't talk very well to each other. So we were looking to see that there was a process in place to try to solve that problem. And it was a small system, that if they could get it — some of the processes in place — it would improve, you know, give them a standard in which to move forward on other similar type applications in other areas where those issues would come.

And in this particular case, the end of the day things broke down and they ended up . . . Agriculture adopted a system from another province that certainly met their needs, but it didn't work to solve some of those other problems. So I think there's better information than water quality and we make that point. And there's a SaskH₂O Web site that has some information on water quality for individuals to see.

But our point was, you know, you need a good process to ensure that if you're doing or developing a system, that there is somebody looking to see that, you know, that everybody's interests are being taken care of. And we didn't think that they did a . . . that other factors came into play. So it may have been that the mandate wasn't there. It may have been a number of different things, but we . . . So I think, yes, it's a good point, and it comes down to the privacy issues that were brought up earlier too. I mean, that should be another element of that sharing of information. You have to make sure that those rules are in place as well.

The Chair: — Has the auditor made recommendations as to how the system should be set up or is that something you leave with Information Technology to determine?

Mr. Creaser: — I think we have made comments about ensuring that good standards are in place. And I think that's the key — you know, good system development; life cycle methodology that allows for good planning; good reporting — and I think that will go a long ways towards solving the problem.

But also the idea of having a strong information management policy across the government is also very important. So they organize . . . you know, if . . . You know, we've got a, you know, we just put a state-of-the-art financial system in, for example, that has a lot of key elements in it, so that if other information systems that need to link to that should be based on that standard, that architecture that's in place for that system. And that's the kind of things that we're trying to push.

The Chair: — Mr. Wincherauk.

Mr. Wincherauk — A couple of additional comments is that — and we can fit this into your previous question too — but when it comes to application development we are trying to impose more rigour and discipline and having people bring forward standards. The use of our project management office is key in this.

We also believe there has to be a fine balance between the consulting firms, the private sector firms, and also how we manage them when it comes to building these applications. And so it is something that we've worked in both Highways and Agriculture and again are carrying out across the system now.

And I think Richard has worked on the SWIM initiative, and have you any comments on that?

Mr. Murray: — I would have, Don. The SWIM initiative, I would suggest that what has changed since we undertook that SWIM initiative is: (a) we now have CommunityNet that provides a guaranteed and reliable means of sharing information between any and all departments.

And I would also suggest that more recently, as the Highways pilot project has shown, that Highways, Agriculture, Northern Affairs were all three disparate networks with disparate systems and disparate system development methodologies as referred to by Phil. And it has been proven and shown that the amalgamation of those departments has been to the benefit of all, that they now have a standard system development methodology and standard project management rigour has been brought to the table. And so we are now looking at assessing expansion of those pilots so that we can aid and assist additional government departments to bring these kinds of rigours and methodologies to the table.

The Chair: — I know Mr. Krawetz wants in, but just one more question on what's your modus operandi or even your philosophy when it comes to developing and purchasing technology systems. Is it to tender out to, you know, Microsoft or IBM (International Business Machines Corporation) or Oracle, or . . . I forgot the big one now, the initials of the big one . . . but is it sort of pick what you think is the best one and try to standardize that system through many departments?

I can see advantages going both ways. I mean if you tender out

your technology, you know, you always probably get specifically what you want for that particular department at perhaps the best price, but if you try to standardize you may end up with departments that can communicate better between one another, and perhaps your role as Information Technology Office would be easier because you have fewer systems you're working with. Just what direction are we going and what are you advising?

Mr. Wincherauk: — I think we find that each case is different and it depends on the complexity of an application that some department would want to develop. I mean before you go out and purchase something, if it's small you try to buy it off the shelf. Depending what the department's needs are, again they have to make a solid business case, work it right through from the very beginning to the end, and then the search becomes, well who can do that out there, and you have to, in my view, is through an RFP (request for proposal) process, is how you chase those things down.

The Chair: — Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Chair. Mr. Chair, I was going to ask a question specific on when we got to chapter 6, but we're on the SWIM topic right now, so I think it might be appropriate now to deal with it.

My question to the auditor's office is that on page 121 of chapter 6, you indicate at the conclusion of recommendation no. 2, you indicate that there are a couple of positive things that the SWIM project will allow public access to water quality information and then it will also meet the information needs of some of the partners. But then you indicate that it will not achieve the goal of a fully integrated system that meets the needs of all partners. So you're already sort of flagging a concern that the new system or the project that you're implementing is not going to meet the needs of all partners.

What is being done in that area to ensure that . . . if that is a goal, or maybe it's not a goal to ensure that all partners' needs are met? If it's not a goal, I mean, this is a recommendation then that is acceptable. However, if it is a recommendation that this occur, how are we going to correct the inadequacy that you point out, Mr. Creaser? Or Mr. Wincherauk, I don't know who would like to comment on that first?

Mr. Creaser: — Well, I don't know if I can comment on the how, I kind of leave that up to the agencies to solve that. The issue was that in the old water management process, there was a number of agencies, six or seven of them at least, that provided information or gathered water information for their purposes, and sometimes that information was shareable and sometimes it was very challenging to share it. But in most cases where it was needed for, you know, public safety, that information was brought together where it was needed.

What they looked at when they started this project was, let's make it so that you only have to enter the information once from no matter what organization you're in. So it was kind of trying . . . going at the ideal of having one stop where you would . . . if have an issue on . . . Health has some responsibilities for inspecting certain types of water facilities, Agriculture has some responsibilities in that area, and so does

Environment, so when they were providing that information, they would all go in through a common system that would make it easier to share information.

They weren't quite able to accomplish that in this system at the time we looked at it. I'm not sure if they've done anything since that may solve some of those issues. The information is . . . We have no indication that all the information isn't being collected, but it may not be collected in the most efficient way possible so we're just trying to . . . This chapter was probably less about SWIM and more about the process and in a sense that we were using SWIM as an example to try to illustrate some points. But on the other hand, it's still important because I think at the time the water quality was a big and very important issue to everybody and so . . . Thank you.

Mr. Murray: — I would suggest that this goal of a fully integrated system really wasn't achievable at the time because of cost. Our ultimate goal and our goal with our partners was to provide public access to water quality information on the Internet in as simple a fashion as possible so that any citizen of the province could do that quite easily. And we did achieve that goal.

Now behind the scenes, for cost reasons it just was not possible to achieve this fully integrated system with full bore automated sharing of data behind the scenes. But I think that was okay. At the time we felt it was . . . that the critical piece was to get that public access to the water information and we did that. And the costs on the other side were just too great. We just felt it wasn't worth the additional cost to do all of the behind the scenes fancy technical piece if you will.

Mr. Krawetz: — And then my question to Mr. Creaser then is, is it still a laudable goal to have; that the fully integrated system will be there for all partners? Or is this something, as pointed out by the ITO office, that cost may make this prohibitive forever?

Mr. Creaser: — You can't ignore the costs, I don't think, entirely. I mean, if it is impractical then they have to reconsider. I think the goal or the concept is laudable. I think the concept is important, the ability to share information and to make it as simple as possible is important. And also I think ensuring that that water, the public information that's available, is usable and up-to-date and that I think would have been simplified if they had completed this project. And the information is there and I think that the public safety is protected as best as we can see, so . . .

Mr. Krawetz: — Thank you.

The Chair: — Are there any further questions on any of the chapters under review here with regards to Information Technology? Seeing no one that wants to speak, there are two recommendations in chapter 6 of the 2003 Report Volume 1. They are on pages 120 and 121. Recommendation no. 1 reads:

We recommend that in coordinating development of future information systems, the ITO:
Communicate to its partners a single cohesive plan that describes:
partners' responsibilities and accountability;

detailed expectations for development; and
detailed benefits that include measurable targets.

Is there a motion? Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I move we concur and note progress.

The Chair: — Okay, there's a motion to concur and note progress. Is there any discussion on the motion? Seeing none, I will call for the question. All in favour? None opposed. So that's carried.

Second recommendation reads:

Work with its partners to establish and maintain a coordination structure for the duration of a project. The coordination structure should include:
senior-level oversight with representation and commitment from partners; and
a project manager dedicated to the project.

Again is there a motion? We're doing the motion first . . . a question?

Mr. Krawetz: — I'd like to ask a question first just for clarification.

The Chair: — Sure. Mr. Krawetz.

Mr. Krawetz: — I believe, Mr. Wincherauk, you said that you had trained four project managers thus far?

Mr. Wincherauk: — Yes.

Mr. Krawetz: — Is that correct?

Mr. Wincherauk: — Correct.

Mr. Krawetz: — Now when the recommendation indicates that "a project manager dedicated to the project," is that anticipating one project, in this case the SWIM project, or are we talking about four project managers to be expanded to a larger number because the number of projects — the projects will become more project ?

Mr. Wincherauk: — Yes, I think what you want to have is a strength within the office when you start developing some of these or planning some of these things, that a project manager is assigned to each one to make sure that — be it either we're doing it ourselves or bringing outside consultants in or companies — that there is oversight on it.

Mr. Krawetz: — Okay. So this is meant to be a general statement that when a project is initiated, that there be a project manager for that project that is initiated.

Mr. Wincherauk: — I would think on any major IT initiative, either consolidation or application development, there has to be somebody managing the project.

Mr. Krawetz: — Thank you.

The Chair: — All right. Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. I would move that we concur with the recommendation and note progress.

The Chair: — We have a motion to concur and note progress. Is there any discussion on the motion? Seeing none, call for the question. All in favour? None opposed. That as well is carried.

There are also recommendations in the 2004 Report Volume 1. I'll find the right one. If I get there, page 172. And I think there's just, there's three recommendations here. The first recommendation is on page 172 and it reads:

We recommend that the government clarify which agency is responsible to oversee the security of CommunityNet.

Are we ready for a motion? Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. I would move we concur and note progress.

The Chair: — Again a motion to concur and note progress. Is there any discussion on the motion? Seeing none, we'll call for the question. All in favour? None opposed? Carried. A little concerned there — we may have division in the opposition ranks but they sorted it out.

Second recommendation is on page 174. It reads:

We recommend that the government approve and implement security and data classification policies to protect information carried on CommunityNet.

Again, is there a motion? Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. I would move we concur and note progress.

The Chair: — Again a motion to concur and note progress. Is there any discussion on the motion? Seeing none, we'll call for the question. All in favour? And there's none opposed so that is carried.

The third recommendation is on page 175. It reads:

We recommend that the government make the agency responsible for overseeing the security of CommunityNet also responsible for monitoring security and ensuring corrective action is taken.

Again, is there a motion? Oh, the question first. No? You have a question, Mr. Krawetz?

Mr. Krawetz: — I think you've indicated that you are I think, Mr. Murray, you were the one that indicated that you are currently discussing with SaskTel who is in charge of monitoring the security of CommunityNet at the moment. And you, I think you made a comment that you're not sure which components can be taken over by ITO office. So could you indicate how this recommendation is being implemented or in fact whether or not you can achieve this?

Mr. Murray: — Okay, I'm not sure if I would necessarily agree with your wording. It seems a little softer than I might have . . .

Mr. Krawetz: — Clarify it, please. I don't want to . . .

Mr. Murray: — I would suggest that it is my feeling that our office should be responsible for overseeing the security of CommunityNet and also responsible for monitoring security and that we are in discussions with SaskTel as to the best way to move that function over.

Mr. Krawetz: — Thank you.

The Chair: — All right. Mr. Krawetz, you're satisfied with that?

Mr. Krawetz: — I'm satisfied. He said that he wishes to achieve that goal.

The Chair: — Are we now then ready for a motion? Mr. Yates?

Mr. Yates: — Thank you very much, Mr. Chair. I would move we concur with the recommendation and note progress.

The Chair: — Again a motion to concur and note progress. Is there any discussion on the motion? Again . . . Oh, Mr. Hagel.

Mr. Hagel: — Oh no, I was just voting early there, Mr. Chair.

The Chair: — Not another speech tonight, I hope.

All right. Are we ready for the question? All in favour? None opposed. That as well is carried.

I want to thank Mr. Wincherauk and his officials for appearing before our committee. You've done a fine job. You've put it ahead of schedule.

We will take a break until our next witness arrives, which is to be the Chief Electoral Officer at 10:45. If she comes before that, we'll reconvene as soon as we can corral everyone again. The meeting is recessed.

The committee recessed for a period of time.

Public Hearing: Office of the Chief Electoral Officer

The Chair: — Ladies and gentlemen, I will call the meeting back to order. We're right on schedule and we now have the Chief Electoral Officer, Jan Brown, with us. We welcome you.

A Member: — Jan Baker.

The Chair: — Jan Baker. Why did I say Jan Brown? Thank you for correcting that. I knew a Jan Brown, that's why. Jan Baker. Jan Baker, the Chief Electoral Officer and we will ask you to introduce your colleague in just a minute.

We are looking at chapter 19 of the 2004 report as presented by the Provincial Auditor's office. And I believe Judy Ferguson is first of all going to just give us a summary of the auditor's

findings. And then, Ms. Baker, we'll ask you to respond and then we'll open up the meeting for questions. So we're pleased to have you here and, Ms. Ferguson.

Ms. Ferguson: — Thank you very much, Chair, members, and officials. In chapter 19 of our 2004 Report Volume 1, we report that for the year ending March 31, 2003, the Office of the Chief Electoral Officer had adequate rules and procedures to safeguard public resources and comply with the law with two exceptions.

First, as this committee recognizes, annual reports provide legislators with key information about an organization's performance. As noted in the chapter, the office gave the Assembly its first annual report in February 2004. To help the office improve future reports we assessed the content of its first report against best practices. While the first report contains a lot of good information, on page 274 we recommend that the office could improve its future reports by providing the following:

performance measures;

the extent to which activities achieved goals; and

(its) overall financial results.

Second, prior to 1996 many felt that The Election Act was not clear on reporting and disclosure of the amount and source of contributions from constituency associations, corporations, and trust funds. The Assembly recognized the public's need to know who gave money to these organizations, who later gave money to political parties and candidates.

In 1996 the Assembly changed The Election Act to make clear its requirements for reporting and disclosure to the public for these types of contributions.

In this chapter we report that the office did not require registered political parties to report and disclose in their annual returns the original source of all contributions. Even though the Act's requirements changed effective January 1, 1997, the office did and does not require registered political parties to disclose the names of the original donors to constituency associations, corporations, and trust funds whose money is used to make up monies contributed to parties or candidates.

We think the Act expects this reporting and disclosure, and has had this expectation since January 1, 1997. Disclosure and reporting is fundamental to a transparent electoral process. On page 276 of this report, we recommend that when returns from parties or candidates include contribution from investment or interest income from a constituency association's contributions or trust funds, the Chief Electoral Officer should obtain the names of each original donor who gave money, more than \$250 in any given year, and the amount given.

This concludes my presentation, and we look forward to your discussion and comments. Thank you.

The Chair: — All right. Thank you, Ms. Ferguson. And, Ms. Baker, we'd like you to introduce your colleague and please respond. And then we'll open up the floor for questions.

Ms. Baker: — Thank you. On behalf of the office, I appreciate the opportunity to address the committee regarding the issues brought before you today by the Provincial Auditor. With me today is David Wilkie; he is the assistant chief electoral officer.

Recommendation 1, improved public accountability required. Statutory reporting is the means by which the Legislative Assembly has directed the office to report on activities managed by the Chief Electoral Officer. Such reporting, in addition to outlining the conduct of each electoral event and financial practices relates thereto, provides an annual update of office activities for consideration by the Assembly and members of the public.

In this regard the office, pursuant to section 286(1) of The Election Act, prepared and tabled its first annual report in, as Judy had said, February 18, 2004. The office's 2002 annual report describes the office's mandate of directing and supervising the administration and financial conduct of provincial electoral events; its mission of maintaining a state of provincial election readiness; and its goal of facilitating provincial electors, registered political parties, and candidates in the exercise of their democratic right. The annual report highlights the key risks and future directions, and provides a detail explanation of its activities.

The CCAF (Canadian Comprehensive Auditing Foundation) provides public agencies with guidance to help improve the quality of their public reporting. This guidance is contained in the publication called *Reporting Principles - Taking Public Performance Reporting to a New Level*. The principles recognizes annual reports should provide information on the following key areas: the agency's mission, vision, goals, and how it has performed in achieving its objectives from both financial and operations perspectives.

The Provincial Auditor concluded the annual report of the Chief Electoral Officer did not set out how the office determines and measures its successes. While the annual report clearly explains its activities and their cost, it does not indicate the extent to which these activities help the office to achieve its goals nor does it provide the overall financial results of the office.

The approach of the office to annual reporting is consistent with and parallels to that of other Canadian jurisdictions. Notwithstanding, the office will assess the applicability of the . . . (inaudible) . . . guidelines in the next . . . in the context of measuring its success and achieving its goals, and will report in the next annual report of the Chief Electoral Officer of Saskatchewan.

In relation to the Provincial Auditor's observations regarding the overall financial results of the office, in the spirit of section 286, the office published *The Statement of Votes Twenty-Fourth Provincial General Election (Volume 1)* which complements the *Report of the Chief Electoral Officer Campaign Contributions and Expenditures, Twenty-Fourth Provincial General Election (Volume II)*, which details election financial activities of registered political parties and candidates. Administrative and financial activities reporting in constituency by-elections is encapsulated in individual statement of by-election reports.

In addition the office prepared and distributed the detailed expenditures referring to non-election, election, and by-election expenditures for fiscal years '98-99, '99-2000, 2000-2001, 2001-2002, to the Clerk of the Assembly, the Leader of the Opposition, the Clerk of the Executive Council, and members of the Legislative Assembly. Last, the Chief Electoral Officer also reports annually to the Board of Internal Economy on budgetary matters.

Recommendation 2, better accounting estimates needed. At March 31, 2003 the office owed candidates and parties for reimbursement of by-election expenses they had incurred. The office estimated the amount it owed based on the maximum allowable reimbursement described in The Election Act and recorded this amount in its financial reports.

For the year ending March 31, 2003, the office recorded expenditures totalling 1.2 million, including an amount owed to others of approximately 267,884. In the Provincial Auditor's opinion, it stated its ... it overstated its expenditures by approximately \$99,000.

The office's mission is to maintain a state of election readiness. The office's mandate demands the conduct of fair and equitable procedural, operational, administrative, and financial electoral practices. The office's goal is to facilitate provincial electors, register political parties and candidates in the exercise of their democratic right as entrenched in the Canadian Charter of Rights and Freedoms.

Under section 224 of the Act, a political party may apply for registration any time between the day fixed for the election of a writ of general election and the fifth day after the issuance of a writ of election. Once the office has reviewed all requisite registration documentation and vetted the application, the Chief Electoral Officer will register the party in accordance with section 233 of the Act.

A political party, once registered, is entitled to incur expenses, solicit and receive contributions, participate in the province's political contributions tax credit regime, and primarily field candidates for election to the Legislative Assembly. Registered political parties in an election/by-election year are also entitled, where eligible, to reimbursement of a portion of lawfully incurred election expenses.

While it is true that the process employed by the office to estimate amounts due to candidates and parties for election and by-election expenses can result in overstating the amount owed, without the benefit of being able to predict future events, such overstatement is unavoidable. While the Provincial Auditor notes that the accounting assumptions require estimates based on assumptions that reflect the most probable set of economic conditions, such is not the case in the electoral context. As such, estimates are based on and supported by statutory entitlement under the Act.

The office's approach to expenditure estimates is further complicated by the timing of budgetary estimate recording and the occurrence of the electoral event and its financial reporting. Reimbursement of the registered political party and candidate amounts usually, if not always, occur the year following the office's estimate process. Electoral events are seldom

predictable, making the office's estimate process more of an art than a science.

It should be noted that the office's electoral expense estimate process does not result in any financial mischief, as unpaid reimbursements are returned to the province's consolidated revenue fund.

Item 3, disclosure of contribution sources. During the Provincial Auditor's audit, two registered political parties reported in their 2001 annual returns contributions in the form of interest and investment income in amounts exceeding \$250 in a year. These contributions totalled 73,334. In one instance, a trust fund received monies that earned income; in the second instance, various constituency associations received monies that earned income. In both situations each organization donated the income earned to a party. These parties did not report the name or the original amount contributed by each person used to generate this income.

Each contribution received, pursuant to section 240(6) of the Act, from a corporation, trust fund, or constituency association must be accompanied by a statement certified by the chief official agent to be true, setting out the total amount of the contribution, the name of the person authorizing the contribution on behalf of the corporation, trust fund, or constituency association, and the name of and the amount contributed by each person who contributed more than \$250 in a year, whose contribution was used to make up the funds contributed by a corporation, trust fund, or constituency association.

Under schedule 4, unincorporated organizations or associations, fiscal period return parties, accurate recording and reporting includes a statement of contribution, corporation trust fund, or constituency association as per subsection 246 of the Act. Specifically, each trust fund or constituency association making a contribution to a registered political party must complete the said form. Also under the heightened financial disclosure provisions of the Act, interest and/or investment income received and reported by a party must also include bank receipts, other, to substantiate the amount reported. If the names and amounts of contributions exceeding two fifty are not disclosed, section 240 of one of the Act expects the amounts to be forfeited to the Minister of Finance for deposit in the office's consolidated revenue fund.

The Provincial Auditor is correct in its assessment that 1996 members of the Legislative Assembly raised concerns about the lack of disclosure of political contributions that registered political parties received from special funds, constituency associations, and federal political parties. The members' concerns related to the need to know who gave the money to those entities which later gave monies to provincial parties and candidates.

The Provincial Auditor is also correct in its assessment that The Election Act requires the reporting and disclosure of the names of donors, constituency associations, corporations, and trust funds whose monies are used to make up monies subsequently contributed to a party or candidate. As noted, The Election Act in fact requires this reporting and disclosure, if the amount of each original donation contributed in a year exceeds two fifty.

In 2001, two registered political parties reported in their annual returns contributions in the form of investment and interest income in amounts exceeding two fifty. The office continues to work with the political parties in question to determine if the investment income was based on amounts contributed prior to January 1, 1997; for example, where the principal was amassed prior to The Election Act's amendment and therefore making its donors immune from disclosure. Or, should the parties or party indicate underlying donations exceeding two fifty, the office will request the requisite statutory disclosure be made pertaining to the additional contributions. Thank you.

The Chair: — Thank you, Ms. Baker, for that report. And we'll open up the floor for questions. Mr. Krawetz.

Mr. Krawetz: — Well, Mr. Chair, this is a topic that I think the everyday person has great difficulty understanding. And I think, in light of the reports that Ms. Ferguson has given and Ms. Baker has given today, I think we need to try to simplify it and clarify exactly where we are today versus the position taken in 1997, and then subsequently the recommendations from the auditor's office that have been dealt with by Public Accounts Committee . . . previous Public Accounts committees.

I guess I have to begin by asking, in your report, Ms. Ferguson, on page 275, you indicated that in a year, every contribution exceeding \$250, the donor must be identified. Is that correct?

Ms. Ferguson: — Yes, it is. It's actually the donor and the amount of the contribution that must be identified.

Mr. Krawetz: — Okay.

Ms. Ferguson: — So it's the two pieces together.

Mr. Krawetz: — So if a constituent . . . And I'll deal with constituency associations but really, I guess, we're referring to trust funds and the like as well. If a constituency association has within a financial institution a bank account of some number, whatever it may be, and that association bank account receives more than \$250 of interest income earned or investment income, is the donor then to the association the financial institution and that must be reported?

In other words, if the money was sitting in a credit union account or if it was sitting in a Bank of Montreal account and at the end of a fiscal year \$300 was received from that financial institution in the name of interest, is it the financial institution that now must be indicated as a donor?

Ms. Ferguson: — Our interpretation of the Act is that the Act is actually requiring disclosure of how that money was initially compiled. So the money in . . . which was deposited into the bank, like the contributions that would make up that initial amount.

Mr. Krawetz: — But what I'm suggesting, Ms. Ferguson, is that the monies that are now sitting in that account would have been identified because you indicate . . . And I guess I'm talking post-1996, okay. Every dollar that was recorded or received from a donor in excess of \$250 was identified as far as the donor and the amount. Correct?

Ms. Ferguson: — We're uncertain of that. Basically what we haven't seen is like the baseline listing of what the initial base amounts would have been in 1996, and then what you'd need is sort of that baseline listing of the amounts and contributions and then on a go-forward basis, the changes thereto, the additional contributions . . .

Mr. Krawetz: — No, I can see what you're saying prior to 1996, but there are political parties of which I am one of, a member of, that were not in existence in 1996. Therefore since 1997 I'm assuming that every donation received by the Saskatchewan Party constituency associations and/or the registered political party were indeed disclosed if they were in excess of \$250. Would that be an accurate statement?

Ms. Ferguson: — I'm not certain. We can't tell.

Mr. Krawetz: — Why aren't you certain?

Mr. Wendel: — Maybe I could take a cut at this. I think what we're saying here is if there's interest income earned on a bank account, the money had to come from somewhere, and what needs to be disclosed is where did the initial money come from that the interest was earned on. So if that's been disclosed in some fashion, then I don't think there's any other issues.

And that's what we're trying to get to is it's a substantial amount of interest that's being disclosed here, and there must have been a fair amount of principal that's come in to earn that kind of interest. Now have the underlying donors been disclosed? Who put the money in the bank account in the first place? That's the question, okay. That's where we're coming from.

Mr. Krawetz: — Okay. Could you clarify then, on the bottom of page 275 you make reference to two political parties, I guess, because you indicate that the contributions for one political party total \$3,334 and for the other \$70,000. Could you identify the political parties? Is that confidential?

Ms. Ferguson: — No, it's not, because those returns are public information.

Mr. Krawetz: — Right.

Ms. Ferguson: — So on the returns that we're referring to, their 2001 annual returns, the one return is the PC (Progressive Conservative) Party. And on there it's indicated that it is . . . there's \$70,000 of interest or investment income, and it's on the statement of contribution. And it's from the PC Party of Saskatchewan trust fund.

The second one is actually the NDP Party's return for 2001. And on the same statement for statement of contributions for investment or investment income, it lists a number of constituency associations that compile the \$3,334. That is public information.

Mr. Krawetz: — Right. Okay. Thank you for that, Ms. Ferguson. Now so you indicate then that the PC Party has a trust fund that was established whenever it was established — I don't know that — and is drawing interest, okay? And we're assuming from the Chief Electoral Officer that this money is

prior to 1996 and therefore if additional disclosures of \$250 has occurred since 1997, you're trying to determine whether or not those names and/or amounts were disclosed. Is that correct, Ms. Baker?

Ms. Baker: — No.

Mr. Krawetz: — No. Could you clarify?

Ms. Baker: — Specific to, prior to 1997, the Chief Electoral Officer by virtue of provisions of The Election Act wasn't expressly empowered to issue rules or procedures for identifying donations to the registered political parties and candidates. As I'd mentioned previously, the heightened financial provisions amended or filled the void. And if a constituency association or a trust fund or a corporation, as I'd mentioned earlier, makes a contribution to a political party, they are required to complete a statement and with that statement identify any contribution in excess of 250, or if the contribution is interest, they are to provide support documentation which will clarify or identify that indeed it was interest earned or investment . . . from investments.

Specific to the one political party, and I'm just going to go back just a bit here, pursuant to section 232 of the Act, when fiscal period returns, election expense returns, candidates' election expense returns are received by the office, they are immediately public documents. And that's prior to the review of the office. The office is responsible for assessment and review and sometimes a fairly lengthy period elapses and the political parties have opportune time to provide us with the documentation to ensure that we have the reporting as intended in the statute.

I would say that this is the case specific to the 2001 returns. The New Democrats, for example, the four constituency associations that were identified as not having the support document with the statements that they filed for interest earned, has now been corrected. They are on file with the office. Specific to the Progressive Conservatives, they have identified in their return that the money is not from their trust, it is from interest earned in the trust. And at this point the office is still working with the political party to have them provide us that documentation for file.

Mr. Krawetz: — Okay, let's move forward then to years following 2001. As the Chief Electoral Officer, are you confident then that an amount received by a constituency association or a political party, if it exceeded \$250, would have been reported?

Ms. Baker: — Absolutely, but we're not talking about individual contributions here. We're talking about interest earned. On the statement, if in fact they have individual, it could be for example that they made a contribution of \$5,000 — 3,000 of it may have been from individuals and those would be identified on the return in excess of . . . individuals who gave in excess of \$250. If it was interest earned, there is another section in the return that they would enter the amount of interest. In this case, it would be \$2,000 and they would have to provide, in addition to the statement, they would have to provide the support documentation from the bank, trust company, funds, etc., to support that \$2,000 that it was actually

interest earned.

Mr. Krawetz: — Okay. I'll give you a hypothetical situation, and then you . . . I'd like to hear how you would interpret it. A constituency association having gone through, you know, I guess financially assisting a candidate in 2003, now sits with a bank account upon the return of loans or whatever it may have made to the candidate, and it's sitting with a \$10,000 bank account. Okay? That now will be reported at the end of the year; there will be interest earned or investment income from that \$10,000 that the constituency association will report in its financial report stating that it earned whatever the interest is on that amount. Let's just assume that it's in excess of \$250. It would report that at the end of this current year.

Ms. Baker: — No. The only time a constituency association would make any report to my office is if in fact they make a contribution to a political party or a candidate at the time of an election, at which time they would complete the statement of constituency association corporation trust fund. If, in fact, their contribution was comprised partially of interest earned, they would have to produce that bank statement that would be the support documentation to identify that interest.

But the Act is silent on constituency associations. So that's why section 246 is so relevant, that the only time that they are accountable is if, in fact, they participate by forwarding monies to a political party or a candidate at the time of a campaign.

Mr. Krawetz: — Thank you for clarifying that. The cumulative reporting then occurs at the time of an election or at the time when that constituency association makes a donation to a candidate or the political party. Is that what you said?

Ms. Baker: — Right.

Mr. Krawetz: — Right. Okay, so at the end of a period of time, that \$10,000 has now grown to \$12,000. And the constituency association now makes a donation to a candidate of \$11,000. What the auditor is now saying is that when that donation occurs, because of course it must have contained interest income because no other, no other — let's just assume no other funds have entered into the constituency association except the investment income that was earned each and every year — now there is an additional . . . there is \$11,000 that is being given as a donation. Is the auditor suggesting then that the original donors who helped to contribute to making that \$10,000 bank account would now have to be disclosed because interest was earned on that amount that was now being given as a donation to a candidate or a political party?

Ms. Baker: — Well as you are aware, a constituency association is responsible, or would have to assume responsibility, for keeping proper records in the event that they make a contribution to a candidate or a political party. But they may have a bank account that's \$20,000, which is efforts made from various fundraisers — golf tournaments, dances, bake sales, etc. — all goes into one pot and they're sitting with \$20,000. They give the candidate or party 10. If, in fact, they haven't used interest, then of that \$10,000 from their records, in any given year, where any individual made a contribution in excess of \$250, that individual would have to be reported.

So, for example, if I went to your golf tournament and in addition to paying the fee, gave you a contribution of \$100, attended three or four meetings, put 50, \$75 in an envelope, and in a given year my contribution was \$500 to your constituency association, that would just be recorded by the constituency association. Four years may elapse, you may have \$20,000 going forward to the candidate for purposes of promoting the candidacy and if in fact my \$500 that I gave your constituency association comprised part of that contribution, then you would have to report my name.

Mr. Krawetz: — By the Act, that constituency association would currently have to report that.

Ms. Baker: — Right.

Mr. Krawetz: — Thank you.

Ms. Baker: — And the reason they have to report it is because the candidates and the parties, if in fact they receive a contribution from a constituency association, are required to get the statement from the constituency association. So there is nothing in the Act that identifies that the constituency associations must keep and maintain proper records. But for purposes of forwarding money to a party or a candidate, they must do that because they have to then meet the disclosure and transparency requirements that are required of the candidate or the party.

Mr. Krawetz: — Thank you.

The Chair: — Mr. Yates. But I just want to get something clarified from Mr. Krawetz's questions. You're saying then that donors would have to be reported twice because the constituency association if they . . . Say if a donor donates \$250 through a constituency association, to get receipted the provincial party has to disclose who the donor is, say in 2000. And then say the money is spent in the 2003 election, the constituency makes a contribution to a candidate or to the, say the provincial party, then that donor's name would have to be reported again. Is that what you're saying? So then . . .

Ms. Baker: — No, I'm not. There's three kind of contributions. There's receipted, non-receipted, and commercial value. So you have receipted contributions, and as you're well aware, in Saskatchewan under The Political Contributions Tax Credit Act a political party can receipt, or an independent candidate can receipt. So your constituency associations, going back to the provisions under 240 of the statute, and I'm not sure what the subsection is, are only acting as agents on your behalf. So . . .

The Chair: — So it would only be money — sorry to interrupt — but it would only be monies that a constituency had received that weren't receipted to the provincial party that would have to be reported if the money was transferred to a candidate or its provincial political party?

Ms. Baker: — Right. So if your constituency association is acting as an agent and they are not receipting the money, they are receipting the money on behalf of the Saskatchewan Party. It's in turn transferred to the Saskatchewan Party. You issue the receipt because the contribution has been made to the party and, depending on your internal organization, you may forward

money back to your constituency association.

But that's reported as a transfer from the party because the disclosure is under the party's fiscal period report. You're reporting receipted, non-receipted, and commercial value in your fiscal period return.

The Chair: — So a donor only has to report to your office once, that contribution?

Ms. Baker: — Absolutely.

The Chair: — So even though the money, you know, may be spent in election years later, then that person's name doesn't have to be reported again at that time?

Ms. Baker: — No.

The Chair: — All right, that . . . I wanted to clarify that. Sorry, Mr. Yates, you now have the floor.

Mr. Yates: — Thank you very much, Mr. Chair. Your questions were some of mine as well. I just want to run through the process one more time and make sure that we're extremely clear here.

If I receive a donation — and I'll use myself as an example or my constituency association — the money's forwarded to the provincial office. They tax receipt it. They give a portion back to the constituency. That's one way we raise money.

Ms. Baker: — Yes.

Mr. Yates: — Secondly, we raise money or receive funds as part of our electoral . . . our refund from our share back after each election.

Ms. Baker: — Right.

Mr. Yates: — That's the second primary way we get money. And the third is through fundraisers. So the bulk of any fund anybody would have, the biggest return we get is of course from the Chief Electoral office after every election. So that money goes into the bank, and we receive interest on it. We don't have to disclose or . . . because we won't know . . . those donors will have been disclosed during the election or they will have been disclosed previously by the political party, so that money's fine.

Money raised in a fundraiser at say \$20 a ticket or \$15 a ticket is under the \$250 limit, so that wouldn't have to be disclosed. So I don't see a situation here where there . . . the particular circumstances that the Provincial Auditor is talking about would be relevant or would be applicable because all the funds coming in will have been accounted for in one way or another with your office.

Ms. Baker: — Right.

Mr. Yates: — Okay.

Ms. Baker: — What the . . . I'm sorry.

The Chair: — Perhaps the Provincial Auditor's office should just comment. You know, are we interpreting this the same way that your office interprets this process?

Ms. Ferguson: — The challenge that occurs is because of the way the electoral Act is set up, is to the ability to show that all the donors, in fact, have been disclosed on the returns.

And so if you have instances where people are contributing to the constituency association, and that money doesn't get paid across to a political party or a candidate until a latter date but rather is just compiling into a bank account, the disclosure doesn't happen until the interest return is actually paid to the candidates and the party. It's in those situations it's difficult for the office, an electoral office thing, to show that in fact that all the disclosures have been made and in turn, I think, the parties to show that also.

The Chair: — Ms. Baker, you . . . I'm sorry . . .

Ms. Baker: — We're getting a little confused here. One, what the Provincial Auditor is concerned about on the New Democrat and the PC return is that the statements that were submitted on the Progressive Conservative was monies out of the trust — was it monies that comprised the trust or was it reported, as the Progressive Conservatives reported it, as interest earned. They reported it as interest earned. And my office is working with the party to get support documentation to verify that.

Specific to your constituency associations, your constituency associations are responsible for maintaining records. They are responsible if they made a contribution to a candidate, directly to a candidate, during a campaign. They, in their statement, would identify donors that over a two-, three-year period or one year in excess gave \$250.

So as I had said to you, as Mr. Yates had mentioned, he's got fundraisers going on all over the place. They have monies come back from reimbursement of election expenses. They have monies coming back to them that they had, as agents, forwarded on to the party for purposes of receipting. So in that statement, for example, if it's monies that came back from the party, it would be reported in the statement as transfer from the New Democratic Party. The disclosure is in the party return.

If it's monies from fundraising in the aggregate, and in fact as I had said, I contributed four or five times at different events, and in any given year that I did contribute over 250, my name would be identified in that portion of that contribution. If they report in the section that it's investment income from the bank account that they have been building, that they're actually making a contribution of the interest, then they would identify that in the statement and they would provide the support document.

The Chair: — Mr. Yates, did you have more questions?

Mr. Yates: — Just one for the Provincial Auditor. Are you confident that the money that is being, is being in fact recorded for your office in returns?

Ms. Baker: — I believe that it's being recorded properly, deemed proper support documentation. I'm still working with

the political parties to effect that. There's no question every year when the fiscal period returns come in, we have deficiencies. But specific to the spirit of the Act, they are public documents available to the public immediately on receipt so their deficiencies could be recorded, etc. It isn't that they're not reporting them but we . . . sometimes it takes eight to ten months and longer to get the political parties to meet the deficiencies in the returns.

So it's an ongoing exercise. My office attempts to work with you to help you meet the heightened reporting requirements.

Mr. Yates: — Thank you.

The Chair: — Could I just ask another question that's not raised by the auditor but it's in a similar vein. You know, we know that if a business contributes to a political party, Saskatchewan for instance, the shareholders or, you know, the owners of the business don't need to be identified. If a union contributes to a political party, the union members don't need to be identified but the union does.

What is the situation in the case when, say, a federal political party contributes to a provincial political party where there are individual donors who have contributed to a federal party and then they transfer money to the provincial arm of their party? In that case is it just the federal party that needs to be identified or are the donors who donated to the federal party required to be . . . you know, is there some requirement that they be identified?

Ms. Baker: — Certainly under 240 of the Act, 240(6) covers constituency associations, trust funds, corporations, if those kinds of contributions are received. And 240(7) covers registered political party. So if a registered political party makes a contribution to a provincial party, they are required to complete a statement and meet the disclosure requirements. So we certainly have those listings with those parties that have a federal affiliate in the office.

The Chair: — So are there instances in Saskatchewan, since the electoral Act has been amended, where federal parties have contributed to a provincial campaign and were the donors of the federal party identified?

Ms. Baker: — Yes.

The Chair: — In all cases?

Ms. Baker: — Yes.

The Chair: — Are there any other questions? We have two recommendations, I believe, in chapter 19 under the Chief Electoral Officer. The first recommendation is on page 274. Yes, Mr. Krawetz.

Mr. Krawetz: — Before we get to that. Ms. Baker, you've indicated that as the auditor has pointed out, that the report was tabled in the legislature for the fiscal year ending December 31, '02. When will the Legislative Assembly see the next report? And I know that you've indicated some of the measures that you hope to put into that report.

Ms. Baker: — Well it's not infrequent that annual reports aren't published and tabled in the year . . . shortly after the year identified. Given the environment that the office has been in currently, I'm anticipating that that report won't be filed until after the new year.

Mr. Krawetz: — You're referring to the report for the fiscal year 2003?

Ms. Baker: — 2003.

Mr. Krawetz: — So your office then will be a full year behind because you're saying that the report for '03 may be tabled in '05. Is that correct?

Ms. Baker: — Yes.

Mr. Krawetz: — Is there an attempt within the office to get closer to the reporting period following the year? And understanding that the election of November 2003 obviously put things in a bit of a quandary.

Ms. Baker: — Boundary realignment, three by-elections, and a provincial general election — we're a bit behind. I apologize. We certainly will meet the requirement of the statute . . . the office, specific to the reporting under 286. The financial returns, as I mentioned, by-election reports have all of the finances for each specific event identified. Our statement of votes for the 2003 general election has been published. We're working on the detail of expenditures.

Most people believe that when an election occurs, everything's all over on polling day. For the electoral office it's a 10- to 12-month effort. The office is still putting out party election expense returns.

We will look at the recommendations made by the Provincial Auditor. I am not guaranteeing at this point that we will adopt those because I believe that the financial reporting to date is extremely comprehensive and on our Web site. And our activities, finances specific to those activities are very transparent. But to the report we are going to be a little behind. We are also dealing with the Chief Electoral Officer whose term of appointment ends November 28, so I'm not going to promise you a report by November 28. We're hoping early in the new year.

Mr. Krawetz: — Thank you for those comments. My final question is more general in nature. Does your office prepare what I'll call a business plan for the fiscal year, where you identify objectives and key risks and your financial plan for that future year?

Ms. Baker: — It's pretty difficult when elections are at the discretion of the government of the day. Certainly reporting to the Board of Internal Economy, the office has prepared a budget where we have what we refer to our base year, which is our day-to-day operations, our responsibilities under The Political Contributions Tax Credit Act, and any new initiatives that we have.

Our non-base year is reported in any electoral specific event. An election, by-election, referendum, plebiscite, enumeration

outside an election, the Board of Internal Economy approves our budget for operations. If in fact we have an electoral event, they incorporate the monies identified in the non-base year to provide us enough funds to carry on our activities. So we are . . . other than that, the office doesn't have any specific plan in place.

The intent was to give consideration in our annual report to provide a strategic plan going forward; however to date we haven't got that drafted.

Mr. Krawetz: — So are you suggesting then that the recommendation identified as no. 1 on page 274, is something that you cannot achieve?

Ms. Baker: — I'm saying we're looking at it. At this point I can't say whether I can achieve it or not achieve it. The functionality of the office is differing from most mandates.

Our responsibility is election readiness. Our funding is provided to us at the time of electoral events. So I'm not sure I can lay it down the way the Provincial Auditor would like to see it — more specific to how you're seeing it from other line departments, etc.

Mr. Krawetz: — And my question to Ms. Ferguson, is the recommendation that you put forward, is it . . . in your opinion is it achievable and should it be something that the Chief Electoral office puts into play here?

Ms. Ferguson: — One of the things that we did in doing our review of the annual report and the best practices is we looked at the reports of other electoral offices across Canada. And we note that the recommendation that we put forward; there's a number of offices that are working towards that. The office, the electoral office of Canada has in fact implemented that recommendation and it has done so for a number of years. So given the context of what's happening in other jurisdictions, we think our recommendation's not only relevant but also it's realistic.

Mr. Krawetz: — In light of those comments, Mr. Chair, by Ms. Ferguson and Ms. Baker, that she's willing to look at it, I would move that we, that the Public Accounts Committee concur with recommendation no. 1.

The Chair: — All right. We have a motion. Ms. Baker.

Ms. Baker: — One last comment. Specific to the comments on other Canadian jurisdictions, many of the jurisdictions have it written into their legislation. It's not in Saskatchewan's legislation. As I'd mentioned, our reporting is consistent with the reporting that is being done by every other jurisdiction in Canada except Elections Canada.

The Chair: — Ms. Baker, pardon me. Could you clarify then the Act that you're under does not specify the time frame in which you have to report?

Ms. Baker: — It's an annual report. I'm behind. You know, I don't deny that, but it's I believe under section 286(1), its activities and . . . its progress and activities. And I believe that the annual report that was published certainly covers that. The

financial concerns as I said, certainly were in the annual report in summary form. They are in detail form in our provincial budget. They're in detail form under section 286. We are also required to publish electoral events, all the finances on electoral events. The 13 by-elections, two general elections that we have, all of those documents have been tabled. In addition, we forward to the Minister of Finance the detail of expenditures which is the accounting of all the expenditures made at the constituency level.

The one thing that is not in the annual report, it's not in the aggregate on one sheet. It is throughout the report. It's also throughout the reports as the electoral events occurred over the year or in this case, this was a compendium of five years, the first annual report of the CEO (Chief Electoral Officer). So in the future the office has done, or to date the office has done extremely thorough reporting on our financial activities. We will look at putting it in the aggregate on one page in our annual report if we have the ability to do so.

The Chair: — I don't want a long answer, just a brief response. But to comply with the reporting requirements of the Act, would it be fair to say that your office either needs to make that reporting a higher priority with existing resources that you would need . . . or else if you don't you would need additional resources to comply or else you would need the Act changed to allow a longer period in which you were allowed to comply with the reporting requirements. Would that be fair? One of three options, either . . .

Ms. Baker: — Are you talking about the lateness of the report, not meeting The Tabling of Documents Act.

The Chair: — Right.

Ms. Baker: — It's just been the activity in the office; I currently have a staff of three.

The Chair: — Yes. So either you need to employ your existing resources to this with more priority or you need additional resources or you need the reporting period lengthened. Is that a fair conclusion to the . . .

Ms. Baker: — I fall short.

The Chair: — Okay. There's a motion on the table that we concur. Is there any discussion on the motion? Seeing none, are we ready for the question? All in favour? It's unanimous and it's carried.

I should have read the recommendation into the record. It was that we recommend that the Chief Electoral office include the following in its future annual reports:

performance measures, the extent to which activities achieved goals, and overall financial result.

That was the first recommendation. The second recommendation on page 276 reads

When returns from parties or candidates include contributions from investment or interest income from constituency associations, corporations, or trust funds, we

recommend that the Chief Electoral office obtain, if any, the names of each original donor who gave more than \$250 in any year after December 31, 1996, and the amount each gave.

Is there a motion? Mr. Krawetz.

Mr. Krawetz: — In light of the explanation given by the Chief Electoral Officer that the concerns raised in the report of 2001 have either been addressed or are going to be addressed, I would move that the Public Accounts Committee not concur with recommendation no. 2.

The Chair: — Okay, there is a motion to not concur with recommendation no. 2. Any discussion on the motion? Seeing none, I will call the question. All in favour? That's carried unanimously.

Thank you, Ms. Baker and Mr. Wilkie for appearing before our committee. I understand, Ms. Baker, this will likely be your final appearance so may I take this opportunity to particularly thank you for your many years of service to the province of Saskatchewan, and we wish you well in your future.

Ms. Baker: — Thank you.

Annual Reports Assessments — Departments

The Chair: — Members of the committee, we are now at the next item on the agenda: annual reports assessments, and departments. We're getting into the financial area. I see our witnesses are here, in part anyways, and so we will commence to see how far we can get before we have our lunch break at 12 o'clock.

I'd like to welcome officials from Finance. I see Mr. Styles, the deputy minister here and he has officials which I would ask you to introduce momentarily. First of all though we'll have a brief report from the auditor's office. We are dealing with the annual report, assessments, departments, and that is from chapter 13 of the 2003 Report Volume 3, and chapter 9 of the 2004 Report Volume 1, pages 126 to 137. From the auditor's office, is it Mr. Montgomery? Mr. Montgomery, we welcome you to our committee hearings and we'd ask you to present your summation of the auditor's findings.

Mr. Montgomery: — Thank you, Mr. Chair. Good morning, Mr. Chair, and committee members. You've two chapters on the agenda for this session, and I plan to guide you through the recommendations in these chapters.

I'm going to begin with chapter 13 of our 2003 Volume 3 report. Chapter 13 does not contain any recommendations that require your attention, however I'm going to provide a brief overview of the chapter. In 2003, the Department of Finance set guidelines to improve the information included in annual reports over a four-year implementation schedule. We were pleased with Finance's guidelines and its implementation schedule. The implementation schedule recognizes that implementing performance reporting is very difficult to accomplish all in one year. The guidelines seek to improve the information included in annual reports each year over the four-year implementation period.

Finance's guidelines are based on public reporting principles that are supported by all legislative auditors in Canada. Canada's legislative auditors have agreed to use these reporting principles when assessing government annual reports in their jurisdictions.

In chapter 13 we report on our work regarding the 2003 annual reports of all departments and three Crown agencies that report to the Treasury Board. We assess these reports for compliance with the content requirements of the Department of Finance's reporting guidelines.

We found that the annual reports for the year ending March 31, 2003 have improved from previous years and comply with the content requirements as set out in Finance's reporting guidelines. The reports now contain more and better information than previous reports. This information enhances the public accountability of these departments and agencies.

The second item included in your agenda for this session is pages 126 to 137 in chapter 9 of our 2004 Report, Volume 1. Pages 126 to 137 of chapter 9 set out the progress made by the Department of Finance in moving forward with an accountability framework that focuses on results and improves planning and reporting.

We strongly support the department's initiatives with regard to coordinating and implementation of this new accountability framework. We believe this will improve the information used to make management decisions and will improve the standard of reporting to legislators and the public.

We prepared this section to provide Members of the Legislative Assembly with an update on progress so far. We believe continued support from legislators and senior government officials will help maintain the momentum for improvement. In addition, we thought it would be a useful summary for new members of the Assembly.

We report steady progress by the department in coordinating the implementation of its new accountability framework and strengthening the government's accountability to legislators and the public. We also make two recommendations that should further strengthen the government's accountability.

Currently the Crown Investments Corporation of Saskatchewan and the CIC Crowns use a balanced scorecard approach to plan, manage, and report their results. In the Treasury Board sector, departments and three Treasury Board agencies also use an approach that focuses on results in their plans and reports. On page 127 we recommend that the government direct all Treasury Board agencies to use an accountability framework that focuses on results.

Our second recommendation is for department plans. Departments' plans do not yet specify targets for expected outcomes. The government has not asked departments to publish their planned targets for long-term results. Finance told us that department's plans will include these outcomes . . . outcome targets in future. Finance wants to ensure departments are ready to make this important change. On page 132, we recommend that the government require departments and Treasury Board agencies to publish their planned targets for

major long-term results.

We think knowing the target results desired in the long term is important. Making public the expected outcomes of planned activities helps legislators and government managers to focus resources on priorities. When plans set out the specific results desired, managers and legislators can more easily monitor progress. Timely monitoring helps managers adjust their plans and adjusting plans helps the government achieve its objectives. Also when the public can compare actual results to planned targets, it strengthens accountability and the management of public resources.

Mr. Chair, that's the end of my opening comments and we'd be pleased to answer any questions from the committee.

The Chair: — Thank you very much, Mr. Montgomery. Again, welcome Mr. Styles. If you'd introduce your colleagues and then quickly respond, we'll open the floor for questions.

Mr. Styles: — I have with me Naomi Mellor who is the executive director of the performance management branch in the Department of Finance. There are no other officials with me other than Naomi at the present time.

My only initial comment would be that we're very appreciative of the support we received from the Provincial Auditor's office as we've gone through implementation of a performance management framework for government.

The Chair: — All right, thank you very much, Mr. Styles. Committee members, I don't think we'll divide the discussion between the two volumes; we'll open the entire issue up. There are no recommendations in the 2003 Report. There are I believe two in the . . . or three in the 2004 Report, so the floor is open for any questions you would have of either the Provincial Auditor's office or the Department of Finance. Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. My question's for the Department of Finance. The broad range of organizations within government having very different governance structures, very different functions, is it appropriate or is it applicable to have the same accountability framework apply to all the various agencies in government? Or, I think of things like the Milk Control Board and perhaps Crop Insurance and some of these agencies that are a little bit . . . are somewhat different than say a baseline department. Does it fit? And I'd like your perspective on that.

Mr. Styles: — Right now the application of the framework covers the vast majority of executive government and Treasury Board Crowns in the context of the volume of dollars that are involved.

There are a number of small Treasury Board Crowns, okay, that right now are not covered by the framework. We have not implemented it with them. We are concerned about issues such as governance structure, complexity of the organization. One size doesn't fit all, and we've taken, I guess, a considered approach to try to find an approach that might work better for them.

Milk Control Board is maybe a very good example of that; a

very small organization. Giving them the same type of public reporting infrastructure that you would give for maybe SLGA (Saskatchewan Liquor and Gaming Authority) or one of the other larger Treasury Board Crowns would seem to be quite burdensome. And so again we're taking a little bit more considered approach to looking at those small entities.

We'll come up with something that we believe fits them and doesn't burden them unnecessarily with some administration that doesn't have value.

Mr. Yates: — Okay. Thank you. Oh, a question then is . . . The same framework wouldn't necessarily work for all the agencies. Is it feasible that the same time frame for implementation of the framework, a framework, would be applicable? Or is more time needed in some of these smaller agencies in order to get them up to speed and perhaps build capacity to do some reporting?

Mr. Styles: — We're definitely of the belief that we want to take our time in working with these smaller agencies. And, you know, again I go back to . . . Maybe the most outrageous comparison would be to try to compare the Department of Health that is utilizing the framework at present with something like the Milk Control Board. And again the size is so different that you have to be careful, I think, in terms of working with them.

Building capacity and commitment — I think again very, very important. I think these things are raised in the Provincial Auditor's report at different times. It does take additional time, attention, and resources to be able to implement the framework.

Additional resources are not being provided to these agencies to do it. They're expected to do it within the existing resources that they have right now. Therefore you need to take a very considered approach, I think, and be respectful of the fact that they have a full mandate that occupies their time at the present point.

Mr. Yates: — Thank you.

The Chair: — Mr. Krawetz.

Mr. Krawetz: — My question is to Mr. Montgomery, and it's on page 278 of your report, the 2003 Report. Basically it's just a general statement that you've made and I'll quote, Mr. Montgomery. It says:

For example, we did not assess the accuracy, completeness, or validity of underlying information systems or data used to prepare the performance information.

In light of the concerns that are, you know, occurring not only in Canada but North America where we've had reputable accounting companies accountants that have had to sign off on reports more than once, how can the auditor's office and how can Mr. Styles' departments, the departments of Finance, how can we move to ensure that in fact the information that you are seeing and that other auditors are seeing — and you've made reference to the fact that you consulted with a number of departments, of course, of which there is an auditor that's working, beforehand — how can we be assured that the

information is accurate?

Mr. Montgomery: — The purpose of the examination that we did for the year that you're quoting was really to check to make sure the content of the report was keeping up with that four-year improvement implementation schedule. Now your question relates to the relevance and the reliability.

Mr. Krawetz: — Yes.

Mr. Montgomery: — You'll note that we are starting to move into that area. We've slowly moved into it in some of the Crown corporation . . . information systems . . . Information Services Corporation, where we looked at some of the measures that they had in their report and the information in the annual report. And we actually formed a separate opinion on that to provide comfort to people using the report and the reliability of the information.

You'll also note that in one of the chapters under review in this . . . (inaudible) . . . we talk about future work we plan to do. In the future not only will we be looking to the improvement of the information in those annual reports, but we plan to start providing audit assurance as to the credibility or the reliability of the information in that. And in that regard I think Finance, the Department of Finance is going to, basically going to be one of the first annual reports we look at. We plan to look at their next annual report and look at some of those outcome measures and provide audit assurance on the reliability of that work.

So it's something we're moving into slowly. In the department sector, this is a new initiative. It takes time to implement properly. But we're moving down that path that you're referring to.

Mr. Wendel: — I think Ed has covered it pretty well but our approach with this is to work with the Department of Finance and with departments to build that capacity so they can give you reliable reports. And then we're going to begin to audit them and provide you that assurance that you can rely on the information you get. But I think that's . . . We're beginning to work on auditing the reliability information and we've done a few now. And we need to find the leaders in the departments that are doing a reasonably good job, you know, put out some reports, learn ourselves and have the departments learn, and other organizations. And I think over time you will be getting that assurance. But it's going to take some years.

Mr. Krawetz: — And, Mr. Styles, then as the Finance department and the lead department of course, are you comfortable with that kind of plan for the future?

Mr. Styles: — We're slowly working our way down that path, okay. I wouldn't want to try to clearly, I guess, articulate where we're going to end up with all of that.

I even would step one step back in a sense. Setting the performance measures is, you know, I think, the first important step in this and we're still working with departments on that. Finding performance measures to assess whether or not you're meeting your objectives is not a simple issue. You know if you're simply talking about something such as dropout rates in high school, okay, and you know, how that changes over time,

it does take a considerable period of time for a program to affect something like that.

And while it, you know, it appears on the surface that the performance measure is quite simple, quite easy. Again, you won't find, you know, the effect for two or three years. So there is timing issues I think that play into this as well. But definitely once you've been by the issue of performance measures, you're talking about date of validity, okay, and validation, and we'll have to look at that over time and come to some decisions.

Mr. Krawetz: — Mr. Chair, I guess, my questions would be more specific to each of the recommendations as we deal with them; so rather than deal in general terms, I'll pose my question when we deal with the recommendation.

The Chair: — All right. Just one general question. Recently attended the Canadian Council of Public Accounts Committees and of course, that's where you compare your standards and, you know, against other provinces, and it appeared from what we gleaned at that conference that Alberta, British Columbia, it was either New Brunswick or Nova Scotia — I can't remember which province — they seem to be the trend-setters when it comes to standardizing reporting and setting, you know, a high standard for reporting.

So my question is really to the Provincial Auditor, do you feel that the Department of Finance in Saskatchewan is setting the right standards, or are they aiming at the right level of reporting competence? Do you feel that with the direction they're going that we could, say, equal Alberta, British Columbia, and some of these provinces that are leading the way when it comes to good reporting?

Mr. Wendel: — One of the things we've said in our report is that the Department of Finance has adopted the Canadian Comprehensive Auditing Foundation's reporting principles, and those are the most recent and the best standards available at this time. And they've said they're moving towards that over a period of years to get to that stage. And we certainly support them in that and I think that'll put us right with the rest of them, or better.

The Chair: — If these standards are already in place, should it take a long time, a number of years to get there? Or shouldn't we be able to get there more quickly?

Mr. Wendel: — I think it's going to take some time as Mr. Styles was saying, to come up with performance measures in some of these difficult areas like health and education. They're not easy to measure and I think it's just going to take time to build that capacity, build the systems, build the report, gather information . . .

The Chair: — Okay. Are we ready to move to the recommendations then? Are there any other general questions?

There were no recommendations in the 2003 volume. I was correct. There are two recommendations in the 2004 Report because we are just dealing with pages 126 to 137. And the first recommendation is on page 127, at the bottom of the page. It's recommendation no. 2, and it reads:

We recommend that the Government direct all Treasury Board agencies to use an accountability framework that focuses on results.

Is there a motion? Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I would move we recommend:

That the government direct all Treasury Board agencies to use an accountability framework that focuses on results as operational capacity permits.

The Chair: — All right. You heard the motion. Is there discussion on the motion? Mr. Krawetz.

Mr. Krawetz: — Mr. Chair, I would ask the auditor's comment on the addition of those extra words.

Mr. Wendel: — I think we'd be fine with that. We weren't advocating the same accountability framework for all. For some of the smaller agencies we indicated that the nature and framework will change, depending on the size of the organization. But the key is that it focuses on results.

The Chair: — All right. Is there any further discussion? We're all satisfied? Are we ready for the question? All right, all those in favour? None opposed. That's carried. The second recommendation, which is recommendation no. 3, is on page 132 and it reads:

We recommend that the Government require departments and Treasury Board agencies to publish their planned targets for major long-term results.

Again is there a motion? Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. I would move we concur and note progress.

The Chair: — A motion to concur and note progress. Is there any discussion on the motion? Seeing none, I'll call the question. All in favour? That's carried unanimously, and that ends the item on our agenda dealing with the annual reports' assessments.

Colleagues, we are right on schedule. We will take a one-hour lunch break, and we will resume at 1 o'clock with more Finance issues. Thank you for your co-operation. We're recessed.

The committee recessed for a period of time.

Public Hearing: Finance

The Chair: — Ladies and gentlemen, we'll call the meeting back to order. And we are now on the agenda that commences after lunch, Finance. The first sector, we'll be looking at chapter 3 of the 2003 Report Volume 1; part B, MIDAS (Multi-Informational Database Application System) project. Then we'll look at chapter 10, 2003 Report Volume 3.

Again, welcome to all the officials who are with us. And we will commence with the auditor's summation of the report. And

I believe, again, Mr. Montgomery will be giving the report and then, Mr. Styles, you can introduce your colleagues who are now sitting at the table with you and respond, and we'll get on with business. Mr. Montgomery.

Mr. Montgomery: — Thank you, Mr. Chair. Again, you've two chapters on the agenda for the Department of Finance. And again, in my opening remarks, I'm going to guide you through the recommendations in those two chapters.

We're going to begin with chapter 3 of our 2003 Volume 1 Report. This chapter contains three parts and of which only part B is on your agenda.

For your information, in part A, we have four recommendations relating to the Municipal Employees' Pension Commission. And I can report that the commission has fixed the matters reported regarding these four recommendations.

And also for part C, part C represents a follow-up on Finance's progress on previous recommendations made. And we were pleased with Finance's progress on those recommendations.

In part B, we report the results of our audit of the project management processes to manage phase 1 of the MIDAS system. MIDAS is not a muffler. It's a new computer system that replaces the government's central financial and human resource system. For the most part, we found that Finance had adequate project management processes to implement phase 1.

We made two recommendations to improve Finance's practices for managing development of the MIDAS system. On page 75, we recommend that Finance track and monitor all of the project costs, including other departments' costs, associated with the MIDAS project.

In the first phase of the MIDAS project, Finance did not track all the costs. For example, the user departments provided staff for user-acceptance testing, conversion, and the project committees. We think it's important to know the total costs of a project in order to be able to compare the cost to the benefits.

We also recommend that for future phases of MIDAS, that Finance should develop a written contingency plan to deal with the possibility that the project or a particular phase of the project is over budget, late, or lacks quality. The project steering committee should approve the written contingency plan.

The next chapter on your agenda is chapter 10 in our 2003 Report Volume 3. In this report or in this chapter, we report the results of the audit of the Department of Finance and the entities it controls for the year ended March 31, 2003. The chapter contains three new recommendations for your attention.

In this chapter, we continue to report concerns with the General Revenue Fund financial statements. The General Revenue Fund financial statements for March 31, 2003 do not include a pension liability of 4 billion, and understate pension costs by 24 million. Also the GRF (General Revenue Fund) inappropriately records an 82 million transfer to the stabilization fund as an expenditure.

In addition we have a new recommendation regarding the GRF financial statements to bring to your attention. The GRF's financial statements include loans receivable from Crown corporations of \$3.6 billion. In some cases these corporations can only repay the loans due to the GRF if the government gives them the money to do so. Generally accepted accounting principles for the public sector requires that such transactions be recorded as expenditures and not as loans receivable.

In our opinion, a loans receivable from Crown corporations at March 31, 2003 includes 58 million of loans that those corporations cannot repay unless the government gives them the money to do so. The 58 million consists of loans receivable from the Education Infrastructure Financing Corporation of 38 million and 20 million of the 113 million receivable from the Saskatchewan Crop Insurance Corporation.

I should point out that in 2004, that the loan receivable from the Education Infrastructure Financing Corporation has been correctly treated in the GRF financial statements. But we continue to reserve our audit opinion for a portion of the loan receivable from Saskatchewan Crop Insurance.

Our recommendation for loans receivable is set out on page 243. We recommend that the government account for loans to Crown corporations in accordance with Canadian generally accepted accounting principles.

The next item I want to bring to your attention relates to the preparation of annual update reports required by The Balanced Budget Act. The Balanced Budget Act requires the minister to set out a four-year financial plan after a general election. The Act also requires the minister to provide an annual update on the government's progress with regard to the four-year plan. This annual update is provided as part of the budget summary. When preparing an annual update report the minister is to use the accounting policies and practices that existed at the start of the four-year plan.

In March 2003, the minister presented the third annual update report related to the four-year plan presented in 2000. In our opinion this third annual update report was not prepared correctly in that it did not use the accounting policies and practices that existed at the start of the four-year plan.

During 2003 the government established the Education Infrastructure Financing Corporation. This corporation borrows from the GRF and in turn lends money to educational institutions to finance all or part of capital projects.

Prior to the change the GRF reported the cost of education capital projects as expenditures. In 2003 instead of reporting the cost of capital projects as an expenditure, the GRF reported them as loans receivable due from the Education Infrastructure Financing Corporation. These receivables totalled 38 million. Our recommendation on this matter is set out in page 246. We recommend that Finance comply with The Balanced Budget Act by ensuring that the accounting policies and practices used to prepare the annual update report are consistent with those that were in place at the start of the four-year plan.

The last item in this chapter I want to bring to your attention relates to the Public Service Superannuation Board. On page

248 we recommend that the Public Service Superannuation Board establish rules and procedures to assess the accuracy of its pension obligation. With regard to this recommendation I can advise we are satisfied with the department's progress in addressing this recommendation.

Mr. Chair, that's the end of my opening comments. We'd be pleased to answer any questions of the committee.

The Chair: — Thank you, Mr. Montgomery. Mr. Styles, if you'd introduce your colleagues and respond regarding those two chapters and then we'll get on with questions.

Mr. Styles: — Okay. To my left is Terry Paton, who is the Provincial Comptroller; I think you'll all familiar with Terry, obviously. And to my right is Reg Ronyk, director of financial systems. And maybe I can as well at the same time introduce Brian Smith, who is the executive director of PEBA (Public Employees Benefits Agency) and will be joining us shortly for some of the other recommendations.

If I can I'm just going to confine myself to MIDAS initially, and provide just a couple of comments. This is a major new initiative for our department and replaces the old central payment system for the province called RES (revenue and expenditure system). This new system is designed to address department's increasing demands for interconnectivity to their systems and to provide a foundation for the public as well. It's an Internet based system. We've worked very closely with all the departments to ensure their needs are addressed.

My staff have carefully tracked and monitored all of the MIDAS costs for which we are responsible. This includes staff that are seconded to the project from other departments. Certain other costs are the responsibility of the user departments and are budgeted and monitored by those departments as part of their normal operations. The first phase of MIDAS went into production on April 1, 2003 and I am very pleased, very happy to report that it was implemented on time and on budget.

With that, I would be happy to answer any questions.

The Chair: — Thank you, Mr. Styles. Any questions? Mr. Krawetz.

Mr. Krawetz: — Mr. Chair, in the auditor's report on page 76, you make reference to the co-sponsors of MIDAS being, of course, the deputy minister of Finance and the Provincial Comptroller. Then there's reference made to, "Finance seconded an individual to coordinate key items with the user departments." Who was that individual and what role did that person play?

Mr. Styles: — Al Moffatt from SPMC (Saskatchewan Property Management Corporation).

Mr. Krawetz: — Again?

Mr. Styles: — Al Moffatt from SPMC. He was a vice-president, I believe, with SPMC.

Mr. Krawetz: — And what role would Mr. Moffatt have played in developing MIDAS to ensure that it was ready to go.

Mr. Styles: — Essentially Al was our interface with departments. He served as a primary change agent, trying to make sure that we were communicating well with the agencies and departments, making sure that any concerns they have were addressed in a timely manner. But it was that relationship again with so many other stakeholders in government that he was primarily responsible for.

The Chair: — Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. My question has to with the cost of the MIDAS project. Were all the costs of the MIDAS project tracked whether they were in the Department of Finance . . . They tracked those related, in the Department of Finance, but every other department tracked theirs as well?

Mr. Styles: — Yes, each department tracked those costs which were germane to its participation in the project.

Mr. Yates: — Thank you.

The Chair: — Just with regards to the MIDAS project, what was the additional cost to the Department of Finance to meet the auditor's recommendations?

Mr. Styles: — To implement the Provincial Auditor's . . .

Mr. Paton: — No, I don't think the issue here is the cost of tracking those; it's almost the ability. The Department of Finance, we track the costs that we pay for, be it consultants, hardware, software, or staff that are seconded directly to the department.

The recommendation of the auditor here would be for us to somehow obtain information about the amount of time that a director in another department might spend reviewing the material or providing input or reviewing reports. And it's not really the cost. It's kind of the impracticality of finding out how many people in Justice reviewed reports or how many people in Health, and so on. So it's like those departments have their own responsibilities. They're all contributing to the success of the project. And I guess they would have some idea of how much time they spend on that, but it's something that we really aren't able to track.

The Chair: — So you didn't have to reallocate any resources within the Department of Finance, but other departments may have had to make adjustments to meet the new reporting standards that you've asked for?

Mr. Styles: — Definitely in terms of our department, reallocated a sizeable amount of resources. So in addition to receiving some incremental funding for the project because it's a very large project, the time — for instance, Mr. Ronyk to my right, all of his time is essentially devoted to that project, a sizeable portion of Terry's time, and some of my time on top of it. So you know, again we've devoted a lot of existing resources to the project, plus we've had to bring in additional resources — some secondments. There's obviously consultants, people like that involved as well, so it's quite a broad range.

The Chair: — But to co-operate with the . . . or to achieve the recommendations made by the Provincial Auditor did not

require a reallocation of resources. These resources were already committed to the project. Is that what you're saying?

Mr. Styles: — No, to achieve the recommendations the Provincial Auditor sets out would require that we somehow begin to track in each of the other departments, okay, exactly what they are spending on the particular project, okay, from their end of the project.

The Chair: — And you're not doing that?

Mr. Styles: — And that is something, no, we haven't done traditionally. I can't think of a computer project in government really that's been operated on that basis.

The Chair: — And so I guess I'd ask then, Mr. Montgomery, was it your anticipation that it would be the Department of Finance that would do the tracking and monitoring and that they should allocate resources to do that? Or were you admitting that each department keep better controls and, you know, on how they dealt with this project?

Mr. Montgomery: — I think what we're saying is when you have a large infrastructure project, good practice is that you could keep track of all the costs, not just the costs incurred in one area. You should keep track of all of the costs so that you can decide whether that project is worthwhile — you know, are the costs equal to the benefits.

The Chair: — And you feel that . . .

Mr. Montgomery: — We feel that . . .

The Chair: — Do you feel that the Department of Finance, and there are other departments involved here, that they're making progress? Or do you feel that your recommendations have been achieved or that they haven't even really begun to meet the recommendations you've put forward?

Mr. Montgomery: — Initially we just looked at the first phase of MIDAS, and the Department of Finance did not keep track of all of the costs. They didn't keep track of costs in the other departments. We would hope that they would, in the future phases of MIDAS — because there's several phases to go — that they would look to keeping track of all the costs related to the project and not just the costs incurred by the Department of Finance.

The Chair: — So then, Mr. Styles, did I understand you correctly to say that that's not your plan to keep track of these costs? And if not, then why not?

Mr. Styles: — It's not our intention to do it. As Terry is trying to point out, it's the practicality of actually accomplishing that. You have to keep track of time in each of the individual departments, amongst each of the individuals, in addition to which I think there's a sort of a collateral issue. When you're putting in a new system like this you're also changing your business processes to some extent. It gives you new functionality. Trying to separate out what is an improvement in your business processes from implementation of the project I think again creates additional challenges. We're not sure what the benefits would be from trying to keep track of that kind of

information and then actually provide it.

The base cost that the government has allocated to develop the project is something that we keep track on a regular basis again through our department. We report back to Treasury Board on a fairly regular basis about it as well. We believe that's the appropriate reporting vehicle and the appropriate reporting process to be used.

The Chair: — Then I guess I'd ask Mr. Montgomery, in making these recommendations did you review how other provinces deal with these kind of processes and are they meeting the reporting and monitoring requirements that you are suggesting that the Government of Saskatchewan and the Department of Finance should be meeting?

Mr. Montgomery: — I guess we didn't look at the other provinces. But we're following what are established good project management practices, and good project management practices would require that you would keep track of all of the costs of a particular project in order to measure whether the benefits of the projects are comparable with the costs.

The Chair: — Is that something perhaps your office might be doing in the future, is comparing Saskatchewan with other provinces and how they deal with managing a project of this nature?

Mr. Montgomery: — Well for the moment we've compared them with what we have established are the best practices for this type of project, but . . .

The Chair: — If I could interrupt, I guess the reason I asked is that Mr. Styles is saying that that's not practical. So if it's not practical in Saskatchewan, I would guess it wouldn't be practical in Manitoba or New Brunswick. But if they're doing it there, then I would wonder why aren't we able to do it in Saskatchewan? We need some kind of a reference point here to determine whether your position is the reasonable one or Mr. Styles' position is the reasonable one. And quite frankly I don't know if the other committee members know, but I don't have a clue.

Mr. Montgomery: — Well we haven't looked at the practices in other provinces to my understanding. I'm not sure why it's so difficult for the other departments working on this project to keep track of their costs on that particular project.

The Chair: — Okay, well we'll be paying attention to see where this goes from here. I appreciate the candidness of both of you. Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. Mr. Styles, the auditor identifies on page 76 that the costs for this project, or at least phase 1, was 6 million in one fiscal year and 7 million in another fiscal year, which covered the costs of buying and implementing the software. So these would be direct costs to your department, I would presume, of \$13 million.

Mr. Styles: — Those are original budget numbers.

Mr. Hart: — For the Department of Finance.

Mr. Styles: — That's right.

Mr. Hart: — So as you indicated, this project impacts, I believe, all departments of government and . . . in the way they report and so on. And you had earlier discussion about whether it's practical to track the costs in other departments.

In your estimate, what type of expenditures in man-hours and additional resources, whatever they may be, would an average or typical department need to devote to, you know, to get on board with this new project? I mean, are we looking at some significant man-hours in a typical department to get on board with this project?

Mr. Styles: — You know, I don't have an estimate or a guess, even. I wouldn't want to try to hazard one, to be honest. Part of it would be in what you define as their involvement in the project. Again, if training was incorporated as part of that definition, you know, we've got to go out and train all those people in a particular department that are going to interface with, you know, with the MIDAS system.

People that are involved in things like procurement, as an example. Okay, they do the accounting transactions, maybe accounts payable, accounts receivable, etc., so each department would be different. It would depend on sort of what you wanted to bring into that cost estimate. You know, even somebody as sort of remote from some of those day-to-day things as the deputy, okay, has to be informed about it, has to be involved in some of the decision making that goes on as well. So I couldn't even hazard a guess, to be honest. But it would mean substantial resources, you know.

Mr. Hart: — I believe, if I understand the auditor's comments correctly, the auditor is concerned about the time and the resources that departments need to devote to get or become part of this project. And I must admit, I'm not totally . . . don't understand exactly what it is you're doing, but it seems like it's a fairly comprehensive system you're implementing throughout government.

And it seems to me when I look at what businesses in the private sector do — particularly accountants and lawyers and those type of professionals — they're able to bill appropriately to the various files that they happen to work on during a day, a work day or a work period.

Could not some system similar to that, for purposes of tracking costs, be implemented within government if you have a group of managers — whether they be senior managers, middle managers — working on this particular project and devoting a number of man-hours to implementing this project?

It seems to me that there could be a system of tracking some costs and, you know, I guess what I think this committee needs to do is get some sort of a concept and a feel for how many . . . you know, what type of additional costs we're looking for beyond this . . . or will be incurred beyond this actual cash expenditure of \$13 million.

Mr. Styles: — Maybe I can separate. Can a system like that be put in place. Absolutely, yes. There's systems . . . you mentioned, I think, lawyers' billable hours, okay. I mean, they

do it. And there are government departments that do it right now for, you know, project work. Highways, for instance, which I was in for a while, do the same sort of thing.

So can you put it in place? Absolutely. It does take computer resources. It does take time, okay. It costs you money to put the system in place.

The question is, do you get something back for it that has some value? You know, from our perspective, we would suggest that no. We don't see that there's a value that comes back from that particular expenditure. Having people keep track of their hours, you know, every day and assigning it to, you know, one, two or, you know, three and then trying to roll those together and, you know, define a number — what are you going to use the information for at the other end?

From our perspective, departments were not provided with any incremental resources for this. This is their existing day-to-day staff that are involved in the project — whether it's their accounting clerks, whether it's their director of administration, okay, it's part of their regular job. They're working with my staff, okay, that are putting the project in place. So there's no incremental expenditures from a department perspective. The only incremental are with our department. Again, those are monitored on a regular basis, reported. You know, we watch whether or not we're staying within the budget that's been established.

So we haven't seen a need for it because we haven't seen value to it. And we're very conscientious of the fact that, you know, if you're going to ask a department to do certain things, to spend their time and their resources, okay, on accomplishing that task, you should understand what you're going to get back out of it. And, you know, we don't have a feel that you're going to get something back out of it that is worthwhile for the cost that you have to put into it.

Mr. Hart: — Well I guess that would lead me to a question then as a basic question. If you're spending \$13 million on this MIDAS system, what benefits do you perceive? And I'm sure there obviously are benefits. I wonder if you could explain the benefits that will be seen by government operations once this system is up and running.

Mr. Styles: — I'll touch on sort of three aspects of it and then Terry may want to jump in as well.

First of all, our other system was obsolete. It was on obsolete technology. The software was no longer supported. So you've got functional obsolescence and no choice essentially. Okay? You're going to replace it; you've got to, you know, you go ahead and you do it. So that's the first part of it, from my perspective.

The second aspect I guess to it is that it's obviously a much more modern system. It's sort of the latest and greatest that Oracle's just put out. It gives you a lot more functionality — things like you're Internet-based so for something, for instance an item that might be sold by a particular government department, in the future they will be able to tie directly into the system.

We will probably be able to give access to the system to maybe contractors — one idea. I'm not saying we've done it or are doing it, but it's an idea. So if a contractor wants to find out where his payment is, you know, he will have maybe Internet access to the system. He'll be able to have a look and see, here's where my payment is; it's in the system; it will be out to me in 5 days or 10 days.

It gives you so much more functional capability that we'll be able to look at a lot of new things to change our own business practices, but it's a foundation system we've put in to date. It does the basic things for us. We're getting used to it. We'll start adding functionality on top over time. So I do expect that we'll get a lot of benefits out of it that, you know, in a sense we haven't run into at this point in time.

The third aspect really ties to business process improvement. It is a system that not only gives you new options but new ways to do business on the procurement side, for instance. The procurement part of it is now going to be fully automated, sort of from front end to back end. So you're not dealing with paper, okay, that has to be sent over to somebody at SPMC that has to be checked off and signed and all the rest of it. S-4s will be done on-line in the future. I think they're being done on-line . . .

Mr. Ronyk: — Not yet.

Mr. Styles: — No, but in the near future. So again, those kind of business process improvements. But, you know, the initial intent was we had to replace a system that was obsolete. We've done that; we're starting to get the benefits out of it. We're now starting to add additional modules as well. We're going to do the personnel section next. We're about a year into, I think it's a two- or three-year phase for the personnel side of it. And again, it will be a completely integrated system. It will not be a system where part of it is provided by one software developer, part by another software developer. All of it integrates, all of it works together. Hopefully, seamless flow of data, so that instead of collecting data on a particular individual or a particular type of transaction or a company, in five, six, or seven, okay, the data is integrated and we can be less intrusive, okay, in dealing with those companies.

So it's got the potential for a lot of benefits. Again, we're kind of working our way through it and we hope to realize and capitalize on it over the next number of years.

Mr. Hart: — So then, as the auditor has indicated, this \$13 million, is that the only, I guess, cash outlay as such that is required to implement the program? The rest of the costs would be incurred within departments, within their existing budgets? Or is there additional revenues required to implement the new system?

Mr. Styles: — . . . phase 1 cost to the project, okay?

Mr. Hart: — Okay.

Mr. Styles: — There are multiple phases to it. The second phase is the personnel phase and we're working with PSC (Public Service Commission) on that as well. That will require incremental money as well, each year for the next two years.

The original budget which was not completely approved by Treasury Board — it's being improved in phases, okay — it was around \$33 million over five years. Right now our latest projection, because we've modified the project as we've got experience with Oracle and with the different functionality that it provides, are six years. It's now over a six-year time frame, okay. It will be about \$22.9 million. So it's changed over time.

Mr. Hart: — How much was that?

Mr. Styles: — Twenty-two point nine over six years.

Mr. Hart: — Over six years.

Mr. Styles: — That's right.

Mr. Hart: — Right. So that's down from the 33 million.

Mr. Styles: — That's right. So there was an original budget and again, we've become a bit more of an expert about Oracle. As time's gone by, we've learnt a lot.

Mr. Hart: — I guess, Mr. Chair, I'd have one question to the auditor then. From your concerns that you expressed as far as the additional costs, whether they be outlay of additional expenditures or in man-hours and resources within the department, have you got an estimate as to what those costs would be at all or . . .

Mr. Montgomery: — Our staff made an estimate; it is a rough estimate. In the range . . . for phase 1, in the range of 1 to \$1.3 million for the other costs.

Mr. Hart: — Okay. That'd be across all other departments in . . .

Mr. Montgomery: — Yes.

Mr. Hart: — Good, thank you.

The Chair: — Mr. Hart, any other questions? Just you've mentioned multiple phases. How many phases are we looking at? I was going to ask about timeline and costs and you've answered those questions.

Mr. Styles: — Okay, so we'd break it out into four phases. And again, this has been a little fluid as we've come to understand each of the modules and taken advantage sometimes of even the pricing that has been put forward by Oracle. But essentially the four phases are: base accounting; second phase of advanced accounting, capital being one of those issues, okay, on the advanced accounting; HR, human resources; and then finally personnel. So those are kind of the four phases that we see again.

Procurement, you know we're doing a lot on procurement in the first two phases as well, but it is incorporated into those. So how you break it out is relatively artificial, let me tell you.

The Chair: — So is the value of phase 1, it's fully functional? Even without the personnel, you know, phase 1 is working for you? And then, you know, by the time you get to phase 4, does that reduce the overall costs and increase the efficiencies of the

program? I'm just trying to . . . you know, as a layman here, I'm trying to understand how this can work in phases.

Mr. Styles: — Well each phase is, if you think of it in the context of the software, is another module of software that you're adding and you're computerizing or . . . I guess computerizing another function essentially that we are performing.

In terms of the base, it was implemented as of April 1, 2003. You know, we've had very few problems. It's gone remarkably well actually. It was on time, on budget, I would even tell you over delivered. What we thought would be in that initial sort of base package, we've got more functionality in there and more modules than we had expected.

Oracle was . . . It was right after 9/11 where business wasn't too good for software companies out there. Oracle advanced a couple of opportunities to us, okay, that kept us within the budget. We took advantage of those. Procurement is one of those modules, for instance. We had not expected to do it in the first phase — expected to do it in a later phase — but they were basically giving us the module on those for nothing, so we accepted and went on.

I would expect that, you know, the benefit portion of it, you know, you'll start to see some of that gradually in the departments over a period of time. They'll take advantage of the new functionality. You know, I don't think you're going to see it all at once; it takes time for government to change, to train people, to get them to use new ideas and new processes. So the benefits will be something that will occur gradually.

When we presented this to the Treasury Board, we took it out to departments, etc., we did not sell the project on the issue of benefits — you know, great to have them, we know we're going to get them, okay — we sold it as a fact that we have to replace a system that was functionally obsolete and it had to be replaced. And that's what we did. So we didn't oversell the system. We sold it on its existing merits. And we'll get benefits, we know, as we go along.

The Chair: — Thank you. I don't want to do the work of the Provincial Auditor, but it sounds like maybe a good recommendation would be for the Information Services Corporation to get together with the Oracle people; maybe they could learn a little bit there.

Are there any other questions on, particularly on the MIDAS project? There are recommendations here. Two recommendations, and we might as well deal with them then before we go on to the other chapter. Both recommendations are on page 75. And the first recommendation reads:

We recommend that Finance track and monitor all of the project costs including other departments' costs associated with the MIDAS project.

Is there a motion? Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. We recommend that:

Finance track and monitor all project costs associated with the MIDAS project contained within the Department of Finance.

The Chair: — All right, you've heard the motion. Is there any questions on the motion that's on the floor? Mr. Krawetz.

Mr. Krawetz: — That is a practice that you currently follow. You have indicated that you . . . the expenditure of the 6 and 7 million respectively, that you've tracked that and you know where all that was spent.

Mr. Styles: — Yes.

The Chair: — Okay. Any other comments on the motion that's on the floor? Mr. Hart.

Mr. Hart: — I have one question to the auditor. I'd asked earlier if you've made an estimate as far as the associated costs in other departments and you indicated that around \$1 million or so. In the future phases of this project do you anticipate greater expenditures being incurred by departments other than Finance in the implementation of this project? Or would the ratio or would that figure be sort of a reasonable guesstimate?

Mr. Montgomery: — We would expect it would be a similar ratio in the future of things.

Mr. Hart: — Good. Thank you.

The Chair: — Any other discussion regarding the motion on the floor? Seeing none we'll call the question. All in favour? None opposed. That's carried.

Recommendation no. 2, also on page 75:

We recommend that for future phases of MIDAS, Finance develop a written contingency plan to deal with the possibility that the project, or a particular phase of the project, is over budget, late, or lacks quality. The project steering committee should approve the written contingency plan.

Again is there a motion?

Mr. Yates: — I have a question.

The Chair: — A question by Mr. Yates.

Mr. Yates: — Thank you. My question is to the Department of Finance. Is it your intent for future phases to in fact put in place a contingency plan as requested?

Mr. Styles: — Yes, it is.

Mr. Yates: — Thank you very much. I move we concur with the recommendation.

The Chair: — All right. There is a motion to concur with the recommendation. Is there discussion on the motion? Seeing none, we'll call the question. All in favour? That's carried unanimously.

I believe that is all on chapter 3 of the 2003 volume 1, the MIDAS project. There's chapter 10, 2003 Report Volume 3. Are there any questions regarding chapter 10?

Mr. Krawetz: — We haven't had the response by the Finance office on that, because I think Mr. Styles just dealt with the first chapter.

The Chair: — Correctly noted. Mr. Styles.

Mr. Styles: — If I can, maybe I'll separate out my response to different issues and, if we could, I'd be quite happy to take questions on each of the individual issues separately if that's okay to proceed in that manner.

First maybe a comment would be the compliance with The Balanced Budget Act. In the '02-03 budget the government announced the creation of EIFC to fund education capital. The government was very upfront about it. They were very open about the decision at the time; I think it was very clear what was going on. It was also made clear the government would amortize the construction costs of schools and universities similar to mortgage-type financing. In essence, it was a new approach to financing education capital.

It was the government's position that this was not a change in accounting policy but simply a change in the way that education capital was funded. Therefore we don't believe that we were in violation of The Balanced Budget Act.

The other issue around . . . I don't know if you'd like me to move on to the second part of that as well, accounting for loans to Crown corporations. But it has some bearing or tie to this, but maybe I'll . . . couple of comments on that. First there's two different sets of loans here. One is around the Education Infrastructure Financing Corporation, and again we hold the position that this was a change in financing. We obviously have adopted a new capital accounting policy for '04-05 and the next three years for this particular term underneath The Balanced Budget Act. We wrote down the . . . wrote off the existing loans at the end of '03-04, in essence to get ourselves in full compliance with the new framework that we have, okay, going forward from '04-05 and on.

There was a second set of loans that are touched on in the auditor's comments regarding the Saskatchewan Crop Insurance Corporation. We are in disagreement with the interpretation of how they should be accounted for. Our perspective is that this is an insurance program; as such we look at it on a long-term basis — 15 years — and we look for actuarial assurance that the program is going to function properly. That means you're going to have highs and you're going to have lows. That's the intent of the program, and the intent is to smooth it out. Not that you would ratchet up your fees, your crop insurance premiums, in one particular year to deal with the immediate needs of what goes on, or that you'd ratchet them down on one particular year, okay, when, you know, there's a crop, a successful crop out there.

So we believe again that the proper accounting treatment is the one that we've adopted and utilized. It is consistent with the intent of the program. It is consistent with our agreements that we have signed with the federal government as well, so we do

take a different position on that than the Provincial Auditor.

The Chair: — Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. My question has to do with the operation of Saskatchewan Crop Insurance Corporation. If we were to operate the Saskatchewan Crop Insurance Corporation on an annualized basis, would we . . . and report both the highs and lows on a single year, would we in fact be able to operate and have a crop insurance program in Saskatchewan?

Mr. Styles: — You wouldn't be operating it as an insurance program per se. I'm not sure. It would be a different type of program. You would not get the smoothing effect, generally, over the years. Again, you'd get sort of large fluctuations year to year depending upon what happens with crops out there. And it runs, again, counter to the objectives of the program.

Mr. Yates: — Okay. Second question. With those huge fluctuations and the fiscal situation that Saskatchewan is in, could it deal with those large fluctuations and in fact have a crop insurance program — practically, could they?

Mr. Styles: — No. I mean, it would create challenges. The ability to meet a balanced budget in the GRF would be compromised. If you had to take the full loss or the write-off of the loans, okay, in each year in which you had to provide additional funding for the program, you know, it would obviously create a larger expenditure. And again, assuming that you want to stay to a balanced budget, you're going to have to cut those dollars from some other source out there or increase taxes again.

There's always sort of multiple options that you could take care of, but you wouldn't be operating it as an insurance program. You wouldn't need to bring in an actuary, essentially, to set the rates, for instance.

Mr. Yates: — Okay. One additional question. You had mentioned that this is in compliance with the way the federal government does it. Is it also in compliance in the way other provinces do it?

Mr. Styles: — I don't know for sure how the federal government accounts for it or manages it from their end. I can tell you it's consistent, okay, with the agreements that we have in place with the federal government in the context of the objectives of the program and its operation.

Mr. Yates: — Okay. Thank you.

Mr. Krawetz: — Mr. Styles, could you clarify the EIFC as an entity for this current fiscal year and future fiscal years? Is it being wound down?

Mr. Styles: — I believe it already has been, if I remember correctly. I think an OC (order in council) was passed . . . August? Okay. It was passed in August. It was actually dissolved.

Mr. Krawetz: — Right. So was the . . . Did I hear correctly, Mr. Montgomery, that you indicated that the concern that you

had expressed in the report was now no longer a concern because it had been addressed?

Mr. Montgomery: — With regard to EIFC, the concern about the loans receivable?

Mr. Krawetz: — Right.

Mr. Montgomery: — That was addressed in the GRF financial statements for 2004. As Mr. Styles indicated, the loans were written off at that time and that was consistent with the way we thought it would be.

Mr. Krawetz: — Okay. Thank you. Now the other part, as you've pointed out, is the crop insurance. Could you explain to better, for me to better understand, what is the concern from the auditor's office point of view?

Mr. Montgomery: — Okay. The concern is to the generally accepted accounting principles. And basically, the principles state that if a corporation can't repay a loan from its own resources without the government giving them the money to repay the loan, then it should be treated as an expenditure rather than a loan receivable. It shouldn't be called a loan receivable because in essence the government has to give it the money to pay the loan back. So rather than recording it as a loan, they should record it as an expenditure.

Mr. Krawetz: — Okay, but I heard Mr. Styles state — and I should let him state this — that over a longer period of time, in this case 15 years, that there will be, you know, positive years, and at a given situation, the financial position of the Saskatchewan Crop Insurance could in fact have come back down to zero. Is that accurate?

Mr. Montgomery: — Well you know, I don't know over the long period of time whether the program will be actuarially sound or not. I mean, there's changing weather patterns. There could be more droughts or whatever, so I don't know that. But what I do know is there's a shortfall in the plan as at 2003 and at 2004. And the funding of that program then comes from three sources: it comes from the federal government, the Saskatchewan government, and producers. And the shortfall is about, at 2003 in our estimates, around 83 million.

Now the premiums that go into this over the long term are 24 per cent paid for by Saskatchewan. So in essence, 24 per cent of the 83 million is going to be paid by premiums from the government. So that's the portion of that loan that we disagree with. We say the ones from Canada are fine; the ones from the producers are fine. But the fact that you're having to pay premiums in to recover that shortfall, that should be recognized now as a write-off, not part of the loan, because in essence you're going to have to repay that part from your resources.

Mr. Krawetz: — But the position of Saskatchewan Crop Insurance though is that they will wait for . . . And as you've said, you can't track it because you don't know the uncertainty of weather and all the other factors that contribute to either a surplus or a deficit at Crop Insurance. You're suggesting that this should be an accounting principle that should be dealt with each and every year. So then if you're talking about a deficit, what would you be suggesting then be the practice for a year of

surplus?

If the Crop Insurance does not operate at a deficit for that year . . . You recorded \$83 million. Let's just reverse that and say, suppose it was an \$83 million surplus. Would you be suggesting something different?

Mr. Montgomery: — No, we would suggest there would be no need to write down the loan because you have sufficient assets to repay the loan, because you've got a surplus. What we're saying is that 2003 there is a deficit or is a shortfall in assets to repay the loan of about 84 million. If you have surplus then the loan would be recoverable and we would have no issue with that. The fact that there's a deficit, the deficit's repaid from three sources, the federal, the producers, and Saskatchewan. We say the Saskatchewan portion of that deficit should be recognized right away.

Mr. Krawetz: — Okay then, a further question. If we're not doing it as you've indicated right as it happens and there is an accumulated deficit in Saskatchewan Crop Insurance — now you've indicated that there were two consecutive years, '03 and '04 — what will be the Crop Insurance practice? What will be the practice of Saskatchewan Crop Insurance board to repay those loans or that deficit? How will they deal with that deficit that you've just indicated occurred in 19 . . . sorry, in 2003 and in 2004?

Mr. Montgomery: — I think that the government hopes that the deficit will be recovered from future premiums that are paid into that plan, and I think they're hoping that over the long term that there will be surpluses. You know, they're hoping that it's actuarially sound over the long term. I can't tell you whether it's actuarially sound over the long term. I can only tell you that at that particular date, at 2003 and 2004, they're in a deficit position and that deficit will be paid by future premiums from farmers, Saskatchewan, and Canada.

Mr. Krawetz: — And my question then to Mr. Styles is, how does government ensure that the obligations of . . . the financial obligations of Saskatchewan Crop Insurance board are going to be met?

Mr. Styles: — Maybe I can first point out on the general principle. You know, we agree we're . . . we don't disagree with the general principle. It is the particular program application where we disagree that that principle should be applied in this instance. Underneath any insurance program, so whether you're talking crop insurance or programs that'd be run by SGI (Saskatchewan Government Insurance), you look at the program over a long period of time. You assess risks, okay, because there's upside and there's downside risks.

For the crop insurance program, I understand it's a 15-year period they look at. They have actuaries that come in and certify the program as being actuarially sound. So premiums are set on the basis, okay, that with those premiums over a period of time and given sort of the losses that are expected and the surpluses that you're going to receive in some years, the program will break even. And that is the, you know, the underpinning to the entire program. It's what it's built on and has been built on for, you know, for a lot of years.

But you know, it is actuaries that come in; they help set the rates. You know they look at the 15-year period. If there's new information that needs to be brought to bear in terms of where rates should be, because you always get another year of practice you know, you see the results of that in terms the way the rates go up or go down.

Mr. Krawetz: — Is that an annual occurrence in that the actuarial studies are looked at on an annual basis to sort of use that floating, rolling 15-year average?

Mr. Styles: — We think they do it annually, but I can't state that for a certainty, okay. We believe annually. I know they've brought them in the last number of years because we've had, you know, a lot of variation. We've now gone . . . this will be the fourth consecutive year where we've had some type of crop problem. And so they've had people I think in each year essentially for the last four years. But they do an ongoing review with an actuary, no different than how SGI would run one of its insurance programs.

You know, they're going to have years where large storms come in, cause a huge amount of problems. They need to roll it into their overall risk base over an extended period of time. If you get that kind of experience on an ongoing basis, what you get is insurance rates jump worldwide sometimes. As a result of the hurricanes that probably hit Florida, you'll see insurance rates jump for everybody I would think.

So again, the program is run in the same way other insurance programs are run. Our problem is . . . to apply the principle to the program, okay, defeats the entire program objective. And that's our concern; we just don't believe it's appropriate to apply it in this particular situation.

Mr. Krawetz: — Okay, and my final question back to you, Mr. Montgomery. Mr. Styles indicated that they felt that they were not in breach of the generally accepted accounting principles regarding the EIFC. Your understanding is that you disagree with that, of course, and you have stated that they are. Could you clarify why there is a difference of, you know, dealing with the same point but producing two different opinions?

Mr. Montgomery: — Are we talking the EIFC or the crop insurance?

Mr. Krawetz: — No, EIFC I think is what Mr. Styles indicated, that that was a restating of financing.

Mr. Styles: — No, it's a new approach to financing education capital, okay, and that's how we considered. It was a change regarding how you finance education capital.

Mr. Krawetz: — And that was within The Balanced Budget Act?

Mr. Styles: — We're talking about how you finance the capital versus how you account for the capital.

Mr. Krawetz: — Okay. And your position then was different?

Mr. Montgomery: — Our position is there's a change in the accounting. In the past, the full capital expenditure at the

beginning of the 4-year plan — you know, when you spent money on a capital project — the full amount of that would have been expensed in the year that you spent the money.

Mr. Krawetz: — Right.

Mr. Montgomery: — The government's saying that they're in a different mode. They're sort of more of an amortizing of that over the life of the asset, so you have a much smaller expense. If the life of the asset was 20 years, they've recorded an expenditure of one-twentieth of what they would've done before when you expended the full cost. I agree there is a change in accounting taking place for this current year, but we're talking back in 2003 when we were still on the expenditure basis accounting, which basically is that we fully expensed capital assets in the year that they were acquired.

The Chair: — Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. I'd like to go back to this crop insurance issue here. I must admit I fully don't understand. I believe you said that if there's an 83 or \$84 million deficit, that you felt that the way that deficit was accounted for as far as the producers' share of that deficit and the federal government's share of that deficit, that was fully accounted for in the proper manner. But the way the provincial share was accounted for, it should have been . . . rather than a loan to the corporation, it should have been classed as an expenditure. Is that . . .

Mr. Montgomery: — The simplest way I can put it, I think, is you've got a shortfall in the crop insurance of around 83 million. So how are you going to recover that shortfall? I mean, how is that loan going to be repaid? Well it's repaid through future insurance premiums.

Mr. Hart: — An increase in insurance premiums . . .

Mr. Montgomery: — By future insurance premiums and the insurance premiums are collected from three sources: the federal government, the producers, and Saskatchewan. Now our view is the portion that is our contribution to that shortfall should be set up as . . . should be written off now because it's coming from our resources. So we're going to have to use our future resources to repay that.

Mr. Wendel: — We've already had the expense, which is when you . . .

Mr. Hart: — When you're actually going to pay for it.

Mr. Wendel: — Right. So the expense is incurred.

Mr. Hart: — Okay. So I guess if we were going to treat everyone fairly, then the other two partners in this agreement could say well, rather than actually coming and ponying up the money, we'll sign a loan. We'll give you a loan that we may pay sometime down the road. Would that be a fair comparison?

Mr. Wendel: — No, I don't think so. I think what we're talking about is a loan that General Revenue Fund has given to the Crop Insurance Corporation, and what we have to decide is what's that loan worth. Where's the money going to come from to pay it back? And the money going to come from, as Ed said,

three sources. It's going to come from the producers. We're saying, that's good. That'll come sometime. Those are ourselves, right? They're going to come from the federal government. We say, that's good. We're going to get that from somebody else. The rest is . . . it's not coming from anybody.

Mr. Hart: — It's like giving yourself a loan.

Mr. Wendel: — Right. I mean we've already incurred the cost, right? We gave the money to Crop Insurance to pay the premiums, right . . . or to pay the claims. The money's gone.

Mr. Hart: — Okay, just dealing with crop insurance. I believe earlier in answers to Mr. Yates' questions, Mr. Styles, you made some comments about if we were going to fund crop insurance on a cash basis, on a yearly cash basis, that we'd see premiums have to go through the roof in some years and drop down to next to nothing in other years, dependent on the claim position, you know, of producers to the program and that sort of thing.

But does not the crop insurance, part of the crop insurance program, there's a reinsurance fund that a portion of premiums are set aside by, I believe it is a portion of all premiums or . . . because I'm looking at the most recent budget document, and there is some funding for crop insurance reinsurance fund of Saskatchewan. And I wonder if you could just expand on how that whole program, how that program works?

Mr. Styles: — You probably have the wrong person at the table to talk in detail about the crop insurance program.

Mr. Hart: — Oh. Well I mean in generalities. You said it's similar to other insurance programs.

Mr. Styles: — But what I would . . . I mean your analogy, okay, about what the reinsurance portion of it is used for is completely accurate, okay. But I believe right now essentially all the money's been eaten up, both in the regular program and in the reinsurance program. So you know, the federal government and ourselves are both borrowing, okay, to put money in and sustain the program on an annual basis.

You know, what I would point to is that if you expense the money in a particular year, you know, if the program is going to adhere to the cost-sharing agreement that you have with the federal government, you need to recover the money from someplace. And I'm not sure where you'd recover it.

You know, you can jump up . . . you can push the premiums up, or I guess we can say that we've somehow assumed a larger share of the load for the program. In the future, you know, if the Crop Insurance Corporation doesn't have the loan on their books, doesn't have to repay it, obviously they're not going to need rates as high in the future.

So it's not truly in the sense of, you know . . . (inaudible) . . . over the 15 years balancing it out. You really can't get to that, or you'll get to it artificially. I'm not sure how you'd ever convince producers, as an example, that lookit, the government wrote the 38 million — or whatever the number is — wrote that loan off, but you still have to repay it. You know, it doesn't work with the program's intent. You know, that's our position.

Mr. Hart: — So one question to the auditor then. So basically what you're saying is that if this \$20 million was accounted for in the manner that you suggest it should be accounted for in keeping with generally accepted accounting principles, the bottom line would be that the surplus at the end of the year in the General Revenue Fund would be adjusted by or the ending figure would be adjusted by \$20 million in the negative fashion. Is that the bottom line . . .

Mr. Montgomery: — That's correct.

Mr. Hart: — In this whole argument?

Mr. Montgomery: — We think, instead of recording a loan receivable for that 20 million, they should have recorded an expenditure for the 20 million. And therefore . . .

Mr. Hart: — Which will go straight to the bottom line?

Mr. Montgomery: — Yes.

Mr. Hart: — Okay. Thank you.

The Chair: — All right. Is there any further questions on this area? Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Chair. As I said to my colleague just now, I'm no wiser after this discussion. And I thought I understood crop insurance, but obviously don't.

Mr. Montgomery, let's go back to this loss of \$83 million. And you said that because a portion of it has been or is the responsibility of the provincial government, then unless they give a loan to the crop insurance board, it can't pay it back.

Now my question though is this. If the \$83 million deficit occurred in one year . . . and each year there are producer premiums, there are federal government transfers, and there are provincial estimates or expenditures in the Department of Sask Ag and Food that place funds in the Sask Crop Insurance to operate Sask Crop Insurance based on the amount that is in the estimates. If for that year there are . . . after all expenses have been met by the Saskatchewan crop insurance board and there isn't a huge amount of payouts that year and in fact there is an \$83 million surplus now, it would have offset the previous \$83 million deficit of the year before. Therefore no additional loan has been made other than the expected expenditures that the government anticipated and was placing its money into that fund. The federal government placed its money into that fund, so did producers. The end result was an \$83 million surplus that offset the \$83 million deficit of the year before. So tell me why would we need a loan?

Mr. Wendel: — The difference is, you've got the expense in the wrong year. Right? The expense already happened. Now you're going to book it into next year as a premium. The expense is there. You had the expense.

Mr. Krawetz: — Yes. I agree with that statement, Mr. Wendel, that the expense occurred in a different year.

Mr. Wendel: — Right. And that's all we're trying to measure: have you got your expenses in the right year. That's what we're

trying to measure with generally accepted accounting principles: have you got your expenses in the right year.

Mr. Krawetz: — Okay. But then if you've stated that \$20 million expenditure and you've said it was a \$20 million . . . like, the portion that the province would be responsible, how then do you . . . to ensure that that \$20 million goes back to the government for the fact that it made that additional loan, would you be making that transfer at the end of that surplus year?

Mr. Wendel: — The loan happened. The money was spent. So there is no money. It's just a bookkeeping entry. It's not going to change the premiums. That continues. All we're talking about is, when do you record the expense? One case is talking about cash flow, okay. Another is talking about the accounting for that: the revenues and expenses. Cash flow doesn't necessarily match the accounting of the revenue expenses. So that's what we're talking about. Like, they're going to continue to operate and charge premiums and put them in the crop insurance program, okay.

Mr. Krawetz: — So cash flow is a 15-year thing, and expenses are an annual thing.

Mr. Wendel: — Right. And if they run out of cash in the crop insurance, the reinsurance that is, we'll lend them the money, okay, because they have to pay the claims. I'm not talking about how you're going to manage this. No different than SGI when they have a loss year. They don't book some future premiums they're going to collect. They book a loss, but they adjust their premiums in the future to get the money back.

Mr. Hart: — And what you're saying in this case then is that the loss wasn't booked.

Mr. Wendel: — Well they booked it in crop insurance. They've done the right accounting in there. Now all we're talking about is, the General Revenue Fund's lent some money to this corporation, and it has no way of paying it back other than from the three sources, okay. That's really all we're dealing with.

The Chair: — If I can interject, you say that the federal government does it, right? Do they account for it in the same year?

Mr. Wendel: — I don't know what the federal government does with their accounting. I haven't gone to look at that.

The Chair: — Mr. Styles, perhaps would your people or Mr. Paton know the answer to that?

Mr. Styles: — Sorry, I definitely . . . no.

The Chair: — If other governments are following general accepted accounting principles though, then they would do it the way you're recommending. That's what you're saying?

Are there . . . I have a question with regards to The Balanced Budget Act. We have the Provincial Auditor saying that there's non-compliance. We have the deputy minister saying there is compliance. Under The Balanced Budget Act, what provision is there to determine . . . like, who is to determine, who is to make

a judgment as to whether or not The Balanced Budget Act is being complied with and what are the consequences of not complying? I guess I had asked the Provincial Auditor first if they could give us their interpretation. And then, Mr. Yates, will then perhaps give us his interpretation.

Mr. Wendel: — My interpretation as to whether . . .

The Chair: — Well we mean you're saying that it's not complied with. The deputy minister's saying it is complied with. I guess I know that the Act exists. I know that the Act says that there shouldn't be a change in accounting practices over the four-year period of government, which would be from 1999 to 2003.

You're saying, the auditor's office is saying there has been a change in accounting practices that would not comply with The Balanced Budget Act. The Department of Finance is saying that they disagree with you. I'm just wondering how the Act is constructed, who is judge and jury on this issue, and what are the consequences if in fact it hasn't been complied with?

Mr. Wendel: — Okay. Well we bring it to this committee, and this committee I guess is the judge and jury. And they get to talk about this and ask questions of the officials, ask questions of us. We put our relevant positions forward, and the committee will decide whether it supports the recommendation or not.

The Chair: — So the Act really has no . . . there are no consequences for non-compliance other than it might come before the Public Accounts Committee. Is that, do I understand that correctly? That's kind of a scary thought, isn't it? Do we bring down the government here if they're not complying, or what?

Mr. Yates, you wanted to comment.

Mr. Yates: — I have two questions. First question has to do with . . . I'd like to ask the Provincial Auditor: does The Balanced Budget Act talk about over a four-year period; it must be balanced over a four-year cycle?

Mr. Montgomery: — Yes.

Mr. Yates: — And my second question was: was it balanced over the last four-year cycle?

Mr. Montgomery: — I think it was. I mean if you look at the actual results over the four year . . . and we just completed the four year in 2004. Yes it was balanced according to the rules in here. What we're saying is, when they prepared the update report in that third year, they didn't use consistent accounting with what was at the start of the year. So I agree over the period it was balanced, but from our point of view it didn't comply with the words for the preparation of that update.

Mr. Yates: — Okay. My second question is: over a four-year period, would the rules of generally accepted accounting principles . . . because the one recommendation talks about they must remain consistent over four years. But four years is a fairly lengthy period of time. I would think, and I'm asking both I guess the Department of Finance and the Provincial Auditor, would the rules, some of the generally accepted accounting

principles change within a four-year cycle . . . (inaudible interjection) . . . Okay, so they would. So rules would change in a four-year cycle. Okay, that answers my question.

Mr. Hart: — Just to follow up on Mr. Yates' questions. If the reports over the four-year period had followed generally accepted accounting principles and that not changing the method in which . . . of accounting that you used in that four-year term, would have the budgets been balanced in all four years?

Mr. Montgomery: — What I said, when we prepared this chapter we were looking at the compliance with the balanced budget report. Now since then, we've probably got the results of 2004 and maybe even the final 2003 results at that time. So when we look at the actual results that have come in over those four years — which we just looked at the other day — looks like they complied with The Balanced Budget Act, okay.

But on that year, when he prepared the update, he did not use consistent accounting principles. And really that's all we're going to is . . . the section in the Act that requires the minister, when he prepares that annual update report, to use consistent accounting principles over the four-year period. And we're simply saying that for the preparation of those updates, he did not.

Mr. Hart: — And that was due to the way capital expenditures were recorded in the Department of Learning, the . . .

Mr. Montgomery: — Correct.

Mr. Hart: — The education infrastructure . . .

Mr. Montgomery: — Correct. Previously capital projects were expensed completely in the year they were acquired, afterwards only a portion.

Mr. Hart: — So just to be clear on this, the Act stipulates that when updates are prepared that they are prepared using the same accounting practices?

Mr. Montgomery: — Yes.

Mr. Hart: — And you're saying that they weren't in the last year of the four-year plan?

Mr. Montgomery: — It was, I think, the third update . . .

Mr. Hart: — The third update.

Mr. Montgomery: — That we were referring to in this. And it may well have been in the fourth too, but we haven't prepared that chapter yet.

Mr. Hart: — So you're saying then that the Minister of Finance did not comply with The Balanced Budget Act then?

Mr. Montgomery: — Yes. And The Balanced Budget Act says that the minister shall use the accounting practices and policies as they existed when the four-year financial plan was presented to the Assembly. So when he prepares the annual updates and all the future reporting after he's delivered that first plan, he's

supposed to stick to the consistent accounting policies that were in place at the beginning of the four-year plan.

Mr. Hart: — Okay. So then I guess it would be a fair statement to say that if the same accounting practices would have been used in the third year as were used initially when the four-year plan was laid out, that that third year with the slim surpluses that were projected in the General Revenue Fund would have actually been in a deficit position then? Because we're talking about . . . What are we talking about, \$38 million here?

Mr. Montgomery: — Yes. I don't think we said it was in a deficit in the third-year position. We just said it would have changed, but the expenses would have increased by \$38 million. But it wouldn't have actually turned it into a deficit in that third year.

Ms. Wendel: — Not the cumulative.

Mr. Montgomery: — Not the cumulative.

Mr. Hart: — Well okay. But I'm looking at some of the Department of Finance, or some of the figures you have in chapter 10 here. And when we look at budget balance for 2002-03, the budget balance was \$2.1 million according to the GRF financial figures that you have in your report on page 245, if you look at the line budget balance.

Mr. Montgomery: — Okay. Well if you look at that, it's the third column you're looking at.

Mr. Hart: — Yes. Is that . . . just for clarification, is that the year where the accounting practices are in question?

Mr. Montgomery: — Correct.

Mr. Hart: — That have been changed.

Mr. Montgomery: — Correct. And I think when you read below that, that 2.1 would have decreased by 38. Yes. But the cumulative balance below would not have gone to a deficit position.

Mr. Hart: — But the thing is, if we use the . . .

Mr. Montgomery: — In that particular year.

Mr. Hart: — The General Revenue Fund figures and if we increase expenditures by \$38 million in that particular fiscal year, then the balanced budget would be decreased by \$38 million which would then put that balanced budget figure into a minus position.

Mr. Montgomery: — In the forecast — and this is the forecast, not the actual financial statement — in the forecast, the budget balance figure of 2.1 would have turned into a deficit position. But over the cumulative period to 2003, the 38 million was not enough to turn the 60.9 million into a deficit position.

The Chair: — So if I could do some interpreting here, if I understand The Balanced Budget Act correctly, it means that over a four-year cumulative period, the budgets must be balanced.

And Mr. Romanow would have been . . . you know, had, I think, a \$500 million surplus in his last year in office which could be spent away in the next three years as long as, you know, the deficits of the next three years didn't exceed, say, 500 million; I'm rounding off. You would still be in a balanced position over the four-year period. You may have had a deficit in the third year. But over the four years, the cumulative numbers were balanced.

However if you do change your accounting practices . . . And that's the other part of the Act is you're not supposed to change your accounting practices or at least the way you report them during that four-year period, so you're dealing with apples and apples.

Just a question. Is it possible — I'm thinking about Mr. Yates' question — is it possible for governments to change the way they operate the finances of the province under The Balanced Budget Act, to change their, you know . . . but not change their accounting? In other words, could the government have gone to summary financial statements a year earlier, but as long as they reported it as if they hadn't, does that comply with The Balanced Budget Act? So I mean, are you precluding change to The Balanced Budget Act? Are you handcuffed from making change during a four-year period and have to make all your changes, you know, at the start of a new four-year period? Or can you make those changes over years as long as your reporting is consistent as if you hadn't made the changes?

Mr. Montgomery: — First of all, the balanced budget legislation focuses squarely on the General Revenue Fund.

The Chair: — Right.

Mr. Montgomery: — It does not deal with the summary financial statements of the government as a whole. Now you're supposed to stick to the same accounting practices and policies when reporting on The Balanced Budget Act over the four-year period. However I mean, you can do things with the General Revenue Fund to increase your surplus. You could simply take more money from the Crown corporations sector. I mean, when you're dealing with the General Revenue Fund, you can really choose how you want to balance it because all you need to do is bring in money from a different fund of government to balance that organization.

The Chair: — Then my next question would be, given that the province has gone to summary financial statements, is The Balanced Budget Act as it's currently written irrelevant if it just . . . Within the Act, does it only focus on the General Revenue Fund, and now does it need to be amended to recognize summary financial accounting? Or will the summary financial accounting process be accommodated by the Act as it's currently written?

Mr. Montgomery: — I'm going to turn that over to Mr. Wendel because I think it's his favourite topic, or one of them.

Mr. Wendel: — Well if The Balanced Budget Act is intended to control government spending and management, it can't do that because it's just focused on one fund of government. And as I've explained many, many times, you could leave a deficit behind somewhere or you can have a surplus somewhere or

several other funds. So The Balanced Budget Act, you know, it doesn't, it can't do what it's theoretically supposed to do which is to control government spending in its entirety.

The Chair: — Well for the powers that be over there, it might be time to consider amendments to The Balanced Budget Act, if I understand the auditor's interpretation correctly.

I'm editorializing, and I'll stop doing that and find out if there's any other questions in regards to these chapters.

Mr. Krawetz: — Mr. Chair, are we dealing with recommendation no. 2 first of all . . .

The Chair: — We're just generally dealing with all of chapter 10. So when the committee is ready, we'll get specifically into the recommendations.

Mr. Krawetz: — But Mr. Styles has sort of broken up his presentation, and I know he hasn't made comment yet about the pension part, so that's what my concern is. Are we going to deal with the recommendation dealing with The Balanced Budget Act, or are we now going to leave that topic and go back to Mr. Styles for these four or three or whatever it is that we're at.

The Chair: — Well the recent tradition has been to leave the recommendations until the end of the chapter, so if we're ready to move on to the next portion, Mr. Styles, then we'd give you the floor.

Mr. Styles: — The one item I'll comment on, and maybe just turn it over to broad questions on any and all items on the pension side, is the issue of pension liabilities. This is an item that keeps coming back to PAC on an annual basis. I would say kind of the same things I've said in the past. We continue to disclose our pension obligations in our GRF financial notes. We cash budget for it on an annual basis. This has been the traditional approach to dealing with pensions here in Saskatchewan for quite an extended period of time. On the summary financial statement front we fully account for our pension liabilities. Again, they are fully disclosed there and are fully accounted for. We feel that, you know, we meet all the standards of transparency in terms of understanding those costs and those future obligations.

The Chair: — Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Chair. Okay with that broad approach then, let's take a look at some of the concerns that have been expressed over a number of years. And I guess I'll deal specifically with the recommendation first of all because it's suggesting that the Public Service Superannuation Board establish rules and procedures to assess the accuracy of its pension obligation. And I, as we talked about yesterday being the only returnee on this committee as far as the Public Accounts Committee, I recall presentations I think twice already where we had an actuarial study done of the pension obligations or the difference between what the auditor puts in his report as an unfunded pension liability and the pension obligations as seen by an actuary.

And I would then, Mr. Styles, ask the question as we see the auditor's report . . . and I'm using the most recent document

that the auditor has released regarding unfunded pension liabilities. When he indicates that the unfunded pension liability has grown to about \$4.1 billion from, I think 1991 it was 2.7, is that a concern to your office? And I know you've talked about actuarial studies. Are these numbers accurate, and when will we reach a point where the unfunded pension liability will no longer, you know, will not be able to be met by the obligations or the requirements of the General Revenue Fund?

Mr. Styles: — Maybe I'll start with . . . I don't think there's any disagreement between ourselves and the Provincial Auditor on the numbers. I think we're totally in agreement, okay. I think we totally agree that everything is properly represented in the summary financial statements.

The difference that we have is . . . we continue to lay out the liabilities, okay, in the notes to the GRF statements, and the Provincial Auditor is recommending essentially that the numbers be incorporated right into the statements. But in terms of what the numbers are, I don't think there's any difference. And they may want to comment on it, but I don't believe there's any difference there at all.

In terms of the growth of the liability, it's growing in the manner that we had expected. There are still individuals that are in the two closed plans that are in the provincial government. And as they rack up their years of service, okay, and as salaries grow, etc., our liability continues to grow. We're not surprised at what has happened with the two plans. Our numbers would tell us that they will continue to grow to about, I believe the year 2115, subsequent to which they will begin to tail off after retirees have taken up the cash benefits.

So we're not surprised. We know the liability was going to grow. We've capped off our challenge there. It was capped off in the 1970s, I believe the 1970s. It's playing out exactly as we had expected essentially.

We're always concerned that we do have liabilities. But again there's nothing new here, and the government has taken actions historically, not recently but historically, to deal with it and to manage it. And we do believe, we do presentations to rating agencies and to some of our bankers from time to time on this very question, okay. They feel quite comfortable that we're managing it. The projected number, I have to apologize, doesn't come to mind but as a percentage of overall revenue stream will remain quite manageable.

We did do a full presentation, if I remember correctly, four years ago to PAC on this. And again as a percentage of the revenue stream, it's going to continue to grow. It always does. Our pension liabilities will grow with it, okay, but it's not going to be unmanageable, is our sense.

Mr. Krawetz: — Thank you, Mr. Styles. In the report by the auditor on page 247, he indicates that for '02-03 about \$88.5 million came from the GRF, to be used, you know, in offsetting the cost of pensions and that employees contributed \$5.5 million.

My question then is, as you have indicated the largest, I believe the largest number of employees that are in a particular pension plan are the Teachers' Superannuation Plan. And as we get

closer to 2014-2015, the last of those teachers if they were . . . not necessarily all of them, but most of them will have reached 35 years of service, and then there will be a time when there will be no income from employees because the last of the teachers will be retired. What do you anticipate the GRF will need to contribute on an annual basis to offset the pension costs of that annual basis?

Mr. Styles: — I'm sorry I haven't brought numbers. Projections, the last ones we did are again a few years ago. But at all times, at all times the relative percentage of revenue grew very little. So I don't know if the percentage was 9, 10, you know, what it was exactly. But whatever it was, it grew very little over the time frame we're talking about from now through 2014-15.

And so again as a percentage of our overall revenue base, it doesn't appear that it should be a significant problem. You know, again there's still growth there. We still know we're going to have to manage it. Growth is a little faster than some of our other expenditure categories. But essentially we're comfortable that it is manageable, that it will not overwhelm us in the context of other expenditure areas, okay, but that again it is manageable. If you'd like, I can try to find the past presentation and make that available to you.

Mr. Krawetz: — No, thank you, Mr. Styles. I'm not looking for the specific numbers. I'm looking at sort of the general concerns that I think many have expressed . . . is that we will reach a time when revenue as currently used to help offset the costs from employees who in fact retire that year and are paying into the plan, that they will be lost because there will be no employees left to contribute. So if I understand the plan and the responsibility of the GRF is to ensure that it is a fully funded plan, someone will have to come up with additional dollars. Will it be the GRF?

Mr. Styles: — Absolutely. You know the GRF has to meet those financial commitments.

Mr. Krawetz: — Correct.

Mr. Styles: — And will continue to meet them. The amount of money though that is being contributed by, you know, by the members in a relative sense — not an absolute, but in a relative sense — has been diminishing over time. As you know, you close off the plan, and you have more and more of the people that were in the plan become retirees, the amount that we're drawing from members that are active employees has been declining for some period of time.

Mr. Krawetz: — So then I would expect that we will see in government estimates of the Department of Finance as we move through the next ten years, each and every year we will see a greater need for funds from the General Revenue Fund to in fact balance the pension obligations.

Mr. Styles: — Yes. If you looked at the past four or five years — I wouldn't want to guess what the percentage was — but the percentage growth, okay, is you know above I think what you'd find to be the average growth rate of expenditures in government right now. So yes, it will continue to grow each and every year.

Mr. Krawetz: — Okay. Thank you. One of the other obligations, I guess, of pension . . . and I know Mr. Smith might be able to answer the specifics of this question. A number of plans use, I guess, what is called a bridge benefit or an enhanced bridge benefit or in the teacher superannuation plans I believe it's called an upward adjustment. So there are numerous, numerous terms that describe how a superannuate or a retiree can access the pension that it would . . . that that person would be able to draw on from future years. I think it's related to the old age security.

And I'm wondering, Mr. Smith, if that is a cost to the current pension plan and in this case the cost directly to government of servicing the costs of the public service plan. . . when in fact the plan is using its dollars to pay an upward adjustment of a pension that is to be earned from the federal government, from old age security. Could you make a comment on that?

Mr. Smith: — Mr. Chairman, I can try. It's actual real mathematics, and it can be very complicated. But in terms of the question you're asking, there is no change to the liabilities of the pension plan. Even though an individual member of the pension plan may elect to receive more money before age 65 and less after, there is no change to the liabilities in the pension plan because the optional form of pension they're going to receive is the actuarial equivalent.

So if someone's pension today was worth \$150,000 as a value, that wouldn't be their pension. It could be paid out in the normal form or a different form, but the value and the liability in the pension plan would not change. And so that's part of the way the legislation is written. It does not change the value of the liability.

Mr. Krawetz: — Would it be accurate to assume that the longer a person lives because, as you've pointed out, the old age security is only eligible . . . A person is only eligible to receive an old age security at reaching age 65, upon reaching age 65. Yet they can draw an upward adjustment or an enhanced bridge from retirement day which might be age 53 or age 55, and they are going to receive an additional sum of money for a period of 8 or 10 or 12 years. Is the amount then that is, I guess, returned to the pension fund — because the pension fund is the one making that payment — is that based on an actuarial table that says we expect that person to live for 10 years after age 65, and we're going to get it all back? Or is there some table that determines that?

Mr. Smith: — They are based on actuarial mortality tables, the actual calculation, and it doesn't change the liability today. But if a person does live too long — which, according to the tables, if they live too long — it can have an impact on the cash flow of the plan. At any point in time before the election is made to take a different form of pension, it doesn't change the liabilities. Over time if the individual lives too long, it can change the liabilities. If they don't live long enough, it will also change the liabilities the other way. But on average when an individual makes the election, it is a zero sum gain to their actual pension value.

Mr. Krawetz: — Well, Mr. Smith, you know, we laugh about it, but in fact this was a person who called me who was very angry with the fact that they had — and again I can't remember

the numbers — but very closely they had drawn about \$18,000 of an enhanced bridge from age 55 to 65 and then had lived from age 65 to age 85. And they were currently at age 85 and the amount, the repayment . . . The person said that they were receiving about \$150 per month of an enhanced pension from age 55 to 65, and then they were receiving a reduction of \$435 after reaching age 65 which amounted to about \$100,000 in the 20 years that they had lived after age 65.

So I said, so you were prepared to trade 18,000 for a loss of 100,000? And I did not quite get the answer that I anticipated on the other end of the telephone, but that was the gist of the story. Is that accurate?

Mr. Smith: — That's accurate, Mr. Chairman. I think the difference though is that you can't compare adding up the value of the pension payments they received before age 65 and the total of the payments they didn't receive as a reduction after 65. You have to compare the present value of both of those payment streams at the date they made the decision.

But, yes, you're mathematically correct. It could be \$100,000 and \$18,000, but the test is made at the point in time that they retire. And it's the present value of both of those amounts at the date they made their election. And it is very difficult to explain to individual plan members, I agree. There is a mathematical calculation that can prove that they were equivalent in value.

Mr. Krawetz: — And I understand that of course that those calculations are done, you know, no one knowing how long they are going to live. But the person was claiming that they were paying for the unfunded pension liability and that he was contributing to the government's balancing of the pension fund. So I was just wondering if that was . . . if I had, you know, interpreted the explanation because as I was looking through the government's documents on the Public Service Commission, it does talk about an enhanced bridge, and therefore you know the suggestion was accurate.

So I'm wondering are there any times during the course after reaching age 65 that there is a readjustment or an indexing, or does that not take place?

Mr. Smith: — Mr. Chairman, no, it doesn't take place. And I guess the problem with actuarial science is that, on average, everything works out. For a specific individual, some win and some lose. But on average everything is okay. But it's very difficult to explain to an individual.

Mr. Krawetz: — Okay. Thank you.

The Chair: — All right. Are there any other further questions? I know you gentlemen tried to totally confuse me, but you didn't quite make it. If not, we've . . . Yes, Mr. Hart.

Mr. Hart: — I have a couple of questions I guess for the auditor. On page 246 of this chapter, under annual pension costs not included in estimates, the report talks about . . . the GRF doesn't include estimated total pension costs for the year. It only includes the amount government expects to pay to retired members. Could you explain the difference between the estimated total pension costs and, I guess, the amount of money that is actually paid out?

Mr. Montgomery: — I think what we're saying in there is when we do the . . .

Mr. Hart: — You're talking about a \$25 million difference here.

Mr. Montgomery: — What we're saying in there is when you prepare the budget, they use a cash number — the cash they expect to pay over — and not the actual accrual number. So there's a difference of about 24 million in that. And we think they should use accrual accounting rather than cash accounting when they prepare the estimates for that. And we have actually brought that one to this committee before. I believe the committee disagreed with our recommendation.

Mr. Hart: — Yes, I noted that on page 247 that it was brought forward. However you'd also indicate that under the new summary financial plan that was part of this year's budget that you felt pension costs would be more accurately reflected. In fact, that did happen?

Mr. Montgomery: — We were very pleased with the summary budget that they produced this year for the very first time, and yes it's prepared on the basis of the summary financial statements and uses the same accounting as the summary financial statements. So that financial plan portion that came out this year is correct, yes.

Mr. Hart: — So then if I'm reading it correctly here from the budget document, there's a line under the summary statement of surplus, adjustments to account for pension costs on accrual basis of 135.1 million for this current fiscal year. That would be on page 76. So this number of 135 then in your estimation would be a truer . . . that would be an accurate reflection of the cost based on accrual accounting.

Mr. Montgomery: — That's what it's meant to be.

Mr. Hart: — Good. Thank you. So I guess just one further comment or question to the auditor. I noticed in this chapter on a number of occasions you make the statement that the GRF doesn't accurately reflect the government's fiscal position and that in itself is troubling.

But also what is more troubling, I think, is that the government uses the surplus or deficit as a performance indicator. And today, earlier today we talked about performance reporting throughout departments and that sort of thing. This certainly, the GRF that we had and the system of accounting we had in the past years, certainly flew in the face of moving towards performance accounting. That's what we talked about this morning. Would that be an accurate statement?

Mr. Montgomery: — In our view when you looked at the GRF — I think that we say that right at the beginning of our audit opinion — it does not portray the financial position of the entire government. To see that, you would have to look at the summary financial statements and not the GRF. The GRF is only one fund.

The Chair: — Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. My question is for the

Department of Finance. Have we been reporting pension liabilities in our reporting methodology for pensions consistently for a number of years?

Mr. Styles: — GRF side for 20, 30, 40 years has been reported on a cash basis, so it has been consistent. In terms of the summary financial statement side, I think we met with summary financial statements beginning in '92, and it's been reported there consistently since 1992 as well.

Mr. Yates: — Okay, thank you.

The Chair: — Are there further questions? Mr. Hagel is contemplating one?

Mr. Hagel: — No, I'm happy as a clam, Mr. Chair.

The Chair: — All right. Are we ready then to deal with the recommendations? There's three recommendations in chapter 10, and the first recommendation is on page 243. The auditor recommends:

. . . that the government account for loans to Crown corporations in accordance with Canadian generally accepted accounting principles for the public sector.

Is there a motion? Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I'd move that we agree with the Provincial Auditor's recommendation and note that loans to EIFC have been written off and that we believe that the Saskatchewan Crop Insurance Corporation should continue to operate as it currently does.

The Chair: — All right. A slightly different motion than the usual from Mr. Yates. Is there any discussion on the motion? Okay, Mr. Hart.

Mr. Hart: — I wonder if Mr. Yates would care to explain the implications of the additions to the motion, particularly surrounding the crop insurance program and the discussions that the auditor had with the way expenditures or loans are defined.

Mr. Yates: — Thank you, Mr. Chair. The portion of the motion dealing with Saskatchewan Crop Insurance continues to have all three parties involved in the funding of crop insurance to be treated the same and equitably if we continue to operate as it does, and allows us to deal with the highs and lows of the fluctuations in the crop insurance program as an insurance program. I disagree with the Provincial Auditor, I guess is what I'm saying.

The Chair: — Mr. Hart.

Mr. Hart: — The Provincial Auditor in his discussion and concerns about the way expenditures were recorded, whether they be recorded as a loan or an expenditure, in no way reflected any concerns that the program wouldn't continue to operate the way it has operated in the past regardless of which way the allocation of resources is recorded, whether it be recorded as a loan or an expenditure.

I think we need to make that distinction as to whether basically the auditor said, if an individual loans money to themselves, you know, it's an expenditure; it's not a loan as such because the only way the Crop Insurance Corporation could recoup some of that 24 million was to ask the provincial government for more money so that it could repay that loan. So therefore it's an expenditure. And I'm just wondering if your motion doesn't try to cloud that issue.

Mr. Yates: — Mr. Chair, the Provincial Auditor's position on it talks about it from a purely accounting point of view. From an operational view in the ongoing operations of the plan and the partners involved in the plan, all my motion says is we should continue to operate as we currently do because we are one of three parties to an agreement, and changes to that agreement should not be done by one party.

Mr. Hart: — Mr. Chair, the auditor's recommendation talks about . . . you account for loans in accordance with generally accepted accounting principles which leads to clarity of the information being presented. And I really see no need to make additions to this recommendation. I would suggest that this committee defeat that motion and adopt the recommendation as put forward by the auditor.

The Chair: — Mr. Krawetz.

Mr. Krawetz: — My question is to you, Mr. Styles. In light of the recommendation, what part of this recommendation do you feel cannot be met by the various Crown corporations?

Mr. Styles: — We essentially disagree with the interpretation and application of the principle to the Crop Insurance Corporation, and so we find that the . . . I guess in opposition to the program parameters and even to our interpretation of how you apply it. So it is the Crop Insurance Corporation that is the centre of this, I think.

Mr. Krawetz: — Is the Crop Insurance one the only one that fits into this category?

Mr. Styles: — EIFC, you know, while there's debate and argument back and forth about . . . you know, right or wrong, whatever — okay — essentially with the write-off in '03-04 . . .

Mr. Krawetz: — You disagree.

Mr. Styles: — Yes. It's a non-issue. There's no EIFC left, so that's why the focus on the Crop Insurance Corporation.

The Chair: — Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. My question is to the auditor, and perhaps I shouldn't have presumed in my earlier comment. In your estimation, if the 24 million that we were talking about is deemed to be an expenditure rather than an loan, in your estimation would that in any way change the way the Crop Insurance Corporation would continue to operate in the future?

Mr. Wendel: — That would be a matter of policy if they decided they wanted to change that. But I would see they will continue to pay in the monies that they pay in, they agree to pay

in each and every year.

The Chair: — Any further discussion on the motion that's on the floor? Are we ready for the question?

A Member: — Question.

The Chair: — All in favour? Opposed? It's carried by a count of 4 to 2. The next recommendation is on page 246, recommendation no. 2:

We recommend that Finance comply with *The Balanced Budget Act* by ensuring that the accounting policies and practices used to prepare the annual update report are consistent with those that were in place at the start of the four-year plan.

Again I'd entertain a motion. Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I would move we agree with the auditor's recommendation that Finance comply with The Balanced Budget Act and that we believe the Act has been complied with.

The Chair: — All right, you've heard the motion is there any discussion? Mr. Hart.

Mr. Hart: — Mr. Chair, I would have to wonder, after sitting here this afternoon and discussing this issue and hearing both from the auditor and the Department of Finance officials, how one could come to that conclusion that Mr. Yates has put forward. I would suggest a more appropriate recommendation would be as the auditor has put forward. And again I would propose that this committee defeat the motion on the floor and adopt recommendation no. 2 of the auditors.

The Chair: — Is there further discussion? Seeing none, we'll call the question. All in favour? Opposed? Again the vote is 4 to 2 in favour.

And the third recommendation on page 248. The recommendation reads:

We recommend that the Public Service Superannuation Board establish rules and procedures to assess the accuracy of its pension obligation.

Again is there a motion? Mr. Yates.

Mr. Yates: — Mr. Chair, I move concurrence.

The Chair: — A motion to move concurrence. Is there any discussion on the motion? We're back to normal here. Seeing none. All in favour? And none opposed. It's carried.

All right, I believe we have covered all the recommendations in this part of our agenda. I think we have earned about a 15-minute break. We will reconvene this committee at five minutes after three according to the clock on the wall in this committee room. We are recessed.

The committee recessed for a period of time.

The Chair: — Ladies and gentlemen, we will call the meeting back to order. We are down to the last item on our agenda which is pensions. We'll be dealing with three chapters — chapter 10 of the 2003 Report Volume 1; chapter 9 of the 2004 Report Volume 1, pages 121 to 124; and chapter 18 of that same volume.

We have the same crew of witnesses with us, so we won't have to do any introductions there. And we'll turn the summation of the auditor's report over to Mr. Bashar . . . Mr. Ahmad . . . I'm sorry, Mr. Bashar Ahmad.

Mr. Ahmad: — That's fine, Mr. Chairman.

The Chair: — And please present your report.

Mr. Ahmad: — Thank you, Mr. Chairman. Good afternoon to everybody. I will provide an overview of chapter 10 of our report, 2003 Report Volume 1; a part of chapter 9 of our 2004 Report Volume 1; and chapter 18 of the same report.

I will start with 2003 Report. Chapter 10 starts on page 155 of our 2003 Report Volume 1. In this chapter we report the result of our study of the adequacy of the governance processes used by the government's pension plans.

We studied the governance processes the government pension plans used for the period from October 2001 to September 2002. On page 161 we list the criteria we used for this study. Earlier we reported the criteria in our 2001 Fall Report. The pension plan administrators spoke to the criteria we used. Based on our work, we concluded that the government's pension plans need to improve their governance processes. The pension plans recognized that they need to improve their governance processes. About half of the government pension plans have projects underway to improve governance processes.

In this chapter we make six recommendations to help the pension plans improve their processes.

We recommend that the pension plan boards:

1. develop and implement strategic plans that include the goals and objectives of the plan, a summary of the risks faced by the pension plan and its members, and the key strategies to manage those risks;
2. clearly set out the specific responsibilities of the board, including clear delegation of (the) authority, and education plan for board members and management;
3. define and communicate the financial and operational information that the boards need to oversee the plans;
4. establish an appropriate code of conduct for board members, management and employees of the plans;
5. develop and implement written communication plans; and
6. establish policies for periodic governance self-assessment.

On pages 163 to 169 we provide detailed finding for each criterion.

Now I will talk about a matter we reported in chapter 9 on pages 124 to 125 of that report. This matter relates to the public employees' dental plan. PEBA, that is the Public Employees' Benefit Agency of the Department of Finance, manages that plan. PEBA needs to strengthen its processes to check contributions and claims for each component of the dental plan. The plan provides core dental benefit to employees of full participating employers. The employers pay for these benefits at a fixed percentage of their employees' gross salary.

The second component is enhanced benefit to employees of certain participating employers. It is for the enhanced benefit depends on the claim experience of each participating employer. Because PEBA does not have adequate processes to track contribution and benefit for core and enhanced benefits separately, it does not know if each participating employer is fully paying for the enhanced benefit given to his employees.

On page 125 we recommend that PEBA establishes processes to separately record and track contributions and claims for core and enhanced benefits of the public employees' dental plan.

We understand that management has begun to address this matter. That concludes my remarks on chapter 9 of the 2004 report.

Now I will turn to chapter 18 of that report, the chapters on pages 251 to 268. In this chapter we talk about two things: one, pension plans, annual reports, and the Superintendent of Pensions. We make one recommendation based on our annual report work.

In the first part of chapter 18 we describe our assessment of the annual report of the government's 14 pension plans. We wanted to see if the plans' annual reports contained sufficient information. We concluded that the plans need to improve their annual reports. The annual reports did not always describe how the plans were progressing toward meeting their expectations, nor did they consistently help members look forward by describing plans, risks, and capacity. Some of the government pension plans need to develop and document their strategic direction and improve their governance processes. They must take this step before they will be able to report on their progress in achieving their goals.

On page 256 we recommend that the government's pension plans improve their annual report by describing their progress toward key goals and objectives, their future directions and risks, and the strategies to build capacity.

On page 264 we describe the work people will have to do to assess how the Superintendent of Pensions supervises pension plans in Saskatchewan. On pages 266 and 267 we describe the general audit criteria that we plan to use. If the superintendent agrees with our criteria, we will report the result of our work on the Superintendent of Pensions in our future reports.

That concludes my review of four pension-related chapters. Thank you.

The Chair: — Thank you, Mr. Ahmad, for that excellent summary of the auditor's report regarding pensions. Mr. Styles, would you care to respond?

Mr. Styles: — Mr. Smith actually is going to provide our response to some of the issues.

The Chair: — Mr. Smith.

Mr. Smith: — Mr. Chair, I'll respond to all three chapters. We agree with the Provincial Auditor in terms of pension governance. The pension system in Canada today is about \$700 billion of assets, which is quite a significant amount of assets. And we concur with the auditor in the context of governance, because for most plan members the value of their pension will be the largest asset they will ever own in their lifetime. So we think that governance is a very important issue with pension plans.

We're just finishing, I guess two years of developing a governance manual for some of the boards. And I think that we're quite proud of some of the things that we've done in terms of governance.

And this summer we surveyed 37 public sector pension plans ranging in size from 75 billion to about 200 million. And we asked them two questions. How many pension plans are evaluating the performance of the pension board? And the second question we asked was how many plans are evaluating the performance of the Chair of the board? And it was interesting. Out of the 37 plans that were supposed to respond, four responded they were actually doing a performance evaluation on the board of directors of the pension plan. Two of those were the Public Employees Pension Plan in Saskatchewan and the Municipal Employees' Pension Plan in Saskatchewan.

In response to the question about performance evaluation of the Chair of the board, two plans responded: the Public Employees Pension Plan in Saskatchewan and the Municipal Employees' Pension Commission in Saskatchewan. So we're pretty proud of the work that we're doing, and we agree that governance is very, very important.

On the dental plan, we agree. One of our internal controls slipped, and we have already started to increase our internal controls and deal with the recommendation on the dental plan enhanced benefits.

And lastly, we agree with the work on annual reports. And I think it fits very well in with pension plan governance. Pension plans should be transparent to members, and this is one of the methods that we will use to communicate to pension plan members about the operation of pension plans because it is the largest asset they will own. So we agree that governance and the annual reports are very, very important, and we've taken steps to address the enhanced dental plan premiums.

The Chair: — Thank you very much, Mr. Smith. I think for ease of handling our material, if you have questions, we'll try to follow the same order of dealing first with chapter 10 of the 2003 Report. If you have questions, there are six recommendations then that we will deal with there. And then we'll move on to the 2004 Report.

Mr. Krawetz: — Yes, thank you, Mr. Chair. Some quick questions regarding the six recommendations put forward.

First of all my question would be, in the report I didn't see reference to the number of pension plans. I note that the auditor's report makes reference to numerous government pension plans. The Public Accounts in fact says several government pension plans. What are the number of plans? And more specifically I guess, rather than plans, how many boards are we talking about that, you know, administer pension plans in the province of Saskatchewan?

A Member: — Is this directed to the . . .

Mr. Krawetz: — Directed to whoever has the answer to that question. I mean, when you talk about in the Public Accounts document out of the auditor, you know, where you make reference here, it says that there are several — I think it says — several pension plans. The government sponsors several defined pension plans and the defined contribution pension plan. So several means how many?

The Chair: — Mr. Ahmad.

Mr. Ahmad: — Mr. Chairman, we have on page 170 of the report . . . (inaudible) . . . detail of those pension plans. There's 14 pension plans. There are 9 defined benefit plans, and there's 5 defined contribution plans. They all have different boards except for one.

Mr. Krawetz: — So that would mean then we have like 13 boards?

Mr. Ahmad: — Right.

Mr. Wendel: — These are the boards and pension plans that this chapter covers. There may well be other pension plans.

Mr. Krawetz: — Good, thank you. In one of the recommendations and, Mr. Smith, it talks about . . . I'm just trying to find the appropriate recommendation that talks about education of board members. Oh, it's recommendation no. 2:

clearly set out the specific responsibilities of the board including clear delegation of authority, and an education plan for board members and management;

How often do members change on a board, and how often do you provide an education plan to the board members to ensure that they're, as you said, responsible for some pretty serious dollars here?

Mr. Smith: — Mr. Chairman, I think each board may be different in response to that question, that the two large boards that we deal with do have an education plan. The board members do not change that frequently, but I think that there was changes to The Municipal Employees' Pension Plan Act and The Public Employees Pension Plan Act in the last two or three years. The board members will change at least every eight years and will have new board members on the boards or commission.

And so the education plan is articulated in the governance

manual, and they will have an opportunity to educate themselves in various aspects of pensions, investments, governance — you know, roles and responsibilities of board members. But they will deal with that in their governance manual and deal with it as new members come on the board.

Mr. Krawetz: — Would I be safe in assuming that there is an education plan for current board members, as well, to ensure that they're up to date on their changes to pension legislations from federally and provincially?.

Mr. Smith: — Yes, Mr. Chairman, and in general the board has to look at itself in terms of having all of the skills and abilities that a board should have and not all members will need all of the education that may be available. Some people will come to the board with experience maybe on investments; they will not need training in investments. So it will be customized to each individual who comes to the board, and collectively for the board, do they have all the skills they need to do their job?

Mr. Krawetz: — If there are no questions then on chapter 10 from anyone else, then I'll just jump over to chapter 9. Yes, do you want to deal with them . . .

The Chair: — Yes, because we've got so many books. Are there any other comments or questions on the chapter in the 2003 Volume?

While you're thinking, just by way of information, I'll just . . . Mr. McCall now is now sitting in for Mr. Borgerson who has to leave us and is a full voting member as you properly chitted in.

We have six recommendations in this chapter, and they're all together on pages 162 and 163. Recommendation no. 1 reads:

We recommend that the government's pension plan boards:

develop and implement strategic plans that include the goals and objectives of the plan, a summary of the risks faced by the plan and its members, and the key strategies to manage those risks;

Is there a motion? Mr. Yates.

Mr. Yates: — I move we concur and note progress.

The Chair: — A motion to concur and note progress. Any discussion on the motion? All in favour? None opposed. That's carried.

Recommendation no. 2, the following page:

clearly set out the specific responsibilities of the board including clear delegation of authority, and an education plan for board members and management;

Again is there a motion?

Mr. Yates: — I move we concur and note progress.

The Chair: — Mr. Yates moves that we concur and note progress. Any discussion? Seeing none, all in favour? None

opposed. That's carried.

Recommendation no. 3:

define and communicate the financial and operational information that the boards need to oversee the plans;

Again is there a motion? Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I'll move we concur and note progress.

The Chair: — Again a motion to concur and note progress. Is there any discussion? Seeing none, calling the question, all in favour? It's carried unanimously.

Recommendation no. 4:

establish an appropriate code of conduct for board members, management, and employees of the plan;

Is there a motion? Oh, yes, Mr. Krawetz.

Mr. Krawetz: — Does that code of conduct exist right now for . . . and as you had indicated that each board may be dealt differently, would this be one that would be fairly generic for all boards?

Mr. Smith: — Mr. Chairman, we believe so. The public employees' board and the Municipal Employees' Pension Commission do have a code of conduct for board members currently.

Mr. Krawetz: — And is it the same for both boards?

Mr. Smith: — Very, very similar, yes.

The Chair: — All right then, is there a motion for recommendation no. 4? Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair, I move we concur and note progress.

The Chair: — Again a motion to concur and note progress. Any discussion, further? Seeing none, all in favour? Any opposed? Carried unanimously.

Recommendation no 5:

develop and implement written communication plans;

I'll leave the "and" off. Is there a motion?

Mr. Hagel: — Mr. Chair, I'll move that we concur and note progress.

The Chair: — Again a motion — a notion — to concur and note progress. Is there any discussion? Seeing none. All in favour? That's carried unanimously.

And finally recommendation no. 6:

establish policies for periodic governance self assessment.

Is there a motion? Mr. McCall.

Mr. McCall: — Yes, Mr. Chair, I move that we concur and note progress.

The Chair: — Again, a motion to concur and note progress. Any discussion? Seeing none, the question. All in favour? Any opposed? That again is carried unanimously.

And we've completed the 2003 Report Volume 1 and can move on to the 2004 Report Volume 1. And in this case, we are now on chapter 9, pages 121 to 124. Mr. Krawetz.

Mr. Krawetz: — On page 125 of this chapter, the auditor's report notes that for the fiscal year ending 2003, there were contributions of 15.1 million and claims of 15.5 million. Was that an unusual year, or is this something that has been going on for a while that indeed expenditures exceed revenues?

The Chair: — You're addressing a question to?

Mr. Krawetz: — To the auditor's office.

Mr. Ahmad: — No, Mr. Chairman. It was just a normal year. That's what happens; claims go up and down and so the revenue. Yes.

Mr. Krawetz: — Okay. Is the intent of the recommendation here is to ensure that the public employees dental plan can track the expenditures in the various sectors? Is that something that can be done? Is it a practical request?

Mr. Smith: — Definitely, Mr. Chairman and we're working on it.

Mr. Krawetz: — Okay, thank you. And then the other question that I would have is it indicated that each participating employer, some may have enhanced benefits. And so that's the concern that the auditor's office has, is that certain employers have additional coverages versus other employers, and we need to know whether or not the premiums coming from the employer who has enhanced benefits matches the contributions. Is that correct?

Mr. Wendel: — That would be correct.

Mr. Krawetz: — Thank you.

The Chair: — Is there any other questions on this specific chapter? Seeing none, there is one recommendation in this chapter. It's on page 125. It reads:

We recommend that Finance establish processes to separately record and track contributions and claims for core and enhanced benefits of the Public Employees Dental Fund.

Is there a motion? Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I move we concur and note progress towards compliance.

The Chair: — A motion to concur and note progress. Is there

any discussion on the motion? You're okay? Any discussion on the motion? Seeing none, all in favour? It's carried unanimously.

And that leads us into our final chapter of the day which is in the same volume, chapter 18. I again open the floor for any questions. No questions? There is one recommendation in this chapter. We're moving so quickly here, I haven't found it. It's on page 256. The recommendation reads:

We recommend that the Government's pension plans improve their annual reports by describing their:
progress towards key goals and objectives;
future direction and risks; and
strategies to build capacity.

Is there a motion? Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I'd move we concur and note progress.

The Chair: — Motion to concur and note progress. Is there any discussion on the motion? Seeing none, we'll call the question. All in favour? That's carried unanimously.

And that brings us to the end of our agenda. Colleagues, we have cleared off an immense number of items over the past few meetings, but there is still a bit of work left to do before we are current.

I've had some informal discussions with Mr. Borgerson, who had to leave, and with a few others of you, as well as some of the officials. And there is consideration being expressed or desire being expressed that we should have one more meeting before session so that we do not need to be meeting regularly during session. The date proposed is November 9, which is the Tuesday of the week before the session commences on November 15. As far as our officials are concerned it seems like that may possibly be a good day. As far as some of the members I have spoken with, they seem to think that that may work.

Do I have the support of the committee to schedule the next meeting for November 9? We'd start in the morning because it's a Tuesday, and I think sort of a 9-to-4 day is what we anticipate, something like that. We believe we can clear off most of the items — possibly not the 2004 Report Volume 2, which is newly minted. We may have to deal with that during session, but there's a good possibility we can clear off all the 2003 and I think some of the 2004 material that's been out for a while.

Okay, sounds great. All right. For those who have been watching these proceedings on television, this meeting occurred in September even though you're watching it in November; that is the beauty of tape delay. This is quite a long delay.

Mr. Hagel: — And we'll be planning to meet last week.

The Chair: — Yes, we'll have to see if we can delay that as well.

I want to specifically thank my colleagues on both sides of the

House. I want to thank the officials from the auditor's office, our Clerk, the Provincial Comptroller's office, witnesses here and those who have been here before. We've actually stuck to our agenda extremely well, and now we're actually concluding early. That was with the co-operation of all of you, so thank you very much. And I declare the meeting adjourned.

The committee adjourned at 15:28.

