



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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[The committee met at 10:45.]

The Chair: — Good morning, friends. We will call this meeting of the Public Accounts Committee to order. We have an hour to deal with one agenda item, so that shouldn't be too difficult. This morning the Public Accounts Committee is dealing with the Justice, chapter 10 from the 2004 report volume 3. It's not a long chapter and I think it is material that the committee has dealt with previously, even in my era on this committee, so we should have the issues fresh on our minds and be able to deal with them quite effectively.

We have officials here from the Department of Justice, and I will ask the deputy minister to introduce his colleagues following a summary of chapter 10 from the auditor's department. And we have the Provincial Auditor with us this morning, and, Mr. Wendel, is Mr. Heffernan doing the briefing on chapter 10 of your latest report?

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

The Chair: — All right, Mr. Heffernan, we will give you the floor, and then we will give Mr. Moen a chance to respond.

Mr. Heffernan: — Okay. Thank you, Mr. Chair. I've got about a five-minute presentation that I'll deliver. Our chapter starts on page 239. In the first three pages we describe the department's mandate, its funds and agencies, and our audit conclusions.

On page 241, we note that the department needs to improve its processes for the receipt of fines tickets. Improvements in processes are necessary so that the department can properly enforce fines and criminal charges. We expected the department to have processes to know the tickets that it distributed to law enforcement agencies, the tickets used by law enforcement agencies, and unused tickets.

The department does not have processes directly or through law enforcement agencies to track issued and unissued tickets it distributed to agencies. As a result, it does not know if all recorded tickets . . . if it has recorded all tickets issued by agencies. This could result in the department not achieving its goals of safer communities and upholding the rule of law.

On February 18, 2002, this committee agreed with our recommendation. We continue to recommend the department strengthen its procedures to ensure that the department records tickets issued by law enforcement agencies.

During its meeting on June 1, 2004 of the Public Accounts Committee, the department said that it planned to review, on a sample basis, outstanding tickets in its information systems and use the information to guide future practices, and our current audit has seen that that is ongoing.

On page 243, we note the department continues to improve its procedures for collecting court-ordered fines. We continue to recommend the department ensure that when repeat offenders appear in court, it informs the sentencing judge of any unpaid fines. The department has implemented a pilot project at one court location to ensure that when repeat offenders appear in court, the department informs the sentencing judge of any

unpaid fines.

Also on page 243, we continue to recommend the department focus the work of its internal auditor on the activities where . . . its greatest risk of loss of public money. And we reported this matter in previous reports. The Public Accounts Committee has agreed with our recommendation.

The department is making progress on the internal audit issue. It has developed a risk assessment process for the department and management told us that future internal audit plans will be based on this risk assessment process.

In conclusion, I want . . . I do think I should note that over the years, the department has taken our recommendations seriously, and has worked hard to adopt our recommendations. And I just want to remind the committee of the recommendations that the department has implemented over the years: (1) going back a few years, better financial reporting to senior management; (2) security over its information systems to control access and to ensure proper division of duties; (3) distribution of tickets to law enforcement agencies; (4) a lot of work around collection of fines tickets; (5) information technology disaster recovery plan to ensure adequate backup facilities and computer equipment and files; and (6) control over capital assets, including accounting for recording equipment and other capital assets.

Thank you, Mr. Chair.

The Chair: — Thank you, Mr. Heffernan. Mr. Moen, would you care to introduce your colleagues and respond.

Mr. Moen: — Thank you, Mr. Chairman. On my right is Gord Sisson, who's the director of administrative services for the department, and on my left is Rod Crook who's the assistant deputy minister responsible for courts and civil justice. And behind me, Murray Sawatsky, the executive director of law enforcement services — maybe just raise your hand, Murray — Madeleine Robertson, the Crown counsel with legislative services, Mike Pestill, the senior financial policy analyst, and Deb Barker, the director of financial services for the courts.

Okay. Well I just would begin by thanking the Provincial Auditor for his constructive comments. We very much appreciate the value of the relationship with the Provincial Auditor in terms of assisting us in improving our systems. And we continue to seriously consider the Provincial Auditor's recommendations and we're currently making, I think, a fair bit of progress in that regard.

I'm pleased that the Provincial Auditor continues to acknowledge the progress made in terms of strengthening the internal audit function within the department. The risk-based audit approach we developed for the department has provided improved direction in audit planning and more efficient allocation of our limited audit resources.

The department's finance audit committee is pleased with the progress that's been made to date. We feel confident that our internal audit program, combined with the established internal controls and experienced and knowledgeable accounting unit, ensures that the assets of the department are safeguarded. And I

just would reinforce that both the internal audit program and the accounting unit have a significant amount of experience. And that has, I think, been of considerable assistance to us.

With respect to the receipt of tickets from law enforcement agencies, the department continues to feel confident that this is a relatively low risk of fraud. We have however taken additional steps since our last appearance before the committee to review the issue as presented by the Provincial Auditor.

Firstly the department surveyed police agencies in the province to determine their processes for tracking issued, spoiled, and voided tickets. Based on the responses received by the department, it's apparent that the processes vary across the province. Most respondents to the survey have told us that spoiled or voided tickets are destroyed rather than returned to Justice or filed by the local agency.

As well, at least two cities, Regina and Saskatoon, use the summary offence tickets for bylaw offences which further complicates tracking as they do not go through the Provincial Court system.

Secondly, department officials will be meeting with the Saskatchewan Association of Chiefs of Police tomorrow to discuss options to improve the tracking of summary offence tickets with the chiefs.

Thirdly, the department is currently viewing a sample of tickets currently considered missing by the Provincial Auditor. We believe that most of the missing tickets are likely spoiled, voided, used for other purposes — such as municipal bylaw offences — or not issued at all.

We've taken a sample of 80 tickets and sent letters to police agencies asking for information. This process is ongoing, but early indications are that most police agencies simply destroy any spoiled or voided tickets. This is why all tickets are not recorded in the JAIN [Justice Automated Information Network] system. Anecdotal evidence seems to tell us it's not uncommon for a 10 to 15 per cent spoilage rate for summary offence tickets.

We will work with law enforcement agencies to explore options that will provide improved internal control standards. However we continue to believe that the risk that the tickets are issued and not returned to us by law enforcement agencies is relatively low.

Now with respect to the collection of unpaid fines, we informed this committee during our last appearance that a pilot project had been undertaken in North Battleford to evaluate the provision of the outstanding fines report for offenders on the court docket with the total unpaid fines of over \$2,500. Public prosecutions has found that that information is a useful tool for the court in sentencing.

However there are issues associated with the project that must be dealt with before expansion to other Provincial Court centres can be considered. The big one here is a systems limitation. We have an old Justice Automated Network. It's about to be replaced with a new network and we're hoping to modify that network so there can be an appropriate tracking of this

information. Otherwise we're doing it manually and you can imagine in Regina and Saskatoon that's a huge task to manually chase after each of these fines. So implementation of the system is critical to overcome those limitations.

So I think that's what I have to report as an initial response, Mr. Chairman. I'm pleased to take any questions.

The Chair: — Thank you very much, Mr. Moen. We'll open the floor to questions from committee members. Mr. Morgan.

Mr. Morgan: — Mr. Moen, I wasn't sure what your answer was when you said that, you reported to the judge where there was fines of over \$2,500. Is that just with regard to one individual? Like, an individual. So what you're saying is, if somebody had \$2,200 worth of fines it wouldn't be reported to the judge?

Mr. Moen: — I'm just going to have Mr. Crook speak to how it's done exactly.

Mr. Crook: — Yes. There was a pilot in North Battleford Provincial Court where any offenders that had outstanding fines over \$2,500, that was the threshold for the pilot. The sentencing judge would be informed. So that's correct. If it was under \$2,500, that was not part of this pilot.

Mr. Morgan: — And that would be on summary conviction and on, on any fine?

Mr. Crook: — Yes, any outstanding fines.

Mr. Morgan: — Okay. But not municipal offences, I'm presuming.

Mr. Crook: — No.

Mr. Morgan: — We're troubled by the fine process that . . . and we're pleased that the department doesn't see it as a method of a source of revenue where they adjust prosecutions or methods of seeking fines as a revenue source, but we feel that a fine has to be more than a mere debt.

The purpose of having a fine is, is public deterrence for that individual and sometimes the economics of enforcement are sort of not, not the only factor that should be considered. We have to look at the issue of deterrence and ensuring that fines are treated as more than a mere debt.

I was troubled recently with the issue of Saskatoon and Regina and the periods of incarceration and default and whether that should be treated as a debt or not. And if we get to the point where a fine is treated as a mere debt, I think we're starting on a slippery slope of making fines largely unavoidable . . . or largely unenforceable.

The \$2,500 threshold, why was that number picked? Why would it not have been like 100 or 300? Was it the cost to try and produce that information?

Mr. Crook: — I think it was just an arbitrary number, quite frankly, that was . . . The idea was to get at repeat offenders that have accumulated a significant amount of fines and to run a

pilot to see whether, from the perspective of public prosecutions, the provision of that information made a difference in those cases. And it was our first pilot. So the conclusion from the pilot, from the perspective of public prosecutions, is that they believe for these repeat offenders that it is useful information for public prosecutions to have to put in front of the judge.

And the main issue that we have in terms of being able to expand that to other centres is that our court system is antiquated, and our staff have to manually get that information for each name on the docket. And so what we're hoping is that with the replacement of our computer system over the next couple of years that we can build in an automated capacity — when the docket lists are generated, the outstanding fines for each offender's name who appears on the docket would be generated. And then of course, regardless of whether that's \$2,500 or \$500, that information would then be available to the prosecutor to . . .

Mr. Morgan: — Report to the judge. What is the current practice with regards to fines that are in default at the present time? Are they, I understand, put in the computer so that there may be a warrant issued or the possibility of a warrant issued, but there's no targeted plan to try and collect those funds by seeking the incarceration in default?

Mr. Crook: — No, we have . . . In terms of fine collection, there are really two tracks. One is for driving . . . moving violations, driving-related fines for which the driver's licence non-renewal program applies. And for non-driving-related fines, the various civil collection methods are utilized. Overall we have about a 80 per cent collection rate over a three-year period of fines ordered in any given year; over that year and two further years, would be approximately 80 per cent of fines collected. But from a court services fine collection perspective, we do not have a program that looks at incarceration as a, essentially as a collection tool. Although as I said, in the context of potentially expanding this pilot project, that would be available to public prosecutions to put before the judge as a relevant consideration for the judge, and we would hope that that would, if we are able to do that expansion, that that would give the judge the information they would need to hopefully over time collect that balance of fines that is presently uncollected.

Mr. Morgan: — As part of the new system, will you be able to . . . will it be capable of having an automatic system that it goes into the computer whenever the fine is in default? So that, you know, if they've got like a period of 90 days, that on the 91st day it goes into the computer as being in default so if that person comes into contact there's . . . an outstanding warrant would be issued or a process to start that in place without them having to be dealt with otherwise?

Mr. Crook: — Yes, that would be the intent, that when that offender appears in court again, any outstanding fines against that offender would be automatically generated so that we can have that information for the particular court appearance.

Mr. Morgan: — Okay. When you were doing the pilot project, when you were dealing with this 2,500, which seems like a significant amount of money, how many people were involved?

How many offenders did you find had defaulted fines of over \$2,500, and how many of them were you successfully able to collect? And I guess the question that flows from that is, how many, province-wide, are outstanding?

Mr. Crook: — That is information that, because of the system limitations on JAIN, we were not able to track. I think the important point from our perspective was that the information was put before the judge, and then of course it's a judicial determination as to what they are prepared to do with that information.

Mr. Morgan: — Do we know right now what the total amount of defaulted fines are? Or fines in default?

Ms. Barker: — The complete, or the total accounts receivable for unpaid fines at the fiscal year-end this year is approximately 18 million. But some of that is current; some of that is five to six years old or older.

Mr. Morgan: — What I'm not so much interested in is the ones that are current. I mean if somebody's got 90 days to pay it or 180 days, whatever it is the judge has ordered, those ones I'm not.

What I'm concerned is the ones that have gone past, that because once they've gone past into default and they haven't come back to court either to ask for an extension or to do something with the fine option, those are the ones that we, as a province, should be troubled by or we should be looking at what other steps we need. So those, we're not tracking those separately; we're not able to determine the total number of dollars in default?

Mr. Crook: — Yes, the figure that Ms. Barker mentioned, the cumulative outstanding receivable is exactly that. Those are fines that are in default.

Mr. Morgan: — We don't know how many of those are in default?

Mr. Crook: — No, those are in default and unpaid.

Mr. Morgan: — Okay. So they've gone beyond whatever the court ordered time for payment was.

Mr. Crook: — Yes, that would represent the cumulative balance of that approximately 20 per cent of fines ordered in any given year that are not collected. And that represents the running total at the end of the last fiscal year.

Mr. Morgan: — Of the ones that have gone in default, do we have statistics on what the collection rate on those might be over time, once you know the people that have come back into contact with the law again or paid them voluntarily after they've gone into default?

Mr. Crook: — Yes, we do. And I'd just ask Deb Barker to comment on that more specifically.

Ms. Barker: — The fines that we assign to the collection agencies, I don't have the specific stats with me, but we find that once fines go to collection, the agencies are successful in

collecting approximately 20 per cent of them. Once a fine has gone through the non-renewal process, if it is still uncollected, it will go through the collection agency process as well.

Mr. Morgan: — So these are farmed to a private collection agency who would net a third of whatever their fee is, is that . . .

Ms. Barker: — Whatever their fee is, yes.

Mr. Morgan: — And then is the fine charged off at that time or is there . . . does it remain on somebody's record for a period of time, or at what point does the person effectively know that it's put behind him?

Mr. Crook: — The outstanding fine remains outstanding until it's paid. So even where there . . . despite all of the collection efforts that are made, it appears that the fine is not going to be collected, but it is still outstanding and there is a record of it.

Mr. Morgan: — On the issue of keeping track of the tickets and the ticket numbers, I know that the tickets are all . . . have a number on them. I presume that the tickets are all printed at some central location through SPMC [Saskatchewan Property Management Corporation] or is that . . .

Mr. Crook: — Yes, that's correct, the Queen's Printer. Oh sorry, it's moved to Data Business Forms.

Mr. Morgan: — Okay. And then when the tickets are distributed to the different law enforcement agencies, are the numbers logged as they go out from the province?

Mr. Crook: — Yes, the distribution of tickets is tracked so we know precisely which agency has received which block of numbered tickets.

Mr. Morgan: — And then I presume at some point beyond that, the system breaks down, and that's where we're not able to track them beyond that?

Mr. Crook: — Yes, the issue really is the receipt of the tickets, issued tickets from the police agencies. When the Provincial Auditor has done a sample test of a block of tickets, they have found that there are a certain number which are not recorded on the court's computer system.

There are essentially three possibilities for those tickets: one is that they're sitting unissued in a storage room in a police detachment; the second is that the ticket has been voided or spoiled, and it hasn't been returned to the court office. The police have simply destroyed it. And the third is that the ticket has been issued but is in process. It hasn't yet arrived at the Provincial Court office.

Mr. Morgan: — Mr. Moen has indicated that he felt that there was minimal indication of fraud. And I presume the fraud might be where an officer issues a ticket to somebody, collects the fund on hand, and doesn't turn it in, would be the one that would come to mind. I don't presume we're aware of any significant numbers, or are we aware of any instances of fraud?

Mr. Crook: — We're aware of no instances of fraud. Our view is that it would be, if fraud was attempted, it would be far more

likely for the police officer to attempt to do that without issuing the ticket because issuing the ticket would then leave a paper trail. So we don't see that as a significant fraud risk.

Mr. Morgan: — The municipalities are using an automated system of issuing parking tickets where the commissionaire or whatever has got a mobile computer keypad device that prints the ticket and it comes out something . . . it looks something like a cash register receipt. He inputs what the offence is — a handful of offences — inputs the licence number of the vehicle, and it comes out. So with that type of a system, there would be no potential for numbers to be lost because there was no paper created until it's issued.

As part of the new system, has technology advanced to that point where we don't need to print blanks, that they would be printed on-site so that the numbers are assigned at the time the officer . . . or is that something that this current update of the JAIN system . . .

Mr. Crook: — That's not something that's being looked at as part of the update of the JAIN system. The intent is simply to have the capability to track 100 per cent of the tickets that have been distributed and to know which category they're in — whether they've been issued and returned, whether they've been spoiled, or whether they're still remaining in storage.

Mr. Morgan: — I don't want to advocate anything that creates more work for police officers to track down spoiled tickets or anything else, but I'm wondering, is there a reason why the department wouldn't want to look at something where the tickets are printed on-site or at the time that the offence notices are issued?

Mr. Moen: — Maybe I can answer it this way. We're going to be meeting with the chiefs of police tomorrow as one opportunity to discuss this with them, and I think we're, you know, we're pretty open to any suggestions that they have or certainly any suggestions that you have. And so we'll have a discussion with them about that particular suggestion, and perhaps it's something that they will be interested in working with us on.

Mr. Morgan: — Yes. I'm not advocating that necessarily. I've seen it work, and I haven't talked to anybody about how successful it is, but it seems to me that that avoids the issue completely. And I don't know whether those devices transmit directly or whether the data is stored and there would be issues of data retention or potential data loss, but to me that was a big step forward in the whole process. And it was a few keystrokes instead of having a commissionaire out at 40 below with a pen, you know, that doesn't write when it's cold. And I thought, well, if they had say a traffic officer that had, you know, keystrokes for the most common offences that were there, it'd certainly make their life easier. And I don't know whether that's something that's cost effective to look at.

I'd like to come back to the issue of fine collection. We are aware that the maintenance program uses the federal intercept program. They deal with driver's licences, they deal with attaching money that flows from Community Resources and Employment, that flows from other things. Is it possible, through the use of whatever databases we have, of trying to

track money as it flows to these people? As a taxpayer, I would find it offensive to know that the same person that owes the government an unpaid fine of 2 or \$300 is continuing to receive regular monthly benefits or receives a payout from SGI [Saskatchewan Government Insurance] from a motor vehicle accident, that we're not able to identify these individuals, and why we're — when they owe us money — why we're continuing to pay them money from whatever other sources that are there, and we're somehow not able to track that.

Mr. Moen: — Mr. Chairman, we'll have a look at that suggestion. I was just asking Ms. Robertson if there were other jurisdictions that we're using, other databases. I mean certainly we are using the SGI databases for certain purposes, and it has been an effective way to go, but it's I think appropriate to the moving violations offences that the SGI database be accessed. But we'll have a discussion about whether or not there is the potential for other databases to be accessed. As I say, we're not aware of other jurisdictions doing that, but it's certainly worth considering.

Mr. Crook: — I would just add that with respect to income tax refunds, the Department of Finance had organized a meeting with Canada Customs and Revenue Agency to determine the feasibility and resources required to participate in the income tax set-off program. And in the current fiscal year, consideration is being given to registering the fine collection program with Canada Customs and Revenue Agency in order to collect through the income tax refund vehicle.

Mr. Morgan: — I think there's merit to looking at it, and I'm pleased to see the department's looking at it through income tax. Also I think it should be looked at with Employment Insurance benefits or any other benefits that are payable. I think the federal intercept program insofar as it works with maintenance attaches a lot of the other monies that are paid by the federal government, and frankly see no reason why, if we're using computer technology, we wouldn't want to use it for these things as well.

I think the importance of paying a fine, as I indicated before, goes far beyond the revenue issue. It's setting the example that when you receive a fine, you pay it or you sign up for the fine option program or you hunker down to do whatever the time is; that when a judge levies a fine, it's seen as something that's taken seriously, that it is a genuine deterrence or whatever that's there.

As MLAs [Member of the Legislative Assembly] we — and I'm sure the members opposite will have the same experience that I've had — we have people come to us that have received restitution orders. And the restitution orders are, for all practical purposes, nothing more than a civil judgment. There's no enforcement mechanism given. And you have somebody that's been the victim of either a property crime or a commercial fraud or something, and they get their restitution award for 500 or 5,000 or whatever number of dollars it is. And they realize they're nothing more than an unsecured creditor, and they have to go through a rather lengthy and difficult process to go down, register the judgment, take out a writ of execution, try garnishee processes and everything else.

And there's a sense amongst those dissatisfied citizens when

they come to see the MLAs that this debt should be treated differently, that they were victims. This isn't something where they sued somebody, this is something where they were the victim of a crime. The court ordered this money be paid to them and then they find out that it's no different than something they would give to a collection agency or something else. And I wonder whether there's ever been discussion or thought given to try and elevate the process or the priorities given to restitution orders.

Something that I was . . . somebody had suggested was the Bankruptcy and Insolvency Act specifically exempts fines as being something that are not discharged in bankruptcy. And I'm wondering whether we would want to treat restitution orders in the same way. So that somebody goes bankrupt doesn't have to argue that it's a debt induced by fraud or whatever else — that those two would live on and survive a bankrupt or that those may tag on to whatever enforcement proceedings go there.

I don't wish to become a collection agency for every victim of every crime in the province, but I'm wondering whether there isn't some merit to trying to elevate or give those victims of crime some higher element of satisfaction through the court process.

Mr. Crook: — A couple of responses come to mind. One is that where the restitution order is a condition of probation or part of a conditional sentence, there are restitution, I believe, three restitution coordinators in the province, located in the Department of Corrections and Public Safety. I believe those positions are moving over to the victim services branch in the Department of Justice in the current fiscal year. And the experience with that as I understand it — it's not a program that I've been directly involved with but my understanding is — that that has been effective where the restitution order is unpaid. The probation worker is advised and that does assist in terms of collection.

The second comment I would make, because I certainly do appreciate the comment that where efforts have failed and the victim has not received payment under the restitution order, they are in the situation of an unsecured creditor attempting to go through the normal processes to collect a money judgment. And so the second comment is really that the whole area of money judgment enforcement law in Saskatchewan — like many provinces across Canada — is, you know, to some extent an archaic system of old common law rules and different statutory provisions. And this whole area needs to be reformed. And there is work ongoing in the Uniform Law Conference with a report, I believe, expected in the next few months. Saskatchewan participates on that and we would anticipate responding in Saskatchewan.

Finally I just mention that there is a report by Professor Cuming and Buckwold from the College of Law on money judgment enforcement law in Saskatchewan as well, that can be looked at in addition to the report from the Uniform Law Conference. I think that is an area that hopefully could, once it is reformed, assist people.

In terms of your last question concerning the status in bankruptcy I don't, you know, have the background to understand what the status of restitution order would be in

bankruptcy, but that's certainly something we can look at.

Mr. Morgan: — There's certain . . . As you may or may not be aware, there's certain debts that are not discharged on a bankruptcy discharge. Among them are maintenance orders and alimony payments, as well as fines. Unsecured debts would ordinarily be discharged unless . . . What the exception is a debt that is induced by fraud. And I think depending on the nature in a property crime it would be hard to argue as a debt induced by fraud; a commercial crime might be. To me a restitution order is something that should take some different kind of priority. And I realize the Bankruptcy and Insolvency Act is a federal Act but I'm wondering whether we shouldn't try and treat these differently to try and give some assistance to victims of crime.

Deputy Minister, that's all the questions I have and I want to thank you and your officials for coming to this. When I read this, I think this is, if this is the nature of the recommendations from the Provincial Auditor, it's a sign that the staff within the department are working hard and doing a good job. Of course as an opposition critic I want to reserve the right to be able to offer criticisms as we go along, but I was pleased to see that this was . . . and was also pleased by your comments you were treating this as a balancing act to determine the cost-effectiveness of pursuing this. So I want to thank your staff for the hard work, and please pass it on to them.

The Chair: — Thank you, Mr. Morgan. I believe Mr. Cheveldayoff has some questions, but just following on Mr. Morgan's line of questioning, just one area I'm intrigued by. In this pilot project in the North Battleford area, could you tell me how many times there was an accused that appeared before a judge where the outstanding uncollected fines were \$2,500 or greater, and over what period of time that occurred?

Mr. Crook: — The pilot has been running for the last two fiscal years. We do not have information on the number of offenders where there were dollar amounts over \$2,500; that is not something that was tracked. The information was simply passed on with our public prosecutions branch. It's something that we could check on though, and try to determine if . . . I imagine it would be a manual exercise of having to go back through all of the files because there wasn't — because of the limitations on JAIN — there wasn't an ability to just push a button and track what those would be. But I imagine there would be some anecdotal information from public prosecutions on . . .

The Chair: — I think that would be useful information for the public domain, and if you could provide that to Public Accounts, I think members of this committee would appreciate that. Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair, and Mr. Deputy Minister. A couple of short questions just regarding the internal controls over financial reporting.

When I read the information here and the comment that internal audit needs strengthening, I did some research regarding the whole area of internal controls for financial reporting. And naturally what comes up is the Sarbanes-Oxley information from the United States, and I understand that the Canadian Institute of Chartered Accountants is also moving in that area

for publicly accountable enterprises.

I came across a passage here. I'll just read it to you, and see how the department stacks up. It says:

. . . the role of [the] internal audit is to perform . . . an analysis of the entity's business risks. Once this analysis is performed it is corroborated with senior management. Most organizations have an audit committee (often composed of directors from outside the organization . . .

Now I realize with the department structure that that may not be the way to do it in this case.

The audit committee would receive from the internal auditor on [an] annual basis, an audit plan that identifies the controls over business risks that will be tested. It is the responsibility of the audit committee to approve an audit plan that in their view is appropriate for the organization. As projects are completed during the year, the audit committee is normally in receipt of a findings report which highlight deficiencies in internal controls as well as recommendations for improvement.

I guess my question is, the internal auditor, who does he or she report to? Is there an internal audit committee, and what comprises that committee?

Mr. Sisson: — Mr. Chair, Gord Sisson. What I'll do is maybe answer this in a couple of different ways. The internal auditor currently reports to myself. We do in the department have a finance audit committee that consists of the deputy minister, a couple of executive directors/assistant deputy ministers in the department. And Mr. Terry Paton also participates in our committee as, if you wanted to call it an outside observer, certainly an expert in the financial field anyways.

Previously our internal audit function was fully focused on court operations — what happened out in courts, fine collections, you know, all of sheriffs' offices, etc. What the Provincial Auditor has told us, and what starts to happen under Sarbanes-Oxley in the States and certainly what we're seeing through the *CICA Handbook* or CICA [Canadian Institute of Chartered Accountants] is focusing the audit efforts on the areas where you think the most risk is and putting your efforts towards that.

In the last year what we've done is a risk assessment within the Department of Justice to try to prioritize the different programs and lines of business that we have, taking a look at how those sort out through a risk methodology that we developed, which was largely taken from the Institute of Internal Auditors, a world-renowned organization of internal audit resources. And we've taken that and applied some criteria, tried to determine what our risks were in the department, and now we're starting to align our audit resources to audit towards those. So while we'll still have a lot of work that we do in the court operations, it was the highest area of risk.

The program does have two FTEs [full-time equivalent] attached to it. One of the people will be strictly assigned to looking at some of the court operations, just because they're so widely dispersed throughout the province, with the other person

doing some of the other risk projects that we see.

Mr. Cheveldayoff: — Thank you very much for that answer. So is there a formal findings report that would be issued?

Mr. Sisson: — Yes, sorry. I should have addressed that as well. The finance audit committee meets twice a year. What we do at that particular point in time, once a year we bring the audit plan to the committee on what we're going to do. In the past meeting we had about six, eight weeks ago, was the audit plan for the next year based on a risk assessment. And at that time too, we bring a summary to the committee of the audit findings during the previous . . . from the time the committee previously met.

Mr. Cheveldayoff: — Would it be possible for us to get a copy of that document?

Mr. Sisson: — I believe we could provide that to the committee.

Mr. Cheveldayoff: — Okay. A couple of other questions regarding page 240, when we look at the breakdown of the '03-04 public accounts and the actual information in the original estimates. Regarding the boards and commissions, the actual is 20 million; the estimate, 19 million. Can you give me a breakdown of just generally how that money breaks down and if the Milgaard inquiry is part of that?

Mr. Sisson: — I can give you a quick summary. I don't have the details by branch. But basically for '03-04, the actual expense was \$19.8 million — 20 million — we were \$800,000 over budget. That was largely related to the Stonechild inquiry.

Mr. Cheveldayoff: — Okay. Is any funding for the Milgaard inquiry in this?

Mr. Sisson: — For last year? No, there wouldn't be.

Mr. Cheveldayoff: — And also the community justice entry on that same page, what are some of these initiatives . . . are undertaken?

Mr. Sisson: — I can speak to the overexpenditure in community justice of about \$1 million, and that was related to RCMP [Royal Canadian Mounted Police]-municipal cost sharing. We needed additional money because of new entrants that came into the cost-sharing pool.

Mr. Moen: — If you're wanting information on community justice generally — maybe that's what you're looking for — about 90 million of it is the funding of the police community. The RCMP is about 90 million. There'd be additional 3 or 4 million that would be municipal police, and then there would be funds for alternative measures, community justice, Aboriginal justice in the community services branch of about 3 or \$4 million. So that accounts for the lion's share of it.

There's also a victim's services branch in that division, but it's completely funded out of the surcharge on fine revenue.

Mr. Cheveldayoff: — Good. Thank you, Mr. Chair. That's all.

The Chair: — Thank you, Mr. Cheveldayoff. Just a couple of

more questions, if I might. Just on the costs of collecting tickets, and the auditor notes on page 242, he says we expected the department to have cost effective processes that track tickets directly or require law enforcement agencies to provide it with periodic reports on their tracking of tickets.

That brings to mind . . . are there some tickets or classes of tickets or areas of ticket collection where the cost of collecting the tickets, even if they're not, you know, even if they're not in default, or including the default but also including what transpires through normal course of action, that are more costly to collect than the revenue that they generate?

Mr. Crook: — We're not aware of any category of fines where that would be the case. It's not information that we would track by category or fine. There's a fine collection administration set up to do all of them and the costs related to that aren't broken down by category of fines. Certainly there are some fines that are very small but for the most part they're paid voluntarily, you know including through things like online fine payment which of course cuts our cost down because the person simply goes online and pays and it's done. But I don't have more details.

The Chair: — That begs the question then, how much monitoring does the department do of the different categories of fines? For instance, can you tell me what the major categories of fines are? I think of traffic fines. I mean there's speeding tickets. There's you know running through intersections, through red lights and stop signs. There are certainly other categories of fines. There are fines connected with . . . you know, I suppose if you entered a provincial park illegally. I'm not sure what all categories of fines there might be.

Can you just inform the committee as to what the major categories of fines are and perhaps tell me what tracking you do do so we sort of know where we could ask questions. And perhaps you might even suggest that there should be more tracking in certain areas. I'd be interested in what your opinion is in that regard.

Mr. Crook: — Right. From a fine collection perspective we have broken down the fines into two categories — the moving violations and the other fines — because there are different collection procedures that apply. And the most significant one is the driver's licence non-renewal program being available for the traffic related fines.

Deb, do you have additional . . .

Ms. Barker: — Unfortunately because of the tracking system those statistics aren't easily available. From time to time we do get inquiries as to, you know, the numbers of fines that have been issued under certain Acts, legislation, etc. Those are special inquiries that we have to run on our current system, so it's not something that we track on a regular basis.

The Chair: — The new system that you're developing, will that problem be rectified? So I as an MLA can submit a written question to the Minister of Justice and I could ask, you know, what was the total number of speeding tickets issued, how many fines were paid voluntarily, how many . . . You know, I could ask those kind of questions of a number of areas. I'm suspecting

from your answers, under the current system that'd be very costly for you to provide the answer and I, quite frankly, don't think it should be. What are you doing to fix that?

Mr. Crook: — We have got funding in the current fiscal year and the next fiscal year to replace our computer system. That funding is limited and we're obviously going to try to get the maximum functionality we can for the dollars that we have to work for. This is an area where we do want to make progress.

Even on sort of that basic division between moving violation and other fines, we do not have the ability to — without special runs — to generate what that, you know . . . Is it approximately 50 per cent that are moving violations, you know? So even on something as basic as that with this 20-year-old computer system that was never designed really for modern information and management purposes, we would have to do special runs.

And of course when we do that, not only is there the cost factor, but there's also the concern that it would sort of be the . . . that the system could actually break down by overloading it with inquiries. So we have to be fairly careful on what additional information we attempt to pull out. But we are hopeful that we can get the additional functionality that you talk about, but it's early days in terms of exploring with the systems people what they think can be achieved with the dollars that we have.

The Chair: — So then because of these limitations, your internal audit group can't access this information either. It's a bit of a dark hole right now.

Mr. Crook: — That's correct, in terms of having a breakdown of the types of fines and being able to specify that you have a X collection rate for this category versus, you know, Y collection rate for another category. What we do keep is the overall collection rates for the whole category of fines and, as was discussed previously, that's approximately 80 per cent over a three-year period.

The Chair: — Just in the last budget a number of fines, particularly for traffic violations, were increased substantially. With the information that you do have in place, can you forecast what impact that will have on revenues; what impact that will have on the level of defaults and collections that are required?

Mr. Crook: — Deb, did you want to respond to that?

Ms. Barker: — Unfortunately, I don't have the information on the impact on revenues. We're hopeful that the collection methods will continue to help us to collect the increases in fines. We may potentially see an increase in offenders choosing to work the fines off in fine option if the fines are over their monetary capabilities.

Mr. Crook: — But our assumption is that, you know, approximately 80 per cent of that new revenue that would be generated from the higher fines would be collected over a three-year period, but we don't . . . Gord, do you have the revenue number for the increase in SGI fines?

Mr. Sisson: — I believe the press release said it was approximately 2.6 million. So then again, the bad debts would

be 20 per cent of that over the three-year period.

The Chair: — So you don't believe then that the size of the fine has much impact on the default levels?

Mr. Sisson: — I don't have any specific information on that. But the 80 per cent rule has held fairly well over the last five, six years. Rod.

Mr. Crook: — You know, I think that's a fair comment, that it always is a concern for, you know, the circumstances of the particular offender.

But you know, bear in mind there is also a fine option program that if you cannot . . . you don't have the financial resources, you do have the ability to work off your fine through the fine option program. And there may be more people take advantage of that — I don't know.

The Chair: — All right. Well, thank you very much. My final question is for the Provincial Auditor. I would assume that your office works rather closely with the internal audit processes in every department, whether it be a committee or a person or whoever. Does the Provincial Auditor actually audit the effectiveness of internal audit mechanisms within departments? And you know, would the Provincial Auditor care to comment on the internal auditing of the Department of Justice?

Mr. Heffernan: — Yes, we do. If the internal audit has the basic fundamentals of an actual internal audit that they are reporting to, in the case of a department, the audit committee or the deputy minister of the department. And really, after that, then we just look at the kind of criteria that were outlined previously.

And for the Department of Justice we had — or sorry; yes, of Justice — we had found that the audit process wasn't risk based so that it wasn't necessarily being applied to the best, the highest risk areas. But yes, we do assess the internal audit functions.

The Chair: — Thank you very much. Are there any other questions by any other committee members? Seeing none, there are . . . neither are there any recommendations in this chapter, so I think we have then concluded our deliberation on chapter 10, the Provincial Auditor's report on Justice, 2004.

Mr. Moen, I want to thank you for being here with your officials, and I appreciate the effort that you've made to answer our questions. I want to thank committee members, the Provincial Comptroller's office, and other officials with us today who have helped us to make this a successful venture. I declare this meeting adjourned.

[The committee adjourned at 11:40.]