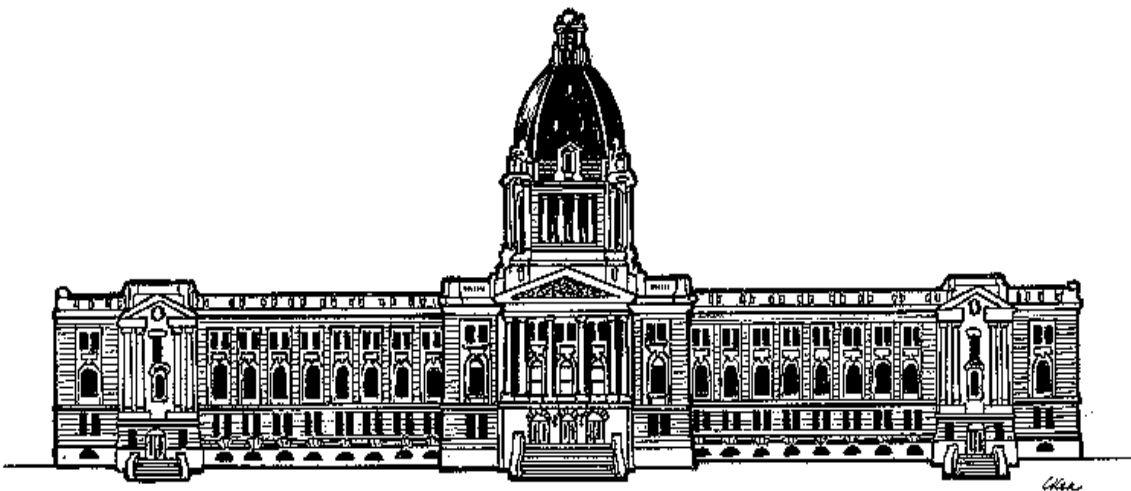




STANDING COMMITTEE ON PUBLIC ACCOUNTS

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2005**

Mr. Elwin Hermanson, Chair
Rosetown-Elrose

Mr. Lon Borgerson, Deputy Chair
Saskatchewan Rivers

Mr. Ken Cheveldayoff
Saskatoon Silver Springs

Mr. Glenn Hagel
Moose Jaw North

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 everyone. I declare the meeting of the Public Accounts officially underway. I'd like to welcome all of the committee members here this morning as well as the Provincial Auditor and fine folks from his office. We have the comptroller people here. We are, I believe, have witnesses in place. And we're ready to deal with item no. 1 on the agenda which is the public plans and annual reports assessments departments — sounds a bit foreboding — chapter 15 in the 2004 report volume 3.

We have representing the Provincial Auditor this morning, Rosemarie Volk, who will just briefly summarize the auditor's findings in this area. And then we would ask the deputy minister who is here, Mr. Styles, if he would care to respond and also his colleague. And then we'll open the floor of the meeting to questions of committee members.

So Rosemarie Volk, we turn the floor over to you and ask you for your summary.

Public Plans and Annual Reports Assessments

Ms. Volk: — Thank you and good morning. We report in chapter 15 on our work regarding the 2003-04 public plans and annual reports of most departments and three Crown agencies that report to Treasury Board.

In 2003 the Department of Finance established guidelines for preparing public plans and annual reports for all departments and Treasury Board Crown Corporations. The guidelines contain a four-year implementation schedule that recognizes that improved public reporting takes time. For example, reporting on key risks, costs of activities, capacity and performance targets is not required for several years.

For this report we assess the public plans and annual reports of the departments and three Crown agencies for the years ended March 31, 2004. We found that the department generally had met the current content requirements of the Department of Finance's reporting guidelines and we note that the annual reports have improved from prior years. The reports now contain more and better information. This information enhances the public accountability of these agencies.

However, also in the report we note that the government does not require the Department of Executive Council and the Legislative Assembly Office to publish performance plans and annual reports, and we feel that these agencies should publish performance plans and annual reports to improve their accountability to the public.

The Chair: — Thank you very much. That was a very brief and concise summary, and we appreciate that very much. Mr. Styles, would you care to introduce your colleague and respond.

Mr. Styles: — Absolutely. My colleague is Naomi Mellor, the executive director of performance management branch in the Department of Finance.

Just a few comments. Annual reports across Canada in both the

private and public sectors are moving towards higher standards of disclosure and rigour. We've seen it as a result of some of the events in the United States with Enron, WorldCom, and companies like that. Consistent with this trend, reporting in Saskatchewan's moving from an ad hoc approach focused on inputs and activities to a more comprehensive explanation of the organization's desired outcomes and its actual progress in specific and very measurable terms.

Our reporting guidelines right now are based on nine reporting principles developed by the Canadian Comprehensive Auditing Foundation and endorsed by Canada's legislative auditors, including Saskatchewan's Provincial Auditor. Our guidelines include a multi-year schedule for gradually improving the content of both performance plans released at the start of the year and annual report results which are released following year-end. Incremental improvements from reporting each year result in steady and deliberate improvements in our public reporting practices.

In addition to content improvements, annual reports now are more . . . are released at a more timely basis and are much more accessible to the public, largely through the Internet. We're very pleased with the Provincial Auditor's support for our new approach to public reporting and look forward to answering any questions you may have.

The Chair: — Well, thank you, Mr. Styles. And before I do open up the floor to questions, just to make all of us aware of substitutions this morning we have substituting for Mr. Hagel, Mr. Iwanchuk. Welcome to the committee. And substituting for Mr. Cheveldayoff is Mr. Wakefield. And also welcome to the committee. We will open the floor to questions. Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Chair. I wanted to ask a couple of questions regarding the use of the word, most, Rosemarie. You've indicated that on page 294, there are 12 departments, and you referred to that as most of the departments. Will you be following up on departments that are not included in this list in the next assessment that you do of departments?

Ms. Volk: — We weren't planning to currently. We're trying to hit sort of the most significant departments at this time but we will, on a rotational basis eventually we will look at them.

Mr. Krawetz: — How many other departments are not included in this list if there are the 12 that we see here?

Ms. Volk: — I believe there are two.

Mr. Krawetz: — Two other departments. Okay. On page no. 296 of your report you have indicated, as you stated in your oral report, that you believe that each agencies should publish performance plans and annual reports to improve their accountability. What advantage do you see for an agency or department to have these reports published?

Ms. Volk: — Well by publishing, it adds rigour to the process. The department is then . . . everyone then understands what they're trying to accomplish, how they will get there, and how they will be measured. And their success or failure is then

brought forward in the annual report where they say where they've gone and what they will do to continue moving forward.

Mr. Krawetz: — Okay. Thank you. And then to Mr. Styles, are you . . . It's not made as a recommendation that we would vote on as a Public Accounts Committee, but is your department looking at this suggestion that publishing of performance plans in annual reports take place?

Mr. Styles: — There's been ongoing discussion about the extent you know to which we apply a particular framework both in terms of the entities and the type of detail for different types of entities. As an example comparing the Department of Health with a budget of 2 point, I think it's 8 billion dollars versus a small you know agency, the Milk Control Board maybe is another example that's very small, a very limited budget. You know you need a little different framework to deal with the two different situations.

So you know the broad application of it, you know we believe that it's appropriate to essentially all agencies in government okay, but the application needs to recognize the differential of different types of organizations, different size organizations.

Mr. Krawetz: — What system do you use then to measure success or failures and whether or not agencies or departments are meeting objectives if the performance and the annual reports are not printed or published?

Mr. Styles: — You're referring to it only from the perspective of completing the work. Am I right? Not with respect to the actual goals and objectives.

Mr. Krawetz: — Yes.

Mr. Styles: — Okay. You know each year we follow up or work with each of the individual departments and agencies on what they're preparing. The documents come back through us for comment, or through Naomi's branch for comment and review.

Each year you need to take into account what may have happened with a particular department in terms of evaluating its status or its particular situation. A recent example might be the department of Government Relations and Aboriginal Affairs which was broken into two pieces. So with that occurring — a new deputy coming into place in one of those departments — you can expect that that new department is probably going to take a second look at things . . . might have a little different approach, okay, if there's a new policy initiative going on in government and therefore the quality maybe of their document in that initial year may not be quite where you want it to be. But again you need to take that into account I think in conducting that assessment.

But each year we work with each of the departments and agencies to have a look at what they've done. Ideally we'd like to see continuity over a long period of time. That would be ideal. So that if they do put a measure in place you know to evaluate a particular objective you'd like to look at it over three or four years. Progress in a one-year time frame is really not an excellent or a very good indication of whether or not you're,

you know, going to meet your goal on a long-term basis. But we do look at it every year.

Mr. Krawetz: — Thank you, Mr. Styles. And back to the auditor's officials. On page 297 there is a summary of the nine guiding principles that are part of the CCAF plan. And I note in guideline no. six, which is the integration of financial and non-financial information, in the findings you report that most agencies provided all required financial information for 2003-2004. That statement would suggest that some agencies did not provide all financial information. Could you explain what was meant by the statement and whether or not that has been corrected or whether it posed a problem in determining the accuracy of the financial reporting?

Ms. Volk: — Okay. Well as you know, government departments do not produce a financial statement. So the information included in the annual reports tends to be a list of what they made expenditures on against what is listed as in the estimates. And for most agencies they did provide all of that information. In some cases we found that things maybe weren't quite lined up in the same way, some agencies didn't provide you know the same level of detail as other agencies.

Mr. Krawetz: — Then I guess to . . . maybe through to the comptroller's office, or Mr. Styles, is there a plan to try to achieve consistency, to ensure that agencies and departments that report to the auditor's office in this fashion under these guiding principles, which I think Mr. Styles is what you indicated that you encourage the departments to follow, will there be consistency in the plans that are put forward to the auditor's office so that they do have numbers that correlate to what is required?

Mr. Styles: — Ideally you would want a consistent approach in each department, okay. You know there is some discretion allowed for departments to present in a manner, okay, that maybe is most effective for their stakeholder groups because these are public documents that are intended for the use of the public. And ideally what you want is something again that is quite readable, that is quite useful.

We're not as concerned with that particular issue. The aspect of the financial information that we think we want to continue to try to focus on and improve is more the explanation of variances — why things have changed, why things have not met the budget, so that there is a clear understanding by the public, by legislators, by all the various stakeholder groups as to why something did not occur and what the rationale and the reason is. It provides more informed discussion or debate, okay, around policy initiatives, program delivery, and issues like that. But we're not quite as concerned with the consistency issue. We believe we're fairly close on that.

Mr. Krawetz: — Thank you. And the second half of that statement which is . . . leads me to the comment that you've just made, Mr. Styles, that said most agencies provided plausible explanations for significant variances between budget and actual.

And, Mr. Styles, I guess that's the comment you've just made. You're more concerned then about the variances between budget and actual. The auditor's opinion is that most agencies

provided plausible explanations. And if I look at the converse of that of course, some agencies must not have provided plausible explanations. Is that correct or not correct?

Mr. Styles: — 2003-04 was sort of the first move at improving the quality of the financial analysis okay and the reports. So it was the, you know, the point of departure the first time we've did it. I would expect that you'll see an improvement each and every year as a follow-up as departments become more aware of it, as departments understand that during the year they need to track certain variances.

I think when you look at any of the major revenue categories as an example okay there'd be very clear understanding. So what's happening in those type of categories, it's usually subcategories where you may have a 200 or \$300,000 variance okay on maybe a \$1 million revenue category. And while you understand that it changed and maybe you understand that why it changed in the sense of where the money was not received, you may not understand fully why the variable changed okay.

You know maybe I'll pick on licensing fees from SGI [Saskatchewan Government Insurance] as maybe one example of that. You may get fewer renewals, but you may not fully understand why you had fewer renewals. I mean you know the reason why you have less revenue, but you don't know the reason that there was fewer renewals.

Mr. Krawetz: — And through to Ms. Volk, my final question: does this statement that you've put in your report, is this of concern to the auditor's office, that the explanations are not up to what you expected?

Ms. Volk: — Well we could . . . we always like to see things improved. And we know that as they move forward another year the explanations will get better and tighter and that they will integrate better with the non-financial information in the reports. So we expect to see improvement.

The Chair: — Mr. Wakefield.

Mr. Wakefield: — Thank you, Mr. Chair. I just have a quick question. And I guess it follows somewhat the discussion that we've just been having here. When I look at the nine reporting principles and audit criteria, there's only one area in there that really talks about looking forward and that's goals. In a true reporting sense, in a maybe non-government but in a corporate world, there's business plans that are put out as part of the reporting. And it lists the targets, the benchmarks, achievable, what that particular department or that particular corporation is going to try to achieve. And then there's evaluations against those as well as the budget.

Now budgeting does some of this, I'm sure. I don't think it's a required, but is that not a good plan to, when you're reporting, that's not reporting how well you've done but how well you've . . . how you've tried to achieve obtaining the principles and the targets that you've tried to go after? And maybe that's not a fair question but I think it's an element of reporting that the public would certainly appreciate.

Mr. Styles: — This is an issue that we've been discussing with departments for a number of years. Setting out objectives

around something maybe as simple as the highway system and the quality of the pavement, okay — is it in good condition, poor condition, or whatever. Obviously it will be helpful to the public to understand whether or not the money being provided is sufficient to you know maintain the system.

Departments have been working with that. And they are making some progress at beginning to set out the ways to measure those particular objectives. For some departments the process is a little easier, a little simpler. You can quantify your objectives, and the information and the data's available to do that, and you can actually verify that it's fairly accurate. In a lot of other departments it's much more difficult. You need the data systems in place.

And I think it would be fair to say most departments have worked hard over the past number of years to begin to improve some of their data systems, to receive the type of data that's needed to provide some assurance that you are making progress towards your objectives. We're not there yet, but this is sort of a longer-term process from our perspective. We've made you know I think fairly significant strides in the past four, five years. And I would see that being potentially you know one of the areas that we would want to improve on in the next four or five years.

Mr. Wakefield: — Just a follow-up, Mr. Chair, to the Provincial Auditor. Would that be a good aspect of the auditing process to measure against what they are showing as . . . or have indicated in kind of a business plan structure, what the targets and achievable are?

Ms. Volk: — Yes, it would be. And eventually I'm sure they will all come to that. As the performance plans improve, then the annual reports will also improve.

The Chair: — Mr. Wakefield. Just a couple of questions from the Chair if that's all right with my colleagues.

First of all to the auditor's office. I notice that on page 295, on exhibit 2, the CCAF [Canadian Comprehensive Auditing Foundation] reporting principles and audit criteria, no. 7 says, "Provide comparative information." When you were doing the review of departmental planning and reporting assessments, did you compare how Saskatchewan departments do their assessing and reporting against what occurs in other provinces? And if so, could you give us some indication of how well you feel we're doing in Saskatchewan?

Ms. Volk: — No, we did not.

The Chair: — You did not do that. Then I'd ask Mr. Styles, does the Department of Finance — I guess I'd have to ask because you are the deputy minister of Finance — do you review what other provincial governments in Canada do in the way of assessing their planning and reporting of those plans? And how would you evaluate Saskatchewan's performance in that area vis-à-vis other provinces?

Mr. Styles: — We do some of that type of work, but I'm not as familiar with it. Naomi I think will be able to offer some comments from her experiences.

Ms. Mellor: — We certainly do try and keep up to date with what other jurisdictions in Canada are doing, particularly at the provincial level. And I think it's fair to say that in Saskatchewan we started later than a number of other jurisdictions. But I think at this stage we're pretty close to the norm when we compare our approach to that of particularly BC [British Columbia], Alberta, some of the Maritime provinces, very, very similar in terms of the structure, in that departments are expected to release a plan at the start of the year and then report on that plan at the end of the year.

We were the first province actually to take and adopt the CCAF reporting principles, and several other provinces have since followed. So I think that's sort of becoming the standard for annual reports in Canada. So I think overall we're quite comparable to other provinces at this stage.

The Chair: — I know that some provinces — I believe Alberta may have done some pioneering in this work — they have, I believe, it's three-year rolling plans with targets they actually post on the Internet so that the public can be totally aware of what they do. I find that kind of a refreshing approach to making the public aware and also sort of putting your necks out on the line. You know you've got to perform, but nevertheless there is flexibility in that, year to year, those rolling plans can change. Has Saskatchewan considered adopting that practice, and if so, how far along are you on your way to achieving it?

Ms. Mellor: — Yes and certainly that brings us back to the issue of targets that's been raised a couple of times, and, you know, targets are certainly part of our accountability framework. We're just not there yet, but we certainly see ourselves over a number of years getting to the point where we actually assign a specific target at the start of the year to those measures.

It's really a matter of departments getting their data sources in order and understanding their performance over the past number of years so that they can set a credible target. And you've really got to know sort of where you're at now in order to set a credible target for the future. And we're still in that process, but I very much think that we'll get there.

The Chair: — Would that be a deficiency then in Saskatchewan's reporting and assessing of departmental plans, in that we don't have targets in place yet? I mean obviously I would've thought that even if they weren't published say on the Internet or in the *Gazette* or something, that they would exist. And you're saying to me that they're very incomplete or perhaps don't exist. Certainly they're not in the shape that the departments are prepared to make them public. I find that rather disconcerting and I would then ask you, how soon do you think this will be rectified and the public will be fully aware of departmental planning and targeting?

Ms. Mellor: — We've pretty much taken a phased approach to implementing a performance management system over the past five years. I don't have a specific time frame for when we would be ready to release targets. It's sort of something we look at every year and sort of gauge our progress, and you know, how ready we are to go on to the next step. So I don't have a time frame that I can give you.

You know, I can say that in, while we don't have targets, we do have performance measures that we set out in the plans. We do have departments release their most current data for that measure so that people know where they're starting from at the beginning of the year. And then at the end of the year they need to go back and report on that particular year's results and provide a historical trend line.

And that does give the reader some indication of whether performance is improving, declining, or staying the same because they can place it on a continuum over time and say, well over the past five years, how has the Department of Corrections and Public Safety done on its alternative measures programming? And it's quite apparent whether, you know, whether performance is better or worse than in the year before. So I think that that at least helps to provide some context for readers and situate the current year's performance in some historical context.

The Chair: — Well I think I could speak for Public Accounts — you know, you have to be careful when you're speaking for others — but I think certainly I can speak as the Chair of the accounts that I think it would be wise if the departments made this a higher priority. We are in a newer, more modern age where I think people expect more openness, more transparency. And I think some of the work has been done. I don't think we're inventing the wheel here. And so we'd encourage you to move in that direction.

Just a last question to Mr. Styles. The auditor suggests that departmental planning and assessment of Executive Council and Legislative Assembly should come under his purview. They currently do not. It was quite interesting. Last night in Executive Council estimates both of these issues came up, so I think it's very relevant.

The Executive Council saw a significant increase in communications budget — I think was \$600,000 if I remember correctly, new dollars. Very little accountability. Very little information was forthcoming from the Premier last night. The Premier in turn was challenging the Leader of the Opposition to reveal how much had been spent on advertising. Of course the legislative budget for the official opposition is fixed and set and can't be increased by 50 or 60 per cent like Executive Council. Are you looking at bringing Executive Council and Legislative Assembly under the purview of the Provincial Auditor when it comes to reviewing annual report assessments?

Mr. Styles: — Legislative Assembly definitely not. I mean it's not part of executive government in the traditional sense. Therefore, you know, a decision I think for the Legislative Assembly would have to originate maybe at the Board of Internal Economy. I'm not precisely sure there.

With respect to Executive Council, you know, there still are some agencies that are outside of the framework that do not participate in it. Each year we have a look at, you know, all of those agencies, talk about which can be added, which maybe can't at a particular point in time. And you know we'll have those discussions again in terms of the 2006-07 performance year. So at this point, you know, again it would be a question we'll ask.

The Chair: — So it's a maybe. Neither a yes nor a no, but a maybe.

Mr. Styles: — No decisions at this point exactly how far we're going to expand it. We've been talking with ... you know another area just similar to that is Treasury Board Crowns as well, okay. We've gradually started bringing two or three of those into the framework, and again it's part of looking at what they can do in a particular year and how feasible it is to expand it to them in that year.

The Chair: — So would it be fair to say the chances are improving?

Mr. Styles: — We'll have to see what happens in discussions this year.

The Chair: — You're being very cautious, Mr. Styles. Are there any other questions? Mr. Borgerson.

Mr. Borgerson: — Yes, thank you. I'll resist the temptation to, as Deputy Chair, to make comments on the estimates from last night and head instead into neutral territory if that's all right.

I wonder if the auditor could just elaborate a little bit on no. 6 on the CCAF reporting principles, just in terms of a little more clarification as to what it means to integrate financial and non-financial information, perhaps with an example.

Ms. Volk: — Okay. What we envision when we ask for an integration of financial and non-financial information would be for example in Environment, that's where they fight the fires. So it would be nice if you could see, well there's a table that shows well there were X number of fires that were fought this year in the province and maybe comparisons to prior years. And that number then would tie to, and we spent this much money fighting those fires, and it's increased or decreased as a result. Partially it would be directly related to the number of fires that were fought or the size of those fires.

Mr. Borgerson: — And I raise this because it's an interesting bit of artwork that I've raised before in this committee, and that is the area of work of the various departments, that is in fact very difficult to measure. Because of course the number of fires is easy to measure.

What about those areas, non-financial areas, that are very difficult to measure? For example, the culture and work atmosphere within a department, job satisfaction that exists there, public relations, those kinds of things. Or is it the assumption of the auditor that those are all measurable?

The Chair: — Mr. Wendel.

Mr. Wendel: — I don't think all the indicators will be measurable in that way. But I think the activity should be measurable and I think that's what it's talking about. You cost out your activities and those activities relate to your performance, and try and integrate it that way. But it'll never be 100 per cent.

Mr. Borgerson: — Okay. And this is a bit of a teaser of a question, but what do we as Public Accounts do with the

unintended outcomes or what do the various departments do in terms of reporting? How does that fit into our work?

Ms. Volk: — I think that unintended outcomes, I think you would just report them. It's, you know, this is what happened in this year — good, bad, or indifferent — and then if it needs to be corrected, you probably would say what you would do in the future.

Mr. Borgerson: — Okay. That's fine. No. Just some questions. Thank you.

The Chair: — You see no further questions, Mr. Borgerson?

Mr. Borgerson: — No. I'm fine.

The Chair: — All right. No further questions at all? There are no recommendations in chapter 15.

So I would like to thank the deputy minister of Finance, Mr. Styles, and Ms. Mellor for appearing before the committee. We'll probably see you again in a few months. But if we don't see you before the summer, we hope you have a very enjoyable summer. Thank you for being here this morning.

But you haven't left yet. Wait till tomorrow.

We will now move to the second item on our agenda, and that's actually a continuation of the review of chapter 8 of the 2004 report volume 3, Industry and Resources.

Friends, if you'll remember we concluded the first portion, the Future is Wide Open campaign, and we dealt with the first recommendation. We were dealing with the Office of Northern Affairs and there are, I believe, another five recommendations in chapter 8 that we have not yet dealt with.

And so we would like to re-welcome the officials from Industry and Resources. We have with us today, if I can find the right piece of paper — here we are — the deputy minister, Mr. Steeves and some officials from his office. I don't believe we need to ... We have also Mr. Bashar Ahmad from the Provincial Auditor's office who did the review of this chapter and is available also to receive questions this morning. But we will forego a review and get right back into the meat of the affair.

Thank you, Mr. Steeves, for appearing again, and perhaps you would like to again reintroduce your officials. And then we'll open the floor to further questions and hope to deal with the recommendations prior to 10 o'clock. Mr. Steeves.

Mr. Steeves: — Thank you, sir. I'm pleased to be here today and also pleased to introduce officials that are joining me. To my right, Anita Jones, executive director of policy and financial administration. To my left, Glenn McKenzie who is our assistant deputy minister located in our La Ronge office; and Gerald DesRoches who serves as our senior account manager, again in our La Ronge office, with respect to our loans program and the Northern Development Fund. We look forward to the opportunity to address questions with respect to our department today.

The Chair: — Okay. Thank you, Mr. Steeves, and we'll open the floor to questions. Mr. Allchurch.

Mr. Allchurch: — Good morning and thank you, Mr. Chair. Welcome to all the officials here today. I have a few questions along with my colleagues regarding the Industry and Resources report.

To start with, I'd just like maybe a clarification from Mr. Wendel, the auditor. In regards to the amount of money in millions that was in default, is it 1.8 million or is it 1.6 million? I believe your audit report says 1.8, but we had a clarification that it was actually 1.6 instead of 1.8.

Mr. Wendel: — I think that was a number that was given by the department when they appeared last meeting. And somebody had asked a question, how many accounts or loans were in default or late. And I think the number was 1.8 million, but I'll leave it to the department to answer that.

Mr. Steeves: — Yes, 1.8. It might be helpful to provide a little more clarification of the term default, though. And I defer to our assistant deputy minister, Mr. McKenzie, in that regard.

Mr. McKenzie: — With respect to loans that are in default or loans that are inactive, defining what we mean by default and inactive is I guess an arbitrary decision. We categorize that 1.8 million that's been identified as default is in fact inactive, meaning that we haven't given up on collecting a good portion or a majority of that 1.8 million. Default, by the way we think of it are those loans where really all hope of collection has gone. And really the only alternative left is a writeoff. So our inactive loans are ones where the clients are in some trouble; where the business may not go forward, but where there remain options for working with a client to collect on security or through repossession.

So the 1.8 million we would characterize again as inactive. But we would think and are advised by our staff that we'll collect a good portion of that 1.8 million. And it's not at a point where we're ready to proceed to a writeoff.

Mr. Allchurch: — Thank you for the answer. In regards to that then, how many years do you go back in regards to the amount of money being 1.8 million as loans that are in jeopardy of not being collected?

Mr. McKenzie: — We'd go back to the beginning of the program in 1995 — 10 years.

Mr. Allchurch: — So is most of the money that is in default now, is that from years 1995, '96, '97 — those years? Or is it in the last two or three years?

Mr. Steeves: — Mr. Allchurch, we'll provide you that information.

Mr. McKenzie: — I'm advised that the majority of that money is from earlier years in the program.

Mr. Allchurch: — Okay. In regards to questions to Ms. Jones in estimates, she was saying that she is confident of writing off probably \$600,000 of this amount of money. Is that the accurate

figure that you will be writing off and will you be writing it off this year?

Mr. Steeves: — It's very close to the actual amount that we're proposing. And again these are the areas, Mr. Allchurch, that staff have just finally concluded that the opportunity to recoup any of those funds is not realistic at all. And I think Glenn is going to provide us with a bit more detailed information though.

Mr. McKenzie: — Of the 1.831 that we describe as inactive, we're looking at \$638,000 that will be submitted for writeoff in '05-06. And the remainder are those loans that the staff continue to work with clients to collect on.

So although you could say that that remaining 1.19 is in default, I guess we're still hoping that we'll recover a major portion of it. But that \$638,000 would represent accumulation of loans that have been . . . we've been working with since the inception of the program and that we're now at a point where we're going to take them forward to write off.

Mr. Allchurch: — Can you itemize some of the ventures that went under this program in order for the money to be given out?

Mr. Steeves: — I suspect I'll hear that we're not able to provide specific details of that information in terms of specific clients — confidentiality issues. But we'll defer to the experts here, Mr. Allchurch, and we'll see what they tell us. Are we able to provide specific information or is that appropriate?

Mr. McKenzie: — Well I think in a generic way we could say that we've got a balance here of loans that are commercial ventures and primary production loans, so some in the fishing, trapping area. Some of the larger loans are involving ventures dealing with hotels, gas bars, moving, freighting, transportation ventures, but it's a mix of commercial and traditional primary production pursuits.

Mr. Allchurch: — Okay. Under these programs, a company known as Northwest Community Wood Products Ltd., did they fall under this?

Mr. Steeves: — They would not, I believe.

Mr. McKenzie: — Northwest Communities Wood Products, we work closely with this operation but they've not been a recipient of Northern Development Fund loans.

Mr. Allchurch: — Where would they get their loans from?

Mr. McKenzie: — Well they would get their loans from the other lenders — from the banks and the commercial system and the developmental lenders. We've been involved with them in the capacity of providing a grant. Last year we provided a grant of \$225,000, a one-time grant for preoperational planning.

Mr. Steeves: — The other area we would provide is just ongoing support. We have a regional managers network that through the various regions in the NAD [northern administrative district] are available to assist business of various kinds in terms of questions, support, that kind of thing.

And in addition to the grant support indicated by Glenn here

last year, we would, as we do with many other businesses and small-business start-ups, some of them larger, providing technical support on request.

Mr. Allchurch: — So in regards to Northwest Community Wood Products not being involved under the loan structure, Saskatchewan Co-op Fisheries Ltd. would be then?

Mr. Steeves: — No, I don't know. We have not provided them with a loan through the Northern Development Fund.

Mr. McKenzie: — No, that's correct. We've not provided them with a loan through the Northern Development Fund.

Mr. Allchurch: — Their loans then would be in the form of grants and also as the same as Northwest Wood Products?

Mr. McKenzie: — Yes, we have provided the Fisheries Co-operative Ltd. with grants for planning purposes in the last year. And it would be a similar arrangement.

Mr. Allchurch: — Under the Northern Development Fund then, I believe there was in the year '03-04, 4.9 given out under the General Revenue Fund, plus \$1.4 million addition to that. That is the kind of money given out in regards to — and I believe that would be in a grant form — for Saskatchewan Co-op Fisheries Ltd. or Northwest Wood Products, would it not?

Mr. McKenzie: — The dollars that went to the Saskatchewan Co-operative Fisheries Ltd. came from the Northern Development Fund grants program. So those dollars conformed with the specific program of the Northern Development Fund.

Northwest Community's, the grant there was not an NDF [Northern Development Fund] grant. It was a one-time grant based on a request by the operation for this preoperational funding and was provided through a special warrant.

Mr. Allchurch: — Okay. In regards to grants, those are just grants to the organization, but they're not repayable?

Mr. McKenzie: — That is correct.

Mr. Allchurch: — I just noticed in the question I asked in written questions, Saskatchewan Co-op Fisheries, they got \$70,000 in grant since the year 2002-2003, and they got another \$20,000 in '05-06. Is that correct?

Mr. Steeves: — We don't have the information with us. I apologize, Mr. Allchurch. But that would be very close to my sense of the numbers we're talking about, yes.

Mr. Allchurch: — Getting back to the Northwest Community Products, I also asked written questions regarding that — how much money was given out in grant forms. And to my calculation — I'm only going back from '99 to the previous year — by 2005, there's a total of \$1.1 million been given out in grant form over the six years, five years I guess you'd say. That seems like a lot of money to be given out. What is the state of Northwest Wood Products Ltd. as to date?

Mr. Steeves: — The most recent information that I have

personally — this goes back a few weeks — is that they are currently in negotiations with a chartered bank in terms of a lending situation to establish their operations. And what I understood in those discussions, they were feeling pretty comfortable on their go-forward position.

I can't speak to that in more detail since this is a private corporation, and we haven't been involved on a lending basis. As you did indicate, we've provided grants in the past though.

Mr. Allchurch: — They're still in operation, are they not?

Mr. Steeves: — Yes.

Mr. Allchurch: — Okay. I pass it on to my colleague.

The Chair: — Thank you, Mr. Allchurch. Mr. Krawetz.

Mr. Krawetz: — Thank you very much, Mr. Chair, and Mr. Steeves, and to Mr. McKenzie as well.

I wanted to clarify some information that you've provided today along with what you have provided through written questions submitted in the Chamber. You've indicated that there is a total of \$1.831 million in default which is inactive as you've described. Is that correct?

Mr. McKenzie: — That's correct.

Mr. Krawetz: — The responses that you . . . I would believe came from your department regarding the Northern Development Fund loans indicate that the default for 2002-03 year is 464,000; '01-02 year is 35,000 — and I'm rounding off here, Mr. McKenzie — 2000-2001 is 585,000; and for '99-2000 it's \$32,000. That number, the sum of those four numbers alone, total \$1.1 million.

Now your response to my colleague's question was that the bulk of the default loans is sort of the old loans, as I understood you. Yet from what I see it's 1.1 million in the last five years, not the first five years. Is my calculation accurate or is it, you know . . . am I being . . . Am I not reading the Northern Development Fund inactive totals that you've submitted through written questions?

Mr. McKenzie: — Mr. Krawetz, I believe the numbers that you're putting forward are numbers that relate to the allowance for doubtful accounts as opposed to the inactive loans that I was speaking of earlier. We have an annual allowance for doubtful accounts, \$400,000 budget item represents 20 per cent of the loan pool — 20 per cent of 400,000 gives us 2 million annually that we can loan.

On an annual basis, I'm advised what our staff does is they look at each account separately and they value the security that we have on those loans. And that typically what happens is that there's a loss, largely through depreciation on the security that's put forward on those loans on an annual basis for which that loan loss provision is put in place.

Last year my notes tell me that we had calculated a \$276,000 loss in terms of that security through depreciation on the full one point . . . on the \$400,000 loan loss. Meaning we didn't

fully utilize that loan loss provision. And then on a cumulative basis, year after year what happens is that the cumulative total of that decline in value of the securities is tabulated. And I believe our number right now is a total of 1.87 million for the allowance for doubtful accounts.

So the 1.87 million allowance for doubtful accounts is not the same thing as the 1.83 in inactive loans that we're talking about. The numbers happen to correspond but it's not the same calculation that we're looking at there.

Mr. Steeves: — This was an opportunity for further learning for the deputy minister as well, Mr. Krawetz. Basically we had two issues. One is the overall outstanding loan which is the lower, 1.81 million or thereabouts. The number Glenn just refers to refers to the overall value of the loan portfolio assessed on a year-by-year basis. So you get two numbers. They do different things.

Mr. Krawetz: — Okay. Then I think what we need to do is get very specific and clarify what . . . and I'll refer to specific question . . . written question no. 1,226. And 1,226 asked for what was the total value of loans in default for the year '02-03. It asked for the calendar year but we know that you're working on a fiscal year.

The response from your department was that the Northern Development Fund loan records are maintained on a basis of fiscal years, not calendar. So here's the answer:

. . . total value of loans issued in 2002-03 in default (i.e. inactive but not written off) is \$464,594.47.

Then could you tell me is there additional monies that are . . . I forget what word you use. You didn't use the word inactive. You said that there's another category of money that you're comparing it or assessing it against the asset value. Is there additional money, taxpayers' dollars, that are broader than what you have said here as a default loan?

Mr. McKenzie: — I think the answer to that is no. There's not a broader category. The allowance for doubtful accounts is simply an accounting calculation based on the value of the outstanding loan portfolio. The inactive loan figures that you quote there, I would like to look at my figures just to ascertain where the \$464,000 amounted to on that year.

I think the initial question was, did the balance of loans accumulate in the early years or in the later years? I think I indicated that they accumulated more in the earlier years. But the date that, the year that you had provided I see that we did have loans that were inactive totalling I believe very close to the figure here that you've put forward — \$464,000. That would be correct.

Mr. Krawetz: — What I'm trying to do is to make sure that the information that we have given to us in response to written questions, that we understand it correctly. And what I'm looking at is for the years that I've just quoted and that's the number of years that we ask questions on which goes back to '99-2000. As I've indicated, those were the values provided, the \$32,935 for '99-2000 and the numbers that I've already indicated, you know, and they're complete in the answers. That

totals \$1.119 million. Now my question is, for that period of four years is there additional amounts of inactive, default, whatever words are used to describe a loan that is not up to the standard of repayment that puts it into the active category, I guess maybe is the best way of describing it?

Is there additional amounts of money beyond \$1.1 million for those specific four years that we don't know about?

Mr. Steeves: — The answer briefly is no, but we'll provide a more specific answer for you here, Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Steeves.

Mr. Steeves: — I mean what you see is what you get, but Glenn, would you provide further comments here. Or is there any?

Mr. McKenzie: — Well the answer is, the answer is no. There is no further outstanding loans that you don't see in that figure.

Mr. Krawetz: — Thank you very much, Mr. McKenzie. Now to the auditor's office, Mr. Allchurch has made reference to the fact that for the '03-04 year on page 221, you indicate that the office received 1.4 million to make loans in addition to the amount of money that's provided for programs and services. So if I'm to look at only the 1.4 million that was done for '03-04 and I don't have a breakdown and I'm wondering — either the auditor's office or Mr. Steeves — would you be able to indicate the amount of money that was provided by the government for making of loans in the previous three years prior to '03-04.

Mr. Steeves: — What you're referring to are those funds that were provided and we loaned out for those three prior years.

Mr. Krawetz: — What was the gross amount of money that was provided? The auditor has indicated that for '03-04 it was \$1.4 million. And I'm assuming that that's the correct number. What was it for the previous year before that — '02-03? Now the reason I'm asking the question is that in your responses to written questions that were asked, the question that was asked is what was the total value of loans given out through the Northern Development Fund in various years. And the responses are, for instance for '03-04, the response that we received was \$1.065 million.

Now the auditor's report is indicating that '03-04 the amount of money provided to the Northern Development Fund for the purpose of making loans was 1.4 million. Does that mean that there was . . . the loans that were granted did not total 1.4 million and in fact there was over \$300,000 that were not allocated in loans that went back to the General Revenue Fund, or how is the accountability done?

And I guess I'd ask the auditor's office first. If '03-04 had \$1.4 million provided for the ability to make loans, was all of that money transferred to the Northern Development Fund for the purpose of making loans, even though the answer that we received in Legislative Assembly says only \$1.065 million worth of loans were actually made in the year '03-04?

Mr. Ahmad: — Mr. Chairman, it will be in the Office of Northern Affairs that they will receive 1.4 million. It will be in

their appropriation. Now how much they actually received and disbursed, that will be in their actual financial statement. Because the department does not prepare the financial statement, I can't tell you that; they'll have to provide that information.

Mr. Krawetz: — So then, Mr. Ahmad, then how do we track the amount of monies that have been provided to the Northern Development Fund in each and every year to ensure that the funds that are allocated are appropriate? And the response to the year '02-03 is that \$2.288 million worth of loans were granted. That's why my original question is, how much did the government provide? Was it less than 1.4 or was it . . . I mean, I don't see that the amount of money would have changed dramatically over a period of three or four years. Where would the Northern Development Fund have found \$2.288 million in '02-03 to grant those loans?

Mr. Ahmad: — Mr. Chairman, again, that will be all part of the Department of Industry and Resources, because the Office of Northern Affairs was part of the Industry and Resources department in the previous year, for 2003. So it will be in the department.

Mr. Krawetz: — Mr. Steeves, then. In the years since '99-2000, there were in '99-2000 . . . and I'm going to give you these numbers because I know you don't have copies of the written questions. In '99-2000, \$1,095,910 were given out through the Northern Development Fund. In '00-01, \$1,906,724. In '01-02, \$1,785,162. In '02-03, \$2,288,789. In '03-04, \$1,065,558. And in '04-05, \$1,357,505.

Where does the money come from to be able to make these loans, Mr. McKenzie?

Mr. McKenzie: — It comes from the General Revenue Fund. We're not . . . It's not a budget item. We're not allocated a specific budget figure. We're given a loan loss allowance as a budget item. On that loan loss allowance the loan pool that's available for a loan is calculated. So that's typically been \$2 million a year. So if \$1.4 million is expended out of that cap of 2 million, \$1.4 million then would be approved and disbursed.

So there would be no money returning to the General Revenue Fund because the money hadn't been drawn from the General Revenue Fund.

Mr. Krawetz: — Then could I ask the auditor for maybe . . . And, Mr. Chair, I think we need to have clarification as to the amounts of money that the General Revenue Fund has provided to the Office of Northern Affairs for the last six years. You've indicated for '03-04, it's \$1.4 million. Your numbers are indicating that there's considerable more allowed. You used the number of \$2 million.

What amounts has the General Revenue Fund provided to the Office of Northern Affairs for the making of or the granting of loans over the last six years to allow this type of loan, loan abilities I guess is the word I'm looking at?

Mr. Ahmad: — I don't have the information for the last six years, five years. But what I can tell you is that the amount the GRF [General Revenue Fund] appropriates for this kind of

purpose was, for 2004, 1.4 million. They may have used less money for that, giving grants or loans to the various organizations, or they may have used more. If they have used more, their actual will be more than what they were listed for and they may have used that money from some other sources.

And so that is possible that when you have appropriation, you could spend less or more than that appropriation but that money will come from some other source within their own appropriation.

Mr. Krawetz: — So it won't be going back to the General Revenue Fund and saying, we received 1.4 but we really need 2.2?

Mr. Ahmad: — If they want some special warrant for that, yes. They could do that. But I don't remember them receiving any special warrant.

Mr. Steeves: — . . . the cap of what we understand we have is 2 million. But Ms. Jones I think would like to provide some further clarification.

Ms. Jones: — If I may, to clarify. Every year when we submit our annual department budget, we identify what we believe to be a reasonable amount of money for our Northern Development Fund.

For the period of 1999 up until 2002-03, we were allowed 2.5 million per year of money from the General Revenue Fund. Now that money sits with the Department of Finance. We only access it if we have the loans approved to correspond with that money. So if we only needed 1.06, we only access 1.06.

Now in 2003-04, we had that number reduced to \$2 million, and it has now been \$2 million for the last three years. So it's like having access to a line of credit or in a bank account. So when Finance reviews our budget submission, they make the decision: yes, 2 million is what we will set aside earmarked for this program. If you need it, you have access to it. If you don't need it, you only access what you require which, like I said, 1.2 . . . or pardon me 1.3, 1.7, whatever the amount is okay. It doesn't show up in our budget because it is part of the GRF.

We report the actual disbursements through our yearly annual report. Now what does show up in our budget is, specifically is the allowance for doubtful account which is set at 20 per cent of that \$2 million or in the past 20 per cent of 2.5.

Mr. Krawetz: — So then my final question, Mr. Chair — and I know it's 10 o'clock — if I used the '03-04 year where you said that it was reduced to \$2 million, the auditors reported that 1.4 million was made available. Where does the \$600,000 that was not accessed, where does it sit? And is it a credit to your account for future years where then it allows you to give out loans that total more than \$2 million?

Ms. Jones: — Your money does . . . It stays in the General Revenue Fund. If we don't access it, it doesn't carry over. It's a year-by-year appropriation that's voted on. So if . . . And pardon me, I can't explain why we've got a 1.4 versus our 2 million, but the 600,000 does not roll over. It expires every year.

Mr. Krawetz: — Thank you. Thank you for your information.

The Chair: — Thank you, Mr. Krawetz. We are approaching the time we had hoped to conclude, but I believe Mr. Wakefield has a couple of questions, and we'll give him the floor.

Mr. Wakefield: — Thank you, Mr. Chair, and I realize that there's a time constraint. But I just have a quick, I guess a comment. And when I'm looking over some of the auditor's report there seems to be in the restructuring and reallocation of authorities and so on, there seems to be, in my mind, a lot of confusion. There's the Office of Northern Affairs. There's a Minister of Northern Affairs. He carries out his responsibilities through the Department of Industry and Resources.

One of the comments that the auditor . . . in the auditor's report, the office . . . agree that the office fulfills its role and does so independent of the department. There's things like the government has not formally established the office as a separate government agency with the mandate to carry out the minister's responsibility. Is that a concern?

Mr. Steeves: — It I think was raised to us by the Provincial Auditor, in my opinion appropriately, and for that reason December of '04 we made the necessary changes to ensure that we are a stand-alone department. So yes, that issue was raised and has been addressed. We're now operating independently as a department under our own authority.

Mr. Wakefield: — Just a quick follow-up then. I also see another statement here, the office has a delegation of authority, but it is not up-to-date. For the approval of loans, it refers to positions that no longer exist. Isn't this downright scary? And considering what has been going on in other departments with misappropriation of, you know, considerable amounts of money, this has got to give you nightmares because isn't this open for that kind of misappropriation or abuse?

Mr. Steeves: — And I think that would be a legitimate concern. Just a clarification, we've gone back and done further research in this area, and the research that we've done indicates that effective April 1, '03, a delegation of authority consistent with the organizational structure that was in place at that time had been approved and mandated by my predecessor. And I understand in discussions with members of our staff in key areas of responsibility that that delegation of authority was in fact being followed by staff.

That information has been provided recently, I think probably in April, to representatives of the Provincial Auditor's office. So in fact I think that we can report that there was a delegation of authority in place. It was consistent with the organizational structure that was there at that time and that it was being followed by staff.

I think some information that was dated may have been provided by a member of our staff to the Provincial Auditor when the actual audit was going on which is a problem, sir, and one that's been addressed internally in terms of our management issues.

Mr. Wakefield: — Thank you, Mr. Chair. That kind of leads in to the recommendation then.

The Chair: — Thank you, Mr. Wakefield. Are there any more questions? I believe there aren't. We have five recommendations to deal with beginning on page 222 through to 224. Is there a motion on recommendation no. 2 which states:

We recommend . . . the Government clarify which agency is responsible to oversee the affairs of the north.

Mr. Yates. I believe it's Mr. Yates.

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

The Chair: — Okay the motion is to concur and note compliance, is there any discussion on the motion? Seeing none, we'll call the question. All in favour? That's carried unanimously.

Recommendation no. 3, the same page.

We recommend that the Office of Northern Affairs update its delegation of authority for approval of payments and contracts for loans and grants and communicate this delegation to all staff.

Is there a motion? Mr. Yates.

Mr. Yates: — Yes, I move we concur and note compliance.

The Chair: — Again a motion to concur and note compliance. Is there any questions with regards to recommendation no. 3 by the Provincial Auditor? Mr. Krawetz.

Mr. Krawetz: — We are adding noting compliance to the other recommendation as well as this one. To Mr. Steeves, is in fact the department complying with the recommendation that's already in place? We haven't asked you that question yet today.

Mr. Steeves: — I'm pleased to report that, in addition to the comments I just provided, that effective March 23 of the current year a new organizational structure and an updated delegation of authority was implemented and is currently being followed. So we were in compliance. And with a new deputy and some different perspectives on what our organizational structure should look like, we have a new organizational structure and a new delegation of authority.

Mr. Krawetz: — Now I can support, now I can support the motion.

The Chair: — All right. Thank you for that clarification. Are we ready for the question?

Some Hon. Members: — Question.

The Chair: — All in favour? None opposed. It's carried.

Recommendation no. 4, at the top of page 223, states:

We recommend that the Office of Northern Affairs improve its service agreement with the Department of Industry and Resources to clearly state who is responsible to approve payments and ensure the accuracy of the

accounting records.

Is there a motion? Mr. Yates again.

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

The Chair: — This time we're concurring and noting progress. Is there any discussion on this motion? Seeing none, call the question, all in favour? Any opposed? That's carried again.

Recommendation no. 5, same page:

We recommend that the Office of Northern Affairs obtain the Minister's approval of the interest rate it charges on loans.

Is there a motion? Mr. Borgerson.

Mr. Borgerson: — I move that we concur and note compliance.

The Chair: — This time, a motion to concur and note compliance. Mr. Krawetz.

Mr. Krawetz: — Just have one question. Thank you, Mr. Chair. To Mr. Steeves, who will be the person that will contact the minister's office to ensure what that interest rate is?

Mr. Steeves: — Well the interest rate is 10 per cent, has been 10 per cent since the inception of the program in 1995. We, in fairness to the Provincial Auditor, had assumed that the necessary approvals were in the place.

When they were requested, we couldn't produce them. So we went back to the minister's office with the new minister's order, and that was effective . . . December? No. December of '04. And the minister's order is in place as per the recommendation of Provincial Auditor, and that amount is 10 per cent for all loans and all cases.

Mr. Krawetz: — Thank you.

Mr. Steeves: — And since 1995.

The Chair: — All right. Are we ready for the question? All in favour? None opposed. That's also carried.

Final recommendation on page 224, no. 6:

We recommend that the Office of Northern Affairs follow the procedures in the Financial Administration Manual for opening the mail and safeguarding the money received.

Mr. Borgerson.

Mr. Borgerson: — I move that we concur and note progress.

The Chair: — Okay. Motion to concur and note progress, is there any questions, discussion on the motion? I guess we're opening some of the mail. Mr. Steeves, did you want to clarify? This is rather a serious issue.

Mr. Steeves: — I would. We came prepared to give a very

detailed description of . . . Mr. Krawetz, I feel badly that you would . . . We came prepared to do a very detailed description of our practice that had been in place previously. I think we felt that we were in I think compliance with what had been requested of us. We took some pride, and I think our staff were disappointed, that I might not have communicated as clearly as I perhaps could have in our previous visit here the nature of the checks and balances that were in place. We were looking forward to the chance to sort of tell you the whole story. We may not have the opportunity, it might appear.

But with respect to the specific items that were raised by the Provincial Auditor, frankly if there's opportunities to improve our system we welcome them. And I think we really did appreciate the suggestions from the Provincial Auditor. And I'm pleased to report that those additional checks and balances that were suggested have been accepted and implemented and are currently being followed. In fact our assistant deputy minister just several days ago sat down with the staff to go through the system, so he could personally report, if you so requested, these are the procedures in place. Now so actually Glen actually has done that, so he's actually helped open the mail and go through the process.

The Chair: — Mail room talk. Are there any further questions or comments? Are we ready for the question? All in favour? None opposed. That as well is carried. And that concludes our discussions on chapter 8 of the 2004 report volume 3.

Just a note to all committee members, in discussions with Mr. Borgerson, the Deputy Chair of the committee, we have set aside Monday, June 20 and Tuesday, June 21 for full day sessions of Public Accounts. We should then be able to conclude the 2004 report volume 3. I understand the auditor has announced he will be delivering a new volume about — is it June 7? — June 7. And so thus our work will not conclude. Seems like there's no end of work. This is like housework; we're never done. But appreciate again your patience.

We've gone slightly past the agreed adjournment time, but I think the effort was well worthwhile. This is the final meeting I assume while session is on, so if we don't see some of you for quite some time, wish you a good summer. And we declare . . . thank the deputy minister and his colleagues for appearing before us. Thank other officials from the Provincial Auditor's office, the comptroller's office, committee members, the Clerk. Thank you very much. We declare the meeting adjourned.

[The committee adjourned at 10:12.]