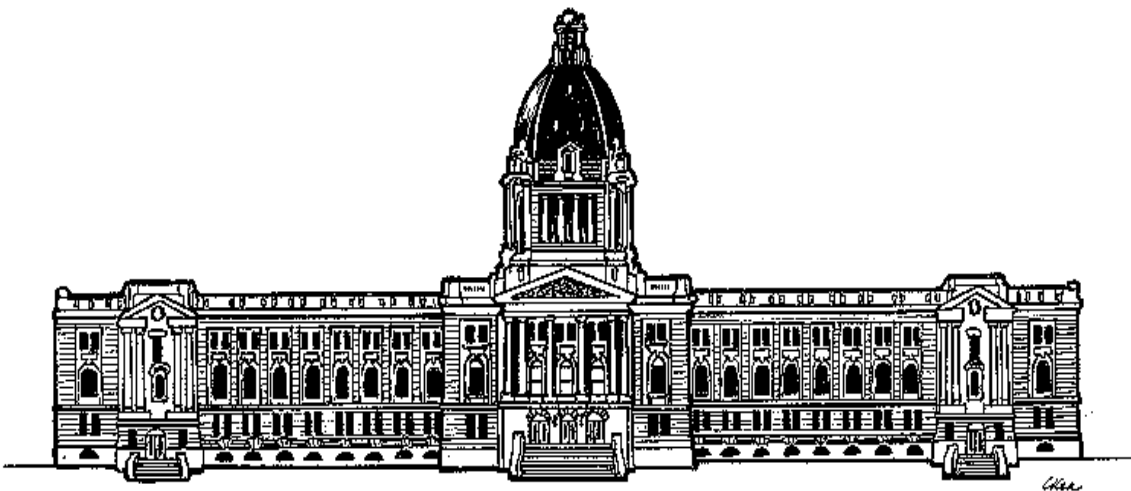




STANDING COMMITTEE ON PUBLIC ACCOUNTS

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2005**

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Mr. Lon Borgerson, Deputy Chair
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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. We'll bring this Public Accounts Committee to order. Welcome everyone here and I wish you all a happy beginning to summer. This is the longest day of the year, but we'll try to not to make it a long day for Public Accounts. I also wish everyone a happy Aboriginal Day. And we will get on with our agenda for the morning.

We hope to deal with Industry and Resources, chapter 10 of the 2005 report, followed by Justice, chapter 5, 2005 report. And then before lunch we'll conclude with Saskatchewan Watershed Authority, chapter 3, 2005 report. After lunch we have one item on the agenda, Public Service Commission, chapter 2, 2005 report.

Public Hearing: Industry and Resources

The Chair: — We will commence with the chapter on Industry and Resources. I'd like to welcome the Industry and Resources officials to our committee. The usual process is to have a quick summary of the auditor's report from the Provincial Auditor or his designate, and then we'll give you a chance to introduce your colleagues. And then we'll ask committee members to ask any questions that might pertain to the chapter under review, and we'll deal with the recommendations.

From the Department of Industry and Resources, we have acting deputy minister, Bruce Wilson. We'll invite you to respond after we hear from Jane Knox, principal with the Provincial Auditor's office. Ms. Knox, we turn the floor over to you.

Ms. Knox: — Thank you, Mr. Chairperson. Members, colleagues, good morning. One of our goals with the Office of the Provincial Auditor is to foster well-managed government. Our strategic plan for 2005 to 2009 requires that we examine risk-management practices. The Department of Finance tells us that the 2006 to 2007 performance plans of all departments will be expected to identify and explain major risks.

The chapter before you this morning — chapter 10 in volume 1 of our 2005 report — outlines an audit in the Department of Industry and Resources that examines the first step in a risk-management process, that is identifying risks. The objective of the audit was to assess whether the Department of Industry and Resources had adequate planning processes as of December 31, 2004 to identify strategic risks to achieving its objectives.

We define strategic risks as those that affect the achievement of an agency's objectives, whether the risks are related to new opportunities or adverse events. We expected the department to detect risks across all of its objectives, to assess the risks in terms of their likelihood and impact, and to evaluate which risks they can influence so as to set priorities. We found that the department had adequate planning processes to identify strategic risks to its objectives except for the following three findings.

First, the department detects risks at the program level. The

department does not have a systematic process to detect risks across all of its objectives. The department did a good job of identifying strategic risks to their goal 2, to develop energy and mineral resources, and also identified some strategic risks to their goal 1, to promote a positive environment for business, but identified very few risks to their goal 3 for the responsible use of energy. We recommend that the Department of Industry and Resources use systematic processes to detect risks to all its objectives.

Secondly, the department assesses whether identified risks are likely and what the consequences would be. It does not systematically quantify the likelihood and consequences of the strategic risks. This would help the department to focus its attention on the most critical strategic risks.

Third, the department does not have a formal process to evaluate risks and determine the strategic risk priorities. We recommend the Department of Industry and Resources quantify the likelihood and impact of its strategic risks to identify priorities. We encourage the department to strengthen their processes to identify strategic risks in the near future as part of their preparations for explaining their risks to the public. Stronger processes to identify strategic risk priorities will also enhance the department's ability to take timely action, to grasp opportunities, and limit the impact of adverse events.

Mr. Chair, we thank the department for their co-operation during our audit. Thank you.

The Chair: — Thank you very much, Ms. Knox, we appreciate that report. And, Mr. Wilson, we'll give you the floor and allow you to respond. And you might also want to introduce your colleagues.

Mr. Wilson: — Yes, I'd like to introduce Hal Sanders who's the executive director of corporate and financial services for the Department of Industry and Resources. And I'd certainly like to begin by thanking the committee for the opportunity to meet with you today and to talk about the issues that have been identified.

I think the department has a very good track record of working with the Provincial Auditor on issues, the identification of problem areas. And I think we have always endeavoured to work to address those things and have a very well-running and fully accountable and functioning department.

We appreciate the comments that have been made this year in chapter 10 with respect to the identification of risk and the need for perhaps a more formalized processes. And we certainly will endeavour to put in place more formalized processes to identify, assess, and sort of manage the risks that have been mentioned.

I think we certainly do want to point out that we believe that we have done a pretty good job over the years of identifying major risks. And those would be risks particularly on the revenue side where we very much do identify risks to our revenues from our various commodities. And in the processes that we have in place, I think we always have attempted, in terms of bringing things forward for decisions, identified risks, tried to outline how one might mitigate against those risks. So I would certainly

indicate that risk is not a word that is completely new and foreign to us. We do indeed . . . I think many people in the department at the program level would say that this is just part and parcel of what they do on a daily basis. But to the extent that there is something better that we can do to outline risks and how we manage them, we will certainly endeavour to do that.

The Chair: — All right. Thank you very much. We will open the meeting to questions from committee members and MLAs [Member of the Legislative Assembly]. Welcome to Lyle Stewart, the MLA from Thunder Creek and critic for Industry and Resources and give him the floor.

Mr. Stewart: — Thank you, Mr. Chair. Good morning everyone. Mr. Wilson, in this chapter, chapter 10, the auditor makes recommendations as you stated regarding risk evaluation. The auditor notes that as of December 31, 2004 the department had adequate planning processes to identify strategic risks to its objectives, except as reflected in the auditor's recommendations. And the auditor's first recommendation is we recommend the . . . and I quote:

We recommend the Department of Industry and Resources use systematic processes to detect risks to all [of] its objectives.

Mr. Wilson, has the department accepted this recommendation and decided to act upon it or has the department made a decision to continue with the status quo?

Mr. Wilson: — No. I think we very much want to comply with the auditor's recommendations. We have not yet as of this time decided what exactly we will do to try and address the issues that have been identified here. But most certainly as a department we will be attempting to do our very best to address all of these issues.

Mr. Stewart: — There's a danger, Mr. Wilson, that using a systematic process to detect risks could reduce the flexibility within the department to adapt to the change in realities of the business world.

Mr. Wilson: — Would it, did you say?

Mr. Stewart: — Yes. I'm asking you if that's maybe part of the consideration and part of the reason why some strategy hasn't been adapted yet?

Mr. Wilson: — Well again as I say, I think in many of the areas we have indeed always looked at various risks. It's just more a question of what types of processes the Provincial Auditor would envisage as addressing their needs and their concerns. And I think we want to work with them to look at how we can put in place processes that, you know, meet everyone's needs. But I would certainly say at this time, we haven't had the opportunity to work directly with the Provincial Auditor to talk about the kinds of processes that they would see appropriate for having in place.

Mr. Stewart: — Thank you, Mr. Wilson. Has any timetable been set up for meetings with the Provincial Auditor to further discuss this matter?

Mr. Wilson: — No, we have not set up a formalized time frame yet for doing this. But most certainly, you know, we will have what we consider to be adequate and appropriate processes in place for the next planning cycle.

Mr. Stewart: — Certainly, Mr. Wilson, of course it takes some months for these kinds of changes to actually be made and to come to fruition. I certainly hope that these meetings will take place very soon, at least begin to take place very soon.

Now the second recommendation put forward by the auditor reads, and I quote:

We recommend the Department of Industry and Resources quantify the likelihood and impact of strategic risks to identify priorities.

Mr. Wilson, has the department accepted this recommendation and decided to act upon it?

Mr. Wilson: — Yes, we will certainly endeavour to address this as well. I guess I would say that, you know, again as we work within the department, I think most people would say that we are doing this already.

And I guess one example I would like to bring forward because with my background on the oil and gas side, I could tell you about a very specific example which is, it has been recognized for some time that we have a very significant liability associated with the final abandonment and cleanup of all of the oil and gas wells and facilities in the province.

That's been recognized for some time that as we watch the evolution of the industry, the majors of course are exiting, not just Saskatchewan but Western Canada in general, and so wells and facilities tend to sort of move down the food chain over time. And of course the concern would be that we get to a point where we have all of the oil and gas wells owned by relatively small companies that may not have the wherewithal or do not fully understand the implications of the responsibilities that they take on when they own and operate wells.

So we have been attempting to put in place a very detailed program to manage that long-term liability for all of the oil and gas wells and facilities that exist in the province. So it's a program that we've been working on for a few years now. We're hoping in this current fiscal year that we will indeed have a fully functioning, you know, liability management program in place.

But as I say, these are the kinds of things that we are looking at, working with, trying to identify, and take steps to mitigate against risks. And so it's not, as I say, a concept that is totally foreign to us. We think that we have always been trying to look at strategic risks that face the province and face the objectives of the department. And we are certainly doing our best to address those things.

Mr. Stewart: — Thank you, Mr. Wilson. Is your department involved with the recently announced cleanup of Eldorado Nuclear and their abandoned uranium mine in that region — whose name escapes me at the moment — and if you are, in what capacity?

Mr. Wilson: — Again I believe as a department we are involved, but the involvement I understand is largely one of simply the department that is holding the funds to allow for the province's portion of the cleanup. Hal may be able to elaborate more, but my understanding is that that's largely what role we play in this.

Mr. Sanders: — That's correct.

Mr. Stewart: — Thank you. Now the auditor considers the Centennial Summit in January as an example of the department identifying risks and consulting with stakeholders. Mr. Wilson, outside of industry stakeholders identifying risks to their livelihood through government policy, what other risks did these stakeholders identify at that summit?

Mr. Wilson: — Well I guess I looked at the summit myself as more an opportunity to identify some of the opportunities and challenges that we face as a province. I'm not sure that I characterized the event as an event that was there to identify risks.

Most certainly I think we saw and heard from various people at the summit that there are issues with respect to resource development. I think the mining companies had addressed some concerns about taxation in the province, so that I guess could be identified as potentially a risk. Most certainly there was discussion there about education, labour force development, all of those things, the need to, you know, certainly involve more of the Aboriginal community in the workforce in the province here.

And of course the fact that in many areas, you know, the oil and gas industry . . . Again I will go back to that. One of the greatest challenges of the oil and gas industry has at this time is not a shortage of capital, not a shortage of machinery and equipment, but a shortage of manpower. And excuse me if I use that term manpower. I do believe that's politically incorrect — labour force. So there are things like that that were brought forward in the summit. And again if one wants to refer to those as risks that's fine, but I guess I would have seen the whole summit as something different.

And again coming out of that summit there very definitely is an action plan that's being developed to, you know, to respond to the various ideas and whatnot that came out of that particular summit so that it's not just an event that, you know, a bunch of people got together and talked for a couple of days and we all then go about our business. I think we very much look at this as an opportunity to key in on a number of things that were being said and to develop a plan that will, you know, certainly help move the province forward.

Mr. Stewart: — Thank you, Mr. Wilson, and I think it's to your credit that you saw that somewhat as a forum to identify opportunities. And that's the kind of attitude we've seen from you in the past, and kudos to you for that.

But of the risks that were identified at that summit, has the department addressed any of those to date and are any slated to be addressed in the near future?

Mr. Wilson: — Well, you know, I don't know if you would

want to, or how closely we can tie all these things together, but you will be very familiar that the department did introduce some changes for the potash industry very recently — post-summit — and in some respect one could say that that ties in with some of what was being said at the summit.

We believe there is certainly many more opportunities for development of the potash industry here. Various incentives were announced, but those incentives are very much tied to new investment in the province which I think is only appropriate.

I know there are other areas where, you know, we are looking at things, but I think more of this will come out later in the year when a very detailed action plan is produced, you know, following up on the summit.

Mr. Stewart: — Thank you. The auditor observes that the department is not:

. . . assigned an individual, division, or committee to [specifically] coordinate the . . . detection of all types of risks across . . . its objectives.

As well as not providing guidance to all of its divisions to ensure that they are able to detect a wide range of risks. Does the department accept that recommendation or that comment for a start, Mr. Wilson?

Mr. Wilson: — Yes. I think we always need someone who has overall responsibility for a particular area. And that would seem to be a sensible type of recommendation that we do need some person, some group within the department that would have overall responsibility. At the present time, I believe I would be looking at Hal as the person that would probably be in charge of that given his overall responsibilities. But that is still something that we need to look at and work out further.

Mr. Stewart: — So I take it while you accept that recommendation, no concrete steps have been taken at this point . . .

Mr. Wilson: — No. No, as I said, we're not yet at a stage where we have, you know, been able to sit down as a department and put together a very formal plan to address what has been identified by the Provincial Auditor.

Mr. Stewart: — Okay. Thank you. The auditor also makes note that the department does not have a systematic process to quantify the likelihood and impact of a strategic risks. And the auditor notes the fact that the department occasionally hires consultants to evaluate the severity of consequences for important strategic risks. How much did the department pay for outside consulting over the course of the last fiscal year, if you have those numbers at your . . .

Mr. Wilson: — Yes, we can certainly provide that. But I would say overall that the consulting services that are used for that specific purpose would be extremely small. I guess in terms of, you know, quantifying the impacts of risks, you know, as I say, I think we do that already. If one looks at the revenue forecasts that are produced, one of the things that we certainly do is, within those, provide some sensitivities about . . . You know for oil, if oil was a dollar higher or a dollar lower or whatever, what

impact would that have on the revenues over the year. Or if the exchange rates were different than what have been forecast, what's the sensitivity of that?

Well those are the kinds of things that have been and continue to be part of the revenue forecasts that we do produce. So I think, you know, in those kinds of priority areas we already very much do try and quantify the risk of various things happening.

Mr. Stewart: — All right. Thank you, Mr. Wilson. Will the department however be developing further systematic procedures to quantify the likelihood and impact of its strategic risks in light of the auditor's recommendation?

Mr. Wilson: — Yes, I think very clearly with respect to all of the recommendations that have been laid out in the Provincial Auditor's report, we are indeed going to endeavour to try and address all of those areas. You know, exactly what we're going to come up with, I am not sure. This may be a process that is not completed in one fell swoop but perhaps evolves over a number of years as we work with the Provincial Auditor to ensure that we are indeed, you know, capturing and doing what it is that is expected of us. But we will certainly start within the next planning cycle to take a more rigorous approach and to address as many of the things that have been laid out and recommended by the Provincial Auditor.

Mr. Stewart: — Thank you, Mr. Wilson. Mr. Sanders, and Mr. Chair, that's all I have for the moment. I think Mr. Cheveldayoff has some questions.

The Chair: — Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. And good morning, Mr. Wilson, and Mr. Sanders.

I noticed with interest the auditor makes note of the department's initiative to eliminate risk of missing an opportunity. I found that phrasing interesting, and certainly I think we have missed opportunities in the past. And here's a case in point where the department has acted in the potash industry by giving the industry a tax holiday. Could you outline the impact of this tax holiday on departmental revenues, if any, in this current year and also the changes in the pricing of potash and the difference I guess from the budget? I note that this came after the budget, and what are the budgetary projections for potash this year?

Mr. Wilson: — I'm sorry that I don't have that detailed information directly with me, but my understanding with respect to the initiatives for potash is that they would impact only the incremental production that's being brought on and developed. So I would certainly assume that the potash forecast that was produced for the budget would have assumed a certain level of development, a certain level of production, and a certain level of prices.

Prices, you know our outlook on prices may have changed somewhat. But to the extent that we're now looking at incremental development that would not otherwise have been projected at the time the forecast was made, I would certainly assume that it has no impact on the current year's revenues. But

as I say, I don't have the benefit of that kind of information directly with me right now.

There is, you know, the first-quarter update will be coming out — I believe it's early July — and that will be the first opportunity that the department will have to bring forward new revenue estimates for potash, oil, gas, all of the various commodities. So at that particular point in time, to the extent that there are, you know, new developments that will be occurring this year that would affect the potash production, that would certainly be built into any new revenue forecasts that we produce.

Mr. Cheveldayoff: — Right. Thank you. Now I'm aware of the incrementality of this particular proposal, but I also know that potash prices have increased dramatically since the beginning of the year — some 55 per cent up — and potash companies are looking at profits, increased profits in the area of 30 to 40 per cent increases. So I suspect it'll have a dramatic increase on the revenues that the province receives specifically from potash, and that's my purpose. But we do await the first-quarter report from the Finance minister for sure.

Is the department currently in negotiations with any other industries for expansion and investment incentives similar to what was done in the potash industry?

Mr. Wilson: — Well I think it's safe to say that, you know, we're in almost constant discussion with various industry groups and of course there is at this time the business tax review that's taking place. So most certainly I would imagine that the oil and gas, the potash, the uranium industries all will be making submissions to the business tax review committee. And so to some extent one might well imagine that a number of their issues or concerns might be addressed as part of the business tax review.

But is there any specific group that I could report on at this time? No. All I know is that . . . Again my background is oil and gas, and we're dealing with the industry constantly. And you know if you're in industry, even if prices are very high, you're always looking for some improvement in the fiscal situation that faces them.

So, you know, we very much are engaged with the industries trying to provide, you know, as positive an investment climate as possible. But at the same time, you know, always looking to the needs of the province in terms of, you know, generating sufficient revenues to address all the various needs. But there is really nothing specific that I could report on at this time.

Mr. Cheveldayoff: — Thank you, Mr. Wilson. You mention the business tax review, and I've had the opportunity to attend most of the business tax reviews. And you're correct — energy royalties and the tax structure has come up at a number of meetings. And very specific recommendations have been made by businesses, chambers of commerce, and other interested parties from across the province.

Has the department done any estimates as to the risk of missed opportunities by levying the new corporate capital tax on energy trusts?

Mr. Wilson: — I wouldn't say that we have done any specific risk assessment of it. Most certainly the notion would be that it will have no impact whatsoever on existing production.

In terms of new investment, again when you have 50, 55 — I guess we're nearing \$60 — oil, the corporate capital tax surcharge is probably not going to have a very significant impact at this point in time. If prices were much lower, that might be a somewhat different story. But I think that there is, you know, a very good understanding within the industry that while the surcharge was imposed on trusts at this time, that there was going to be a review done of that entire tax, and we'll just have to wait for the outcome of the review.

But I think, you know, if you talk to many of the trusts, you know, I don't think they're terribly worried by the imposition of the surcharge at this time because I think they understand that the province is going to look at this and, you know, it may well be one of the areas that the province chooses to act on.

Mr. Cheveldayoff: — Well I'm just following the logic here. If lowering the royalties is eliminating the risk of a missed opportunity then, you know, I would submit that putting on a new tax would increase those missed opportunities.

What I'm hearing from the industry regarding the trust is very different — that, you know, trusts are a legal document that can be very easily changed and that Saskatchewan trusts are being made into Alberta trusts just with some legalese and a flick of a pen. So that very much worries me in that we put a new tax on trusts that again doesn't exist in Alberta. Those trusts can very easily be moved from Saskatchewan to Alberta at a net loss to the province. Have you heard similar cautions?

Mr. Wilson: — No, not specifically. Now if we look at the oil and gas trusts, I think each and every trust that exists out there right now are headquartered in Alberta. I don't believe there is one trust that is a Saskatchewan-based trust at this time. So in my mind there isn't really an issue of are the trusts going to be, you know, moving our headquarters somewhere because they already are — as the majority of the industry is — they are situated in Alberta.

I guess in my mind the bigger issue really is the level playing field that should exist for a normal corporation as well as a trust. And to the extent that the corporate capital tax surcharge is seen as a disincentive to development by a trust, the trusts represent maybe 25 per cent of the industry here. So we've got 75 per cent of the industry that we kind of seem to be forgetting about that have been subject and are continuing to be subject to that tax.

So I think the opportunity that would be seen by industry as part of the business tax review is . . . it's an opportunity to look at the whole host of corporate taxes and the various levels and how they exist, and an opportunity to perhaps, you know, consider changes that apply across the entire spectrum. Not just to normal corporations versus trusts, but there would be indeed a complete and absolute level playing field, or to the extent possible in terms of provincial taxation.

So I think that's the longer term goal, is to consider all of the industry. And the corporation capital tax surcharge is certainly

an area that we know the industry has raised issues with in the past. And I would be terribly surprised if that isn't one of the areas that the oil and gas and the mining industries don't concentrate on as part of their submissions to the business tax review committee.

Mr. Cheveldayoff: — Well thank you very much for that answer. I'm happy to hear that. And I guess I want to ask you though, in coming up with the corporate capital tax on energy trusts, had you . . . I understand the argument of levelling the playing field, but have you looked at reducing the corporate capital tax surcharge so in effect bringing that tax down instead of bringing the tax up on trusts? Have you . . . is that something that you considered in this decision?

Mr. Wilson: — Well again I certainly want to make it clear that the corporation capital tax is a tax administered by the Department of Finance, not by Industry and Resources. But certainly, you know, if we go back a few years — I can't remember the exact date now; I guess it was October 2002, I believe — when there were a number of royalty and tax changes introduced, I believe at that time one of the elements of that package was indeed a reduction in the surcharge for new investments, for investments made after that point in time. So there has been at least some reduction made in the tax. And of course if we're looking at the impact of the surcharge on new development, it would be at the lower rate as opposed to the higher rate — the 3.6 per cent rate which applies for older production.

Mr. Cheveldayoff: — Thank you. The auditor suggested that by formalizing the department's processes to evaluate strategic risk, the department could make the process more consistent across all divisions. Has the department looked at a broad, formal evaluation process for evaluating those risks?

Mr. Wilson: — No. As I said we are still kind of in the planning stages, trying to look at all of the issues that have been identified here through the Provincial Auditor's report. It will be over the next number of months that we do indeed try to put together processes to address what has been laid out in our report here.

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

The Chair: — Thank you. Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Chair, and good morning, Mr. Wilson. My first question is for the auditor. On page 143, the report indicates that the mandate of the department focuses on developing resources and supporting a sustainable economy. And then in the next paragraph you indicate that the department's mandate has changed twice between 2002 and 2005. Could you share with the committee where the mandate was, or what was the mandate prior to this new mandate that you've identified? Was it dramatically different?

Ms. Knox: — Mr. Chair, the department might better answer that question, but in short the department in I think 2002 was reformatted and had a different role at that time. And then very recently, some of its responsibilities were moved to the new department whose name escapes me at this moment . . . [inaudible interjection] . . . thank you, Rural Revitalization. So

the department itself has been reshaped, and its mandate as a result has changed a couple of times.

Mr. Krawetz: — So therefore the mandate that you describe that says that, you know, developing resources and supporting a sustainable economy, that really hasn't been a mandate that has changed. However it may be different components. And maybe I could ask Mr. Wilson if that's what is meant by this comment by the auditor's office.

Mr. Wilson: — Well I guess certainly if one goes back to 2002, in 2002 that was the point in time at which the old Economic Development and Energy and Mines departments were amalgamated into one. So certainly that brought about a new department with, you know, combined focuses and objectives from the two departments.

And, you know, most certainly in the current budget there were some further organizational changes made within government. You know, certain areas within our department are now residing with Rural Revitalization. So those things certainly have occurred, but in terms of the broad, over-arching objectives, mandate, you know, they haven't really changed particularly.

Mr. Krawetz: — Okay. Good. Thank you. One of the questions that Mr. Cheveldayoff asked you is regarding the initiatives. And I noticed in the last set of estimates, in fact the last two years of estimates I think, in the budget projections there has been a projection that in fact less oil wells would be drilled over the course of the last couple of years. And it never really describes why that is true when we see, as you've indicated, you know, \$59 a barrel of oil US [United States] yesterday and the potential is there. Has your department identified the risks as to why there isn't a huge number of oil wells being drilled, new oil wells? And in fact are we still looking a less oil wells being drilled according to the last budget estimates?

Mr. Wilson: — Well again we will have an opportunity very shortly to update both revenue and activity forecasts. If one looks at the activity levels last year and then what was projected for the upcoming year, I think there was indeed a slight decrease. But part of that was predicated on the notion that we were going to see some decline in oil prices. And again we as a department don't just sit there and make a guess as to where we think oil prices are going. That's all done on the basis of monitoring and following what other industry experts are saying. And of course, there's always some lags built into all of that. But at the beginning of the year, when we were starting to do our original estimates and forecasts, you know, conventional wisdom was that we were going to see some lowering of oil prices. That in fact has not occurred, and we are seeing even higher prices than we saw last year.

I think it's fair to say that, to the extent that industry can respond and in many cases, as I would say, it isn't a question of cash flow available to the industry. It's more a question of, you know, is there the equipment? Are there the people to go out and do what it is that they want to do? And we just look at the amount of rain that we have seen in the last month, and I can tell you right now that people are getting behind, and I wouldn't necessarily say that they're going to be able to catch up.

So those risks are risks that are real. We don't forecast whether there's going to be an abnormally dry or wet summer, but it does have a real impact on activity. Is it possible that in the next forecast we would project a somewhat higher level of activity? I think that's possible, but taking into account what we've seen with the long spring breakup and the very wet spring, it all has an impact on activity levels.

You know, part of what we look at and what we do build in is indeed based on the makeup of the industry. And one of the things that I think is very clear as we see more and more involvement of trust is that the trusts are not there to aggressively explore, aggressively develop as a normal E&P [exploration and production] company would. So I mean that does get factored into what we look at as well.

But you know if you look at some of the other forecasts I guess that have come out, the Petroleum Services Association produces a . . . I think it's a quarterly forecast of activity across Western Canada, and they were actually forecasting I think like an 8 per cent increase in activity in Saskatchewan this year over last. So you know, as we do our forecasting, I think we are somewhat conservative in our approaches. We always think that that's a better way to be, that we would far sooner have surprises on the upside than surprises on the downside.

So you know we try to look at things as realistically as possible. We don't try and build in, you know, a cushion. I know very much in Alberta that they do take . . . say on the oil price side, they will take an assessment of what the industry generally feels the oil prices will be, and then they will budget on something that's like 90 per cent of that value or whatever. Well we don't do that specifically here. So I don't know if all of that rambling answered your question but . . .

Mr. Krawetz: — I was wondering if I could just maybe narrow it down. As you would project for a normal year and you see that the projections are for less oil wells to be drilled in the province based on everything staying status quo consistent, have you looked at what impediments, what risks? Why is it that corporations or companies, the exploration — as you call them E&Ps — are deciding not to have a huge expansion in the province of Saskatchewan? Are there specific reasons that you've looked at, or is it strictly based on weather? Is it based on manpower as you've indicated? What factors into the decision that there isn't a huge development of oil wells in the province?

Mr. Wilson: — Well even though we may project somewhat lower levels of drilling activity, that doesn't necessarily mean that development is necessarily slowing down. One of the things that we certainly see as a big part of the future here is enhanced oil recovery. And enhanced oil recovery doesn't necessarily mean drilling a lot of new wells.

So part of the shift that we would probably be looking at is that there's going to be less conventional type drilling activity and a slow shift towards enhanced oil recovery, where you're taking existing wells and doing something with those existing wells. So that is part and parcel of what would go into our forecast . . . I'm losing my train of thought here — something brilliant I'm sure I was about to say.

One of the things, I guess, would just be the simple fact that, you know, we do have a maturing industry here, very much so. We've got an industry that's produced for over 50 years. We've seen various technologies come along. Those technologies have been employed quite extensively, like horizontal drilling. And one of the things that you start to see over time is, you know — the Southeast would be a very good example — where the companies have been very aggressively employing horizontal drilling to redevelop fields for over 10 years. And many companies tell us that quite simply they have drilled and redeveloped to the extent that is possible. They've got every horizontal well that can be placed in there and they are as efficiently and as effectively draining those pools as possible. So part of what we need to realize is that we don't have sort of an infinite number of opportunities for drilling wells.

The other thing is the geology here is such that, you know, if you want to look at the productivity of wells moving from west to east, they decline. The highest productivity wells would be found in British Columbia. Next highest would be Alberta, then Saskatchewan, then Manitoba. As a company . . . And many of these companies very much do have opportunities to drill not only in any of the jurisdictions here but throughout the world. So they have, you know, a large number of opportunities available to them and they have to do a ranking of where are they going to get the best return for their investment.

And so if you've got more marginal opportunities dictated by geology, quite often it is a bit of a problem in terms of a jurisdiction like Saskatchewan always getting its fair share of the investment. But we try and follow that, try and offset to the extent that we can, so that we do, you know, continue to have the province attractive for investment. But it is an aging industry and the opportunities, you know, we will at some point in time sort of drill out, you know, the existing pools and there won't be those kinds of opportunities and then it's going to be clearly a matter of enhanced oil recovery.

What kinds of things can be done, whether it's CO₂ or steam or chemical floods or whatever, that's where the future is going to be.

Mr. Krawetz: — Mr. Chair, one other area that I just wanted you to clarify, and it's not specifically included in the chapter, however it talks about risk. And I was just wondering if there is a difference between exploration on First Nations reserves versus lease rights that are granted a company through the regular auction process that occurs. I don't know how many times a year, but I know it occurs periodically. Is there a difference between whether or not a particular company has the ability to explore for oil and gas on First Nations' property?

Mr. Wilson: — Well clearly the mineral rights associated with First Nations are not . . . those mineral rights are not administered by the province. They would be held by the Government of Canada for the various First Nations and so there is very much a different process for Industry to be able to acquire those rights and to explore and develop them. Perhaps, Hal, if you have anything further?

Mr. Sanders: — I am aware that lands held by the Government of Canada for First Nations go through the Oil and Gas Canada out of Calgary and that they do have different opportunities,

whether it be through a lease sale process similar to what our province uses or direct leasing to those First Nations. So from an obtaining lease perspective, they would have those various opportunities.

From a conservation perspective, there are issues around ensuring that standards employed on-reserve are similar to that that are employed off-reserve to ensure that there's no drainage issues when you come up against reserve boundaries.

Mr. Krawetz: — Right. Thank you, Mr. Sanders. Maybe, Mr. Sanders, you're probably familiar with the Cote First Nation and the project that is under way there. And I'm wondering if the company that you mentioned that does the negotiations on behalf of the federal government with an oil and gas company, does it work with a similar Aboriginal group within the province that standardizes these agreements? I don't know whether there are any other First Nations properties that are being explored, but is it standardized and is it dealt with in a fashion that is, I guess I'll use the word similar clauses of agreement for all First Nations reserve, whether they be in the west part of the province or the east part of the province?

Mr. Sanders: — First, I'm not familiar with the specific circumstance that you cite, but it's fair to say that my understanding of the process is that the agreements can vary.

There are agreements I am aware of on the Onion Lake First Nation, Pheasant Rump, White Bear, all across the different parts of the province. And under the circumstances that they operate, there are instances where First Nations actually have obtained some authority over some activities in the oil fields. White Bear is a good example where they actually have an agreement with Oil and Gas Canada for some administrative functions related to oil and gas.

But from a royalty structure point of view, there's a fair amount of flexibility amongst the First Nations in how they may want to obtain their share of the oil value.

Mr. Krawetz: — You know, and that might be something that the auditor will be looking at in the future as we assess risks of the department. And as I've indicated to you, I am aware that an oil and gas company has reached agreement for exploration on Cote First Nations and there are concerns. Individuals are coming into my office from the, from that Aboriginal community concerned about the, you know, the clauses, the agreement, who's looking after it, who is going to benefit, whether it's the entire First Nations community on reserve property, whether it expands to Aboriginal peoples who have . . . who live elsewhere but are formerly Cote First Nations residents.

There's enough questions being asked about agreements and about standardization. And I think it would be prudent for the department to be aware of conflicts that may develop because the White Bear contract may be different than the Cote First Nation contract which may be different than the Onion Lake contract. And I'm wondering if you're going to spend any time assessing the amount of risk that occurs within First Nations property.

Mr. Sanders: — I guess I would have a few comments. The

first of course is that we, as Mr. Wilson pointed out, have no jurisdiction there so really in some instances have no mechanism by which we can speak to those with the federal government.

There are instances where the province has moved land to First Nations, like the treaty land entitlement, and in cases like that the risks that you mention were looked at. And in fact the Treaty Land Entitlement Agreement anticipates land moving into the reserve process and being compatible with provincial activities around the area.

There are other instances where the federal government has offered, for instance I believe . . . And I only know the acronym, FNOGMA, First Nations oil and gas land Act. It's currently being looked at in a way to allow First Nations to manage their land a little more independent of the federal government. And the province has been given an opportunity to explore those pieces of legislation and comment on the very issues that you raise from a comparable perspective. It does not address specifically who benefits from a First Nation, whether it's a community benefit or whether it's individuals in the community or whether it's First Nations that live off-reserve. Those are specific items that are really specific to the federal government and within their control.

Mr. Krawetz: — Thank you.

The Chair: — Mr. Stewart, you have another question?

Mr. Stewart: — Thank you, Mr. Chair, and I'll try and wrap this up by 10. I just want to have a brief discussion, Mr. Wilson, about the potential and risks for the province in the diamond industry. Now the last information I had, and it's several months old now, is that the assays were quite positive in the Fort-à-la-Corne area. I wonder if the assays still indicate that mining that deposit would be economically viable and I guess how far away are those companies from making that decision.

Mr. Wilson: — Again I'm not overly familiar with all of that, but certainly my understanding is that everyone is very optimistic that we will indeed eventually see a diamond mine in the province. And I think that would be wonderful if we did.

My understanding is that there is at least a couple of years of further exploratory work that's required before the companies will be in a position to make a decision about going forward with a mine. So I think that's sort of the last figure that I've been given is, you know, two years, with a very sort of an accelerated exploration program that I think originally they had, you know, looked at maybe about four years before a decision would be made. But I think everything that they have seen to date is sufficiently encouraging that they are trying to accelerate and move that forward.

So as I say, I really don't know a whole lot further but everybody seems to remain optimistic.

Mr. Stewart: — Thank you, Mr. Wilson. Of course De Beers is a major player in that field. And they mine diamonds all over the world and of course there's no shortage of diamonds in the world. De Beers can play hardball when they have to and they have plenty of diamond reserves. They can probably get along

reasonably well in life without developing a new mine in Saskatchewan.

So I guess my question is, has there been any efforts for your department to sit down with suppliers and particularly De Beers to hammer out a tax and royalty regime for the diamond industry in Saskatchewan that'll make us competitive with other jurisdictions in the world where those companies do business.

Mr. Wilson: — I'm, you know, not personally aware of the discussions that have been going on, but most certainly there have been discussions. I think there already were some initiatives discussed. Hal, perhaps you can help me in terms of royalty holidays with respect to the diamond industry.

Mr. Sanders: — It is true that the department has a diamond working committee that contains working groups from our policy area, from our administrative area, from our geology area. And we are working on looking at all of those different components. We are in fact having discussions with the industry although it's very premature in the process because, as Mr. Wilson indicates, it's a few years away. But certainly the royalty regime is one of those items that we would be looking at. It's my understanding that diamonds today are under a general Act which does provide a royalty holiday, but the nature of a diamond mine is unique and we would be looking at specific royalty structures dealing with that particular commodity as we do with potash and uranium.

Mr. Stewart: — Thank you very much. That's all I have.

The Chair: — Thank you, Mr. Stewart. I had a number of good questions but I think we're out of time. I would like to just touch very briefly on a couple of points.

With oil and gas prices being quite high now, with the uncertainty around the impact of Kyoto, you know, the uncertainty around the Middle East politically, has your department considered in its risk assessment — and you say you're doing it all the time whether or not you're doing it the way the auditor wants you to or not — have you assessed the possibility that the long-term future for oil and gas is not bright and in fact other energy sources will replace oil and gas? And how would you see Saskatchewan positioned in a different energy climate?

Mr. Wilson: — Well I mean we have lived through much, much lower oil prices and, you know, I think have been quite successful in terms of encouraging development. But if we somehow or another did go back to a time of sustained low oil prices then you're back to looking at all of your systems and trying to decide whether adjustments are necessary.

It seems as though there is a bit of a consensus growing that we're not going back to the days of 15 and \$20 oil and I think a lot of that has to do with the emergence of the economies of, you know, areas like China, India. The demands that they are putting on oil in particular are such that we are going to see, you know, somewhat higher prices than we had assumed a few years ago. So, you know, we're always looking at and trying to look at what the impacts of sudden changes may be, but it's difficult to make, you know, a lot of policy changes in advance.

The one thing that you are probably aware of is that basically all of our royalty systems today are indeed price sensitive. So as prices move up and down, royalties are moving accordingly. So a lot of that is already built into the systems to take into account the fact that we do live in a pretty volatile commodity world and prices are fluctuating. But I mean if we had a very dramatic change, we will then have to step back and reassess and see if there are changes that would be warranted.

The Chair: — Thank you. And just very quickly, the potash slag piles, do you see them as a risk or are they not a factor when you're assessing risk?

Mr. Wilson: — I'm sorry, the potash . . .

The Chair: — The potash slag piles, these mountains of residue.

Mr. Wilson: — I would assume that that's a risk that the province has been looking at for some time. And our department and the Department of Environment I think continue to look at that area. But I don't have anything specific that I can report on today.

The Chair: — Okay. And just a last point. When it comes to surface rights payments for oil and gas exploration and well sites, leaseholders of provincial Crown land receive very, very minimal remuneration in comparison to, say, people in a similar situation in Alberta. The province receives the majority of the remuneration even though these people are the operators of the land. Not only do they pay fairly substantial lease payments, but they also pay the municipal taxes on that land.

Have you looked at changing that? And that's not so much associated with risk, I recognize that, but it is an issue that I know is a concern. Are you looking at increasing the surface right payments to leaseholders on Crown land?

Mr. Wilson: — I guess the one thing that I would certainly want to point out is that entire area is within the mandate of the Department of Agriculture and not ourselves. I know it has been brought up before as an issue. And our department I think will certainly continue to work with Agriculture to assess what are appropriate rates to be paid.

You know, if one goes back a few years, the reason why the rates were adjusted from where they were 15 years ago or 20 years ago, I can't even remember when it was last changed, was the fact that grazing lessees — I'll use the example of, you know — were paying \$1,000 for the rights to graze the land and were receiving \$10,000 in benefits from surface lease payments. And so it was sort of looked at as, well that wasn't totally fair in terms of that much benefit going to the grazing lessee when the grazing lessee was paying a very modest amount for the use of the grazing rights.

So I think it's a matter of, you know, what's the appropriate balance. And one can argue that the balance is tipped too far in favour of the Crown at this time with not enough benefit going to the grazing lessee. But I think that's something that, you know, is an ongoing issue that needs to be looked at, and the Department of Agriculture would be best able to respond to any questions about it.

The Chair: — Thank you. I understand that, but hopefully you'll put in a good word. We have two recommendations to deal with in this chapter, colleagues. The first one is on page 144. The Provincial Auditor says:

We recommend the Department of Industry and Resources use systematic processes to detect risk to all its objectives.

Is there a motion? Mr. Borgerson.

Mr. Borgerson: — I move that we concur with this recommendation.

The Chair: — Okay. The motion is to concur with the recommendation. Is there any discussion on the motion . . . [inaudible interjection] . . . No, I don't think there is progress in this. They haven't decided yet. Is there any discussion? The question — all in favour? Passed unanimously.

The second recommendation is on page 145. The recommendation reads:

We recommend the Department of Industry and Resources quantify the likelihood and impact of strategic risks to identify priorities.

Again is there a motion? Mr. Borgerson.

Mr. Borgerson: — Yes. Again I'll move that we concur with this recommendation.

The Chair: — Again a motion to concur. Is there any discussion on the motion? Seeing none, we call the question. All in favour? Again carried unanimously. That concludes our discussion of chapter 10 of the 2005 report volume 1.

I would like to thank Mr. Wilson, Mr. Sanders for making themselves available to the committee this morning. We appreciate your attendance and your answers to the questions that were posed.

We will now move on to the next item on our agenda — so we'll excuse you gentlemen — and go on to chapter 5 of the same report, which is Justice. And I believe our witnesses are just outside and should be coming in momentarily.

Public Hearing: Justice

The Chair: — All right, ladies and gentlemen, we will commence with our meeting. We have now moved on to the chapter on Justice, chapter 5 of the 2005 report. We have a couple of officials here from Justice including Keith Laxdal, associate deputy minister of finance and administration division. And I'll allow you to introduce your colleague here after we've heard a report from the Provincial Auditor's office. I believe that presenting for the Provincial Auditor a summary of their findings is Mr. Bashar Ahmad, deputy provincial auditor. Mr. Ahmad, we give you the floor.

Mr. Ahmad: — Thank you. Good morning, Mr. Chair. Chapter 5 begins on page 59 of our 2005 report volume 1, and describes the result of our audit of the processes the superintendent of pensions used to supervise pension plans. We audited the

processes in place on September 30, 2004.

To help ensure that the pension plans are well managed, the government needs adequate regulatory and supervisory framework. The Pension Benefit Act provides a framework. Under the Act the Minister of Justice appoints the superintendent of pensions. The superintendent is responsible to reduce the risk of financial loss or inequities to pension plan members. The superintendent carries out this responsibility by supervising pension plans. In 2003 the superintendent supervised 378 pension plans with a market value of assets totalling 14.5 billion.

To maintain the confidence of the public and plan members, the pension plan must meet pension promises. Plan members are more likely to make demands on public resources if pension plans fail to meet pension promises. The superintendent supervises the processes that would help reduce the risk of financial loss and inequities to plan members.

We use the criteria described on page 65 to assess the adequacy of the superintendent's supervisory processes. The superintendent agreed with our criteria. We concluded that the superintendent had adequate processes except as reflected in our recommendations. We make four recommendations to help improve the supervisory processes.

The first recommendation requires the superintendent to expand his analysis of pension plan risk to include the key risks faced by all pension plans. The superintendent currently focuses on the type of risk, that is funding risk, for defined benefit plans.

The second recommendation required the superintendent to prepare a risk-based work plan to supervise pension plans. The most risky plans should get the most attention.

The third recommendation required the superintendent to provide his staff with written guidance about what to document when adjusting or amending pension plans. Such guidance would have ensured the pension plan registration and amendments are in accordance with the law. This will also assist the superintendent in evaluating its quality control.

The fourth recommendation required the superintendent to develop alternative ways to obtain information from plan administrators or seek legislative changes to expand its enforcement power to obtain required information. Currently the superintendent has limited enforcement powers under the law to compel administrators to respond in a timely manner. We note in many examples where the administrators have provided the superintendent the information it had requested over a year earlier.

That concludes my review of the chapter. Thank you.

The Chair: — Thank you very much, Mr. Ahmad. Now I'm not sure, Mr. Laxdal, if you're the one who is going to respond or if your colleague is, but if you would introduce your colleague, who I believe is a superintendent, then we would invite a brief response before we go to questions.

Mr. Laxdal: — Thank you, Mr. Chairman. Yes, in fact David Wild, who is the superintendent of pensions and the Chair of

the Saskatchewan Financial Services Commission, will deal with the questions by and large today.

The Chair: — Mr. Wild.

Mr. Wild: — Thanks, Mr. Chair. Brief comments before I answer your questions.

We were on the same page with the Provincial Auditor before the auditor even started. We're auditors as well as regulators and so we know what it takes to be an effective auditor. As mentioned, we've got a lot of plans. They're complex; they each could demand a lot of our resources. We have very limited resources so we have to manage smartly. And that means assessing the risk and focusing attention on those plans that are highest risk. We've been doing this as a program for the last half-dozen years. So going into the audit we fully agreed with the auditor that risk-based supervision is appropriate.

I think if there was a difference of opinion with the auditors it was with respect to where do we, what risks do we focus on. We had tended historically to focus on the funding risks, the amount of money going into pension plans. I would say in summary form that the auditor wanted us to focus more on the plans where the money was already — that is the governance of the plans, the investment of the monies in the plan. And that's a very fair comment. We already had started down that path.

The funding risk is a natural one for us to pay attention to. It really represents the bias in The Pension Benefits Act. The Pension Benefits Act has quite specific requirements around funding pension plans, and it has a fairly prescribed requirement for filing of documents with respect to the funding of pension plans.

I would say that the risks that the auditor pointed out — the governance risk, the investment risk — are softer, are greyer. The Pension Benefits Act does not have a lot of standards, or any standards around the governance of a pension plan per se, and so I think it's quite natural that we focused on funding. We have been developing standards with respect to the governance of plans, with respect to the investment of plans. And then that's going to allow us to do what the auditor's recommending, and that's to expand our review of risk and plans.

In terms of the other recommendations, we agree completely with the auditor's recommendations. Once we gather more information, we can assess risk in a broader way and focus our resources in perhaps some new directions, some interesting directions. In terms of the documentation with respect to the registrations amendments, we agree with that, and we've already acted on that recommendation. It's already completed.

The final one of course, with respect to enforcement powers, is outside of our control. That's a legislative issue. But we certainly can make recommendations to government with respect to the enforcement powers.

And the Department of Justice and the commission is going to undertake a project to review the powers of the superintendent. It's not that the superintendent doesn't have any power. In fact the legislation gives me a tremendous amount of power. It's just that the powers are disproportionate to the actions we're trying

to prompt here. If the administrator is not responding to a letter, under the Act I have authority to terminate a plan or replace the administrator. These are much disproportionate to the action I'm trying to prompt here. We need to look at some enforcement powers that would work under the circumstances — you know, late filing fees, administrative penalties, that sort of thing. So that is an area we do need to look at.

So in summary, I welcome the recommendations, and we will act on the recommendations. And we will be a more effective regulator as a result of the recommendations.

The Chair: — All right. Thank you, Mr. Wild. Perhaps for a point of information just before I turn the questioning over to my colleagues, could you just tell the committee which pensions you are the supervisor or superintendent of . . .

Mr. Wild: — Absolutely.

The Chair: — . . . so that we have some idea of what we're talking about here?

Mr. Wild: — Sure, yes, because it is a bit convoluted. We actually have a bulletin on our website just on jurisdiction because it's not apparent to the public often. The Pension Benefits Act of Saskatchewan applies on the face of it to all workers employed in Saskatchewan who participate in a registered pension plan. So that's our starting point. It's all workers in Saskatchewan, employed in Saskatchewan, participating in a pension plan. And then you have to peel away a whole bunch of plans that aren't subject to our Act.

The first major set is with respect to certain plans that fall under federal purview. They're not national in scope, but they have a federal interest. And there's really no particular map to this — so industries like broadcasting, grain handlers, transportation, banking. As you know, those industries are regulated by the federal government. Pension plans for employees in those industries are subject to the Pension Benefits Standards Act of Canada. So that's a whole set that we don't regulate.

A second grouping is group RRSPs [Registered Retirement Savings Plan]. A lot of savings go on today in group RRSPs. Those aren't registered pension plans. The Pension Benefits Act is not applied to registered pension plans.

A third grouping relates to a handful of Saskatchewan government pension plans probably best known as the old plans. Everyone in government or who has been around government understands what I mean when I say the old plans. So the old Public Service Superannuation Plan, the old Teachers' Superannuation Plan, the old SaskPower superannuation plan are not subject to The Pension Benefits Act.

But again there's no particular rhyme nor reason to that because there are a number of public sector plans that are under The Pension Benefits Act. The Public Employees Pension Plan is. SaskTel pension plan is. Saskatchewan health care employees pension plan. The new teachers' plan is under The Pension Benefits Act. So a bit of a hit and miss on that side.

There are about 200,000 members in Saskatchewan all told in

pension plans and, you know, three-quarters of them would be regulated by The Pension Benefits Act. The rest would find themselves subject to federal legislation or another provincial statute.

The Chair: — Thank you very much, Mr. Wild. That is helpful. We will open the floor to questions. Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair, and good morning to Mr. Wild and Mr. Laxdal. To begin with, the auditor recommends that you expand analysis of pension plan risks to include key risks faced by all pension plans. Are you prepared to broaden the risk assessment strategy for all pension plans?

Mr. Wild: — All pension plans that are subject to The Pension Benefits Act, absolutely, yes. We already have started down that path. Part of our work plan for this coming year is to ask for self-assessment on governance from a set of our pension plans and also for the filing of investment policies for our review. That will be a bit of a pilot for us to see what we find there. And then going off of that, we'll incorporate into our work plans some more formalized and larger scale review of both the governance and the investment side.

Those seem to be the two areas of risk that the Provincial Auditor tended to focus on beyond our funding risk which we already look at fairly heavily.

Mr. Cheveldayoff: — Thank you. I guess my next question is, why has this not been done up until now? Are there any barriers that exist? Could you explain that?

Mr. Wild: — Yes. We do have to approach this with some caution. The first barrier is a legislative one. I mentioned that The Pension Benefits Act has a lot of details around the funding side. It requires us for instance to review all actuarial evaluations. Whether or not I think that plan is high risk, I have to review the evaluation. So, you know, there's no discretion there. Anything that we're doing, say with respect to governance, it's got to be done in hours that I find somewhere else. And if I can't give up evaluation reviews but I have to review governance, then I have to find the hours somewhere else. So we have to watch our resources.

The second note of caution is the burden placed on the pension plans themselves. There's no requirement to have a pension plan. About half the paid workforce in Saskatchewan is in a registered pension plan, which means half isn't.

We peaked in the late '80s in terms of the number of plans registered. We have about a third less plans today than we did in the late '80s. Plan membership has been steady but it hasn't increased; clearly our market is saturated. We find ourselves for the most part in the union sector and in the public sector. In the private sector, we're probably talking 25 to 35 per cent of employees in the private sector in a registered pension plan. So our market is saturated.

There is retirement savings going on. But almost all the new plans at the margin are group RSPs which we don't regulate. From a tax perspective the tax incentives are the same whether it's a group RSP or a registered pension plan. The only distinction between those two products is that The Pension

Benefits Act applies to pension plans and there's no pension benefits Act on RSPs. So we have to conclude that The Pension Benefits Act and the requirements of The Pension Benefits Act act as a bit of a deterrent to the establishment of new registered pension plans. And anything we do by way of asking for more information, more analysis, greater costs to administer a plan, cannot help that situation. So we have to be fairly careful in terms of asking for more from pension plans. So sort of with those cautions we will pursue greater analysis of plan risk.

Mr. Cheveldayoff: — Thank you for that answer. I'd like to ask the auditor, do you have a specific criteria in mind for the key risks that should be included in all risk assessments?

Mr. Ahmad: — Yes, Mr. Chairman. We do talk about that on page 67. We say that there's additional risk, and for example, those risks that relate to governance, investment, compliance, and members' education. So yes we do talk about that. We don't have a detailed criteria to assess those risks but we have identified those risks and the criteria. We can work with the superintendent when he decides to develop those criterias.

Mr. Cheveldayoff: — Okay, thank you. Mr. Wild, does the department agree with this assessment and is it prepared to act on the recommendations to include these risks in its analysis?

Mr. Wild: — Certainly governance and investment I mentioned are incorporated now into our work plan. I'm not exactly sure what is meant by compliance. We do take activity or undertake reviews to ensure compliance with legislation, The Pension Benefits Act specifically. So if that's what is meant by the auditor then we're already doing that.

Member education is an interesting one. It's an area that could absorb all of our commission and more. It's sort of a black hole in terms of resources. And I haven't discussed member education with the Provincial Auditor in terms of what we could do to improve member education with respect to pension plans. I would have some trepidation around what we could do to effectively manage the risk of educating members.

We do have a lot of law with respect to communication to plan members. So for instance there's a requirement for annual statements out to plan members, a requirement for an employee booklet. But that's different from education, right? Education is an absorbing of that information and a using of that information. And while I can say the plan administrator should provide an annual statement to a plan member, I'm not quite sure what I could do to get that plan member to understand it and act on it.

So certainly governance, investment, compliance to the extent I understand what is meant by compliance, we agree with. Member education, I'd be open to discussion but for now would be at that point.

Mr. Cheveldayoff: — Thank you. Do you want to respond at all?

Mr. Ahmad: — No.

Mr. Cheveldayoff: — No. Okay, Mr. Wild, the auditor recommends that you prepare risk-based work plans to

supervise pension plans. I have a number of specific questions I guess regarding these work plans. Will they include the total value of plan assets?

Mr. Wild: — That's a factor yes, absolutely. We already have a quantifiable methodology for identifying funding risk in pension plans. So we pass a number of variables through our screens, our financial screens, and we actually rank pension plans in the province by what we regard as their funding risk. And you know we assign each plan a number and the size of the plan does come into that. Obviously if you have a failure of a plan that has 1,000 members, that's a greater societal failure than if the plan had 50 members. So there is, there is some, there is some importance placed on size of plan, you know, and size of plan relates to the size of assets.

Now the auditor looked at our risk assessment, our funding risk assessment, didn't find any fault with it that I'm aware of. Anyway they wanted us to go farther though. You know, funding is great, that's fine, but let's look at some other things as well, like governance, like the investment side, the investment policy side. And we're just starting down that path. We don't have the information in front of us to make the assessment. We need as a first step to gather the information or to assess how expensive it is to gather the information. And that's what we've incorporated into this year's work plans.

The other thing we do do, have done for the last two years, is field audits of pension plans. We've developed a program where we're leaving the office. We're not relying on desk audits. We're going out to the site of the employer and looking at how they're administering. That too is based on risk. So we sit down as a group and there's a number of factors that we weigh and say, you know, ABC plan is the highest risk plan we've got right now, let's go visit them. So in that sense, you know, we also prioritize what plans we should look at.

Mr. Cheveldayoff: — Right. I read reference to that and I do have a couple of questions later on regarding your site visits.

Mr. Wild: — Sure.

Mr. Cheveldayoff: — Can you comment on the presence of employee advisory committees and their importance?

Mr. Wild: — The administration side of plans has evolved since I came into the industry 20 years ago. The default in The Pension Benefits Act is a plan can be administered, or sorry, a plan is administered by the employer unless there's a board established. So the default is the employer is the administrator, but boards can be established.

We've also said in The Pension Benefits Act where the employer is the administrator, so there's no board administering the plan, an advisory committee must be established if a certain number of plan members ask for it. So it brings a bit of democracy to the plan if you like. Now that advisory committee though does not have any power, any authority over the plan. It's simply advisory. It takes information, gives information. It can't change the plan. It can't manage the plan in any way, shape, or form.

It's been our experience that we're seeing more and more

boards administering plans, but very few advisory committees. We find that almost all plans are administered by an employer or a board, but without an advisory committee. They just haven't seemed to, you know, taken. Perhaps it's because they don't have a lot of power, but for whatever reason we don't see a lot of advisory committees set up. But we are seeing more and more plans with boards as the administrator.

Mr. Cheveldayoff: — It seems to me an important aspect would be the reporting of both unfunded liabilities and surpluses and how surpluses have been dealt with, examples, have they resulted in increased benefits or actual contribution holidays. Could you comment on that?

Mr. Wild: — I can. We are fortunate in Saskatchewan to be relatively well-funded particularly in comparison to other provinces. As a system as a whole, we are in surplus by about \$400 million. So I looked across all plans; we're in surplus by about \$400 million.

Now roughly half the plans do have unfunded liabilities and half have surplus. It just so happens that the plans and surplus tend to be the larger ones. So we have a lot of plans with unfunded liabilities — 73 to be exact — but they tend to be smaller or they have smaller unfunded liabilities relative to the surplus that we're finding in the larger plans.

So as an opening statement, I'd say we are sitting relatively well in terms of our funding position.

In terms of the use of surplus, The Pension Benefits Act does not dictate entitlement to surplus. That's left up to the local bargaining. You know there's nothing in the Act that says who owns surplus, whether it's the employers, or the unions, or retirees, or out of scope. You won't find it in The Pension Benefits Act. What we say is that issue should be clear. If I pick up a plan text, I should be able to find out who does own entitlement, under what circumstances they own entitlement. But The Pension Benefits Act doesn't give the answer.

We do have to approve a surplus refund to employers but that's a bit of a governor, you know. We give approval when we've gone to the plan text and confirmed that yes, the employer does have entitlement to surplus. So that's the test. That's where we come into the approval process.

But in terms of a contribution holiday versus a benefit improvement, that's really up to bargaining, you know. I want to know the answer. We have to know what's happening in the plan, but it's up to the plans to bargain that.

Mr. Cheveldayoff: — In your opinion, is more frequent reporting necessary when unfunded liabilities exceed a certain percentage or a certain value, a certain dollar value?

Mr. Wild: — Yes, yes. I don't know if it's a dollar value, but it's a relative position. We always look at what we call funded ratios. So it's the ratio of assets to liabilities. And if, you know, the liabilities start to get too much larger than the assets, we do have the authority to ask for more frequent filings.

We do a bit of our own extrapolations as well, so we went through the market correction. As you'll know, in 2001-2002

there was a stock market correction, and we wanted to know without waiting for the valuations to come in just where the plans might be situated. So we did a bit of our own analysis based on extrapolations from past valuations. A plan must send us a valuation no less frequently than every third year, but I do have the authority to ask for it annually. And if we see a plan deteriorating, if we think there's been something happening in that, you know, with respect to that employer, that group of employees, we will ask for valuations.

Mr. Cheveldayoff: — Earlier you touched on the fact that you've done on-site examinations. Could you describe the nature of the on-site inspections that were undertaken? And it's referred to on page 68 of the auditor's report.

Mr. Wild: — Yes, yes. This was something that the Saskatchewan Financial Services Commission generally is a strong believer in. We're a relatively new commission. We've only been around a couple of years, but we've already started compliance programs like this across all of our sectors. So in the security side, in the financial institutions side, we're doing this as well.

Traditionally we've been very much desk audit oriented. You know there's filing requirements, the materials come in and we review it, and then if we have questions, we get back to the administrator.

This gets us out of the office. So we target plans, as I mentioned, based on risk. We'll go out to the site. We examine a whole raft of things from frequency of contributions flowing in, to financial statements, to how benefits are calculated, to the minutes of pension committee meetings — you know, just everything from A to Z with respect to a pension plan and how it's administered, how it's governed.

It's a very time-consuming process. It's very labour intensive, you know. Well the Provincial Auditor can tell you how much goes into a particular audit in terms of preparation time and the conduct of an audit and then the follow-up. And it's very time-consuming, and we won't be able to do more than one or two a year. That would be it, tops, in terms of the resources we have right now.

But, you know, it gives us a presence and the plans know now that we may call on them, that we may come out and look at their records. And it's not just good enough to say they're doing something; you know, they have to actually be doing what they're saying they're doing. So we think it's an important new initiative.

Mr. Cheveldayoff: — The on-site examinations though, it says, has identified control, significant control deficiencies in plan administration and resulted in useful recommendations for the administrator. Can you just talk about the specific control deficiencies that you found?

Mr. Wild: — Yes. I'll give you some examples. The first one — I don't think it's appropriate I name the plan — but the first plan we ever did we found that the benefit statements weren't going out to plan members. So someone was retiring and they weren't given information on what their options were. It didn't mean they weren't getting their pension. They were getting

their pension. They just were not given the array of options that they could have enjoyed. And annual statements weren't being produced, for instance, so the plan members didn't know where they stood in the plan.

There was generally a lack of understanding in the employer's shop about how the plan was run. So for instance, there was an investment policy that was boilerplate — you know, the insurance company had effectively written the investment policy and the employer may at some point kind of nodded their head and maybe checked something off to say that this is our policy but, you know, it took about two questions to realize that the plan administrator, the employer, didn't really understand the investment policy and why they decided that way.

Again it doesn't mean that the investment policy was wrong. And the insurance companies generally are very responsible, have good solid products, and that policy was probably right for that employer. It's just that the employer didn't adopt it with any thought. And so those are the sort of deficiencies we found.

Second on-site audit noted that some of the contributions were coming in late. We have a requirement for a monthly contribution remittance to plans, and we found with this employer, for whatever reason, they'd miss a couple of months then batch it all up and send it in. So you know, that's a deficiency that we got on. So that's the nature of it so far. Nothing in terms of, you know, fraud or anything of that scope.

Mr. Cheveldayoff: — Okay. The auditor noted that procedures for registering pension plans should ensure that you receive all necessary plan information before approving the plan for registration. Currently you register plans that do not require new pension plans to provide information on their investment policies and goals or on their governance practices. Will you follow the auditor's recommendation and have new and amended pension plans set out investment policies and goals in a formal statement?

Mr. Wild: — Couple of things to note. We get filings for everything that's required in The Pension Benefits Act. So The Pension Benefits Act lists all of the documents that must be filed with us, and we make sure we get all those documents.

The requirement for a written statement of investment policy, the Act requires one to be written and adopted and reviewed but doesn't require a filing with us. So I wouldn't have legislative authority to require a filing.

Now I mentioned we're going to be asking for some voluntary compliance on this over the next . . . this fiscal year. We're asking 30 plans to file with us their written investment policy. We want to see them. We want to test them, see what's out there. And if it turns out that it's a fruitful review, if it turns out that maybe that's exposing some risks that we're not taking into account now, then I could see us expanding that. I think initially we'd try and do it on a voluntary compliance basis, you know. If that's resisted, then we'd have to ask for a recommendation for legislative amendment ultimately. But we're going to try it softly.

This gets back to, though, my point about burdens on plans. And we have to be careful. I'm not too worried about the

investment policy side because the plan must have a written investment policy. So they're incurring that cost anyway. And there's no cost in handing it to us particularly. So I'm not too worried about that side but, you know, we'll have to weigh the cost and benefit of any of these filing requirements.

Mr. Cheveldayoff: — Sounds like you're getting to where you want to be and as quickly as you want.

Mr. Wild: — Yes. Yes. And I think if the auditors, frankly, had come in three years from now, they would have seen some of this in place. I mean timing is outside of everyone's control. If they'd come in five years ago, they would have had more concerns by the fact that we weren't as risk focused, you know, as we are now.

Mr. Cheveldayoff: — The auditor recommends that you provide your staff with written guidance regarding information to documents for registration and amendment of pension plans. Is that something you'll be undertaking as well?

Mr. Wild: — It's done. It's done.

Mr. Cheveldayoff: — It's done?

Mr. Wild: — We've done it.

Mr. Cheveldayoff: — Okay. Well that's good. The auditor has noted that the information collected about plans is not sufficient to identify key risks other than the funding risk. What steps will the department take to collect the additional information?

Mr. Wild: — Initially this year, this work plan, we're going to ask for the filing of self-assessment on governance practices and written investment policies as mentioned. We can explore with the auditors some other avenues, you know.

Something that's been running across our mind lately is the requirement for audited financial statements. There's nothing in The Pension Benefits Act that requires an audited financial statement of a pension plan. It's expensive, so I think if we went down that path, you'd want to talk about, you know, plans of a certain size before you made that a requirement. But that might be a useful, additional piece of information for us. That would require a legislative amendment though.

And we're open to discussion with the auditor on any other, you know, techniques or mechanisms or documents that might be helpful in terms of examining risk.

Mr. Cheveldayoff: — Would you look at high-risk pension plans to provide that supporting documentation? Is that who you would look to first . . .

Mr. Wild: — Yes. Yes, I think it's really important that we do tailor our filing requirements to the higher risk plans. I don't think it's fair to penalize, you know, the low-risk plans by asking to file a whole bunch of information that we're not going to look at. So I do think that there is a learning process we have to go through to identify what plan should be filing what information with us.

Mr. Cheveldayoff: — Yes, the auditor mentions several

suggestions: minutes of pension plans, strategic plans, governance information, annual reports, statements of investment policies and goals, and investment management and compliance reports. Is that all information that you're comfortable with asking for and will be proceeding in that direction?

Mr. Wild: — Yes. The fly in the ointment is that most plans wouldn't have that sort of information. You know, some of the information will be there but not all of it.

Annual reports for instance. Outside of the public sector you don't see annual reports on pension plans. You can get an annual report on the employer that sponsors the pension plan, but it doesn't tell you anything about the plan itself. So if it exists, then I think it is fair game for us to look at. But, you know, to create a requirement to have an annual report on a plan is probably not necessary and is way too expensive, way too much overkill for the value that we'd get out of an annual report for instance.

Board minutes, we do get all board minutes that relate to a pension plan. I've never tried to look at all the board minutes of a corporate employer, for instance, to see whether they're saying things about a plan that aren't in the minutes that are given to us. But there's a requirement in legislation to file with us all board resolutions that relate to a pension plan.

Mr. Cheveldayoff: — Something like reading *Hansard* from the House here. We all do it from time to time but certainly wouldn't want a full-time job doing it.

The auditor notes that there's pension plan administrators who have not provided information requested by yourself for over a year. Have you made any recommendations . . . Or what actions have you taken to strengthen the enforcement and compliance powers of your position?

Mr. Wild: — Nothing yet. As I mentioned in the opening statement, we're going to work with the Department of Justice reviewing our enforcement powers. And this is a situation where, you know, if they're not responding to my letter, I can suggest prosecution or terminate the plan — which hurts all plan members — or replace them as administrator which is probably going to end up in court. You know, it just doesn't work.

What we need is some prod other than me constantly sending them a letter, perhaps an administrative fine, just enough to sort of get their attention to make them act. So that's the sort of enforcement power we're going to be looking at.

Mr. Cheveldayoff: — Okay. Does the auditor's office have anything to add as far as improving compliance or suggestions on how this could be done?

Mr. Ahmad: — Mr. Chairman, I think what we are getting at is sometimes the pension plan document itself, the plan, is very complex. And the superintendent needs to have some kind of mechanism to know that all the pertinent sections of that plan are being adhered to by the employers, and that's what we are getting at. And they do, do some of that, but there is no systematic way of doing it.

Mr. Cheveldayoff: — Okay. One more question for the superintendent, regarding reciprocal agreements and transferability of pensions, could you just comment on the state of that as it relates to the province of Saskatchewan and reciprocal agreements with the federal government per se?

Mr. Wild: — That's a blast from my past. I used to administer the public sector plans here before I became superintendent. And in the '80s, that was a very important topic because there was a lot of movement around the system, and reciprocal agreements were very important. That's diminished in its importance.

The Pension Benefits Act really created an important benefit for employees in the early '90s by creating the right to portability. That means a plan member who terminates employment has the right to move their money, the value of their pension from a plan. This is a right for any employee, any plan. So that really took away a lot of the impetus for plan-to-plan agreements because the employee could move the money where they wanted: into another plan, to a locked-in RRSP. And so I've heard less talk of reciprocal agreements.

The Pension Benefits Act itself is absolutely neutral on a plan-to-plan agreement. We want to make sure it's operated fairly so that the value under one plan is transferred to another plan, the employee is not being taken advantage of by the fact that it's been transferred. So that part of it we would regulate. But there's no requirement to have reciprocal agreements. There's no requirement for plans to get together.

And you know, you probably would get more information if you directed your question to the Department of Finance folks who administer public sector plans.

Mr. Cheveldayoff: — Right. I appreciate your comments. Thank you. And, Mr. Chair, that's all I have.

The Chair: — Mr. Krawetz, please.

Mr. Krawetz: — Thank you, Mr. Chair. Just a couple of areas, Mr. Wild. In your opening comments, you were talking about the pension plans that you were responsible for and some that you weren't, and you mentioned the old plans. Are you responsible for them or not?

Mr. Wild: — Not. They don't fall under The Pension Benefits Act.

Mr. Krawetz: — Now when you mention that you had 73 plans that have unfunded liabilities, that is 73 of the 148 that have been described as defined benefit plans?

Mr. Wild: — That's right.

Mr. Krawetz: — Now when you look at a plan — and you've used the term the highest risk — and you do some assessment and if you were to look at your top four or five plans that have been deemed to be the highest risk, are there similar conditions for each of those plans? Would there be something that would . . . that, you know, the criteria would be the same for those top five plans as having been the highest risk plans? And if so, what are those top two or three risks?

Mr. Wild: — The common characteristics tend to be they're in the private sector. Public sector employers generally are more stable in terms of their existence. The biggest risk for any plan member is bankruptcy in an employer with unfunded liability in the plan because there's no way of getting more money into the plan. The plan has no status in terms of bankruptcy. The members are unsecured creditors. So if you have a plan that's terminated because the employer's gone insolvent in bankruptcy, then you've got a plan in trouble.

Well you don't find that on the public sector side. I mean, I guess theoretically a public sector employer could go bankrupt, but it's just unusual relative to the private sector. So one of the common characteristics of the top five, say, is that they're private sector.

Another common characteristic is that they tend to be maturing plans. So they're plans that have been around for a while. The amount of the liability that's associated with retired persons is relatively large compared to the active members. And why that is a high risk is that retirees don't contribute to plans you know. The plan is dependent upon the productivity of the workers here and now, and they've only got so much capacity to produce, right.

So if a plan has an unfortunate experience, you've got a lot of liability associated with retired lives. All of that gets visited on, effectively, the productivity of the current employees. So, you know, you start to see quite a weight on the whole of the employer because they've got high retired-life liability.

I was reading on the weekend that General Motors for instance has a stock market capitalization of about \$20 billion. Well their debt, their unfunded liability to their pension plan is 25 billion. So that's a drag. And if you have that associated with retired lives, you're asking a lot out of your current workers in terms of productivity. So I'd say another characteristic of the top five is they tend to be maturing plans.

Beyond that, you know I don't think that there's any particular identifiers other than those two. I'm trying to run through my mind the characteristics we look to, but those stand out in terms of the top five.

Mr. Krawetz: — Thank you for that. When you indicated I think that over the course of the last 15 years there has been a reduction in the number of plans that you administer and that, I believe you used the number of 200,000 current members.

Mr. Wild: — Current members, yes.

Mr. Krawetz: — What would be the breakdown, like percentage breakdown of people who are in the defined-benefit plan versus people who are in the defined contribution? Is the . . . one set of plans have more of the 200,000 than the other?

Mr. Wild: — If you give me a moment I can tell you with some accuracy. We produce a statistical report by the way, annually. It's on our website. It's called *A Statistical Perspective On Pension Plans Registered In Saskatchewan*. That's what I'm going to refer to. But it is on our website if you ever have a need to know anything about pension plans.

The Chair: — Mr. Krawetz will check it out, I assure you.

Mr. Wild: — Good. I can leave this copy with him if you'd like. So this is as at 2002, so there's always a lag in terms of getting our stats out.

We had at that point 368 plans and we regulated 146,000 members in those plans. There's other plans with other members that we don't have direct regulatory responsibility for, and I can explain that in more detail if you like. But so there's 368 plans, 146,000 members; 227 of the plans are defined contribution, you know, not quite two-thirds, right?

A Member: — Right.

Mr. Wild: — And they had 70,000 members, so a little less than half; 141 defined benefit plans at that point with about 76,000 members. So it's a fairly even distribution. Saskatchewan's absolutely unique in Canada in terms of defined contribution plans. Nationally about 85 per cent of plan members are in defined benefit plans. Fifteen per cent are in defined contribution nationally. In Saskatchewan as you can see we're closer to 50/50.

We've got the two largest defined contribution plans in Canada registered in Saskatchewan. The largest in Canada is the Public Employees Pension Plan which government workers participate in. The second largest defined contribution plan is the Co-op Superannuation Society Pension Plan which is in Saskatoon. It's for the co-op, credit union sector employees. So it is the second largest. So we're very large in terms of the defined contribution world.

Mr. Krawetz: — Thank you. Of those defined benefit plans that the auditor has reported on, 148, what would be the largest number of active members and what would be the smallest? Like what range do you deal with in terms of largest to smallest? Do you have any ballpark figure?

Mr. Wild: — I do. The largest, I'm guessing the largest defined benefit plan we have is going to be the health care, Saskatchewan Healthcare Employees' Pension Plan, and it has well over 20,000 plan members.

We have a tremendous number of small plans. I believe in my response I mentioned that. I used this in the context of not burdening plans with more filing requirements.

Mr. Krawetz: — Right.

Mr. Wild: — Thirty-two per cent of the plans registered in Saskatchewan have less than 10 members, and 65 per cent have less than 50 members. So these would be the plans, you know . . . The 10-member plan I could just see easily slipping over to a group RSP, right, if we make it too expensive. So we have a lot of small plans. It's terribly concentrated.

Again back to my stat report, we've got five plans that have 10,000 or more members each. So that's in total 94, 95,000 members in five plans out of 146.

Mr. Krawetz: — Okay, that gives me a good average.

Mr. Wild: — So when you want to talk about risk, you know, certainly those five come out.

Mr. Krawetz: — Yes.

Mr. Wild: — That's why funding risk, I still think, is a very good indicator of things like governance risk or investment policy risk because I think if you're poorly governed, it's going to show up in your funding. I think if you're invested badly, it's going to show up in your funding. I acknowledge the Provincial Auditor's report, and we agree that we need to do more in those areas. But funding I don't want to lose track of.

Mr. Krawetz: — Right. Over the last number of years, two concerns have been raised by a number of people regarding pension plans, and I'm wondering how you are involved as the superintendent of insurance. One of them of course is integration with the Canada pension plans. And my first question is: are all pension plans integrated with CPP [Canada Pension Plan] or is it negotiated at the time the plan is set up?

Mr. Wild: — It's subject to negotiations.

Mr. Krawetz: — Would most of the plans be integrated?

Mr. Wild: — No.

Mr. Krawetz: — Or would very few plans be integrated?

Mr. Wild: — I'd say it's a feature we find in public sector plans, but it's more unusual in the private sector.

Mr. Krawetz: — Okay.

Mr. Wild: — Much more unusual.

Mr. Krawetz: — And the other one that has become very prominent over the last couple years is . . . and it's named and described differently. I'll call it an advance of the old-age security benefits, which some plans refer to it as an upward adjustment. Some will call it an enhanced bridging and the like. What role does the superintendent of insurance play in determining whether a pension plan offers an enhanced benefit or an upward adjustment, as it's referred to?

Mr. Wild: — The superintendent of insurance does work for our commission, but I'm the superintendent of pension as well. It's two superintending models. But we are totally passive in terms of the design and the generosity of a plan. That's up to bargaining. We are there to ensure that the promise that is made, that is bargained, is met. But in terms of how good or how poor the plan is, in terms of whether it should be defined benefit, defined contribution, based on final average, based on career average, a flat benefit, we're indifferent to it. That's up to the plan.

And we have some very nice plans, some really good plans in terms of producing a pension, and we have some extremely modest plans. We've got plans that you have to wonder why they really exist because they're producing such little value for the effort, you know, but it's up to the local bargaining to determine that. So in terms of early retirement enhancements, a number of plans have that. It's quite a common feature but that

was up to the bargaining or the employer in terms of unilaterally improving benefits.

Mr. Krawetz: — Thank you. And I guess I bring back a part of my past when I referred to you as the superintendent of insurance. Having been an insurance broker, I used to have questions for the superintendent of insurance.

Mr. Wild: — Well we'd be pleased to take them. As I mentioned, insurance does fall under the Financial Services Commission, so we are concerned with insurance and credit unions and securities and . . .

Mr. Krawetz: — The concern and the reason I raised the concern about old age security — I'll call them advance benefits — and whether that was negotiated is there . . . a number of people have called with concerns that they felt they were not informed at the time, and you were talking about education of pension plan members as to how do you make them aware of their benefits. How do they become fully aware?

And there's a number of concerns that have been raised by individuals now, probably because they have just become 65 at a time when maybe they retired at age 55. And the old age security or upward adjustment or enhancement, as it was called, was received by the employee, and now they're caught because expecting that they were going to get an old age security benefit as an additional amount of money. In fact it really does not mean that at all. It means that you receive the benefit, but don't get any additional dollars. And I was wondering whether or not there is a standardization for that and you've answered that . . .

Mr. Wild: — No, no. Certainly there would be a requirement to disclose. At termination of employment, death, retirement, we have requirements for statements to go out listing all the options, the monetary impact of the options, you know. That's all there.

Mr. Krawetz: — Good. Thank you.

The Chair: — Thank you, Mr. Krawetz. Just a couple of questions. The auditor referred to the fact that you should be spending most of your time on the most risky pension plans. Is that kind of information made known to the public, particularly the contributors? Do people who are contributing to a plan know that it's high risk, and do you play a role in letting them know that, or is that just something that they have to determine on their own?

Mr. Wild: — I've wrestled with that. Regulation by shaming is something you see on occasion you know. I've certainly seen it in regulation on the environmental side, for instance, where you name the top 10 polluters in Canada kind of thing. We haven't gone that route. We haven't disclosed, you know, who's the top five on our list. You know, no particular reason to not disclose it.

I don't want to cause panics. I don't want to have a lack of confidence in the plans. And a bit of it's all relative, right? It might be our top five, but it might turn out that there are 500 plans riskier in Ontario than those top five. So I mean you have to be careful with what you're saying.

The other thing is The Pension Benefits Act allows a certain amount of risk to come into the system. We allow plans to operate an unfunded liability position; it's not illegal. Some would suggest The Pension Benefits Act is written to encourage unfunded liabilities because the point was that we wanted plans to be established and to improve benefits. And some of that encouragement was borrowing against the future by allowing a plan to go into an unfunded liability.

So it'd be a bit unfair for me to start pointing fingers and saying, you've got an unfunded liability, when it's perfectly legal to have an unfunded liability. But it's an intriguing, it's an intriguing question. I don't know what a plan member would do with it, you know. It's so tied to your employment. You can't opt out of a plan, right?

The Chair: — I'm not suggesting that you would somehow put them in bad repute. All I was wondering is if contributors . . . I mean some contributors might be happy to be contributing to a risky plan because they may see a greater upside, just like investors do. I don't know. But I just wondered if there was some mandate you had to identify the risk factor in pension plans.

Mr. Wild: — No, no. We work closely with the union side. So I mean there's a lot of disclosure in our law and they're free to come in and examine our materials. And I certainly get a lot of calls from the union side and employers side, you know.

A lot of employers don't even understand the risk in their plan. You know, they're following the actuarial recommendations and going to the minimums and that looks good and then suddenly, where'd this unfunded liability come from? So there's education needed all around and we try where we can but we don't have any formal program on it.

The Chair: — This answer might be on your website as well, I'm not sure. But would you know offhand the public sector plans in Saskatchewan, what percentage of those plans are invested back in the province of Saskatchewan and what percentage of the investment is outside of Saskatchewan?

Mr. Wild: — No. I'm sorry, I wouldn't know that.

The Chair: — Would you know who would know that?

Mr. Wild: — You'd have to go plan by plan, right? Administrator by administrator. You know, PEBA — Public Employees Benefits Agency — and Finance is the primary administrator of the public sector plans but not the only administrator. It depends how you define public sector, of course.

The Chair: — Could our Finance officials, do you have access to that information?

Mr. Paton: — Mr. Chair, I don't have access to that information. I think PEBA may have that information available.

The Chair: — Would you be able to get it for the committee? Is that possible?

Mr. Paton: — I can check with them for you.

The Chair: — All right. Thank you very much. And just lastly, I'm just curious: how large is your office, how many employees, and what is your budget?

Mr. Wild: — The entire commission itself, the Financial Services Commission, which is charged with all of the financial services legislation, securities, credit unions, insurance, is a staff of 34 . . .

The Chair: — No, I was just thinking of your particular superintendent of pensions.

Mr. Wild: — Pensions, we have two staff and myself. I'm only at best described as part-time superintendent because I'm Chair of the commission as well. So I spend a lot of my time on securities side in particular, but also on credit unions and insurance. So it's two and a bit. We are undertaking to fill a third person or fill a vacancy with a third person in the area. It's a very small staff but very good staff, very experienced. We've all got 20-plus years in the pension world. We've developed some effective processes, I think.

The Chair: — So your budget is very small then.

Mr. Wild: — Very small — \$200,000 goes to, roughly goes to the pension regulation.

The Chair: — Thank you very much. I don't think there's any more questions. We have four recommendations on page 66. And we will ask for your co-operation as we deal with them. Recommendation no. 1:

We recommend that the Superintendent of Pensions expand its analysis of pension plan risks to include the key risk faced by all pension plans.

Is there a motion?

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

The Chair: — Mr. Yates moves that we concur and note progress. Is there any discussion on the motion? Seeing none, all in favour? Okay, that's carried.

Recommendation no. 2:

We recommend that the Superintendent of Pensions prepare a risk-based work plan to supervise pension plans.

Is there a motion? Mr. Yates.

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

The Chair: — Again a motion to concur and note progress. Is there any discussion on the motion? Seeing none, we'll call the question. All in favour? Carried unanimously.

Move to recommendation no. 3:

We recommend that the Superintendent of Pensions provide staff with written guidance regarding information to document for the registration and amendment of pension plans.

Is there a motion? Mr. Hagel.

Mr. Hagel: — Mr. Chair, I'll move that we concur and note compliance on this one.

The Chair: — All right. A change — a motion to concur and note compliance. Is there any discussion on the motion? Seeing none, call the question. All in favour? Again agreed unanimously.

The final recommendation:

We recommend that the Superintendent of Pensions develop alternative ways to obtain information from pension plan administrators or seek legislative changes to expand its enforcement powers to obtain the required information.

Is there a motion? Mr. Hagel.

Mr. Hagel: — Mr. Chair, I'll move that the committee concurs with this recommendation.

The Chair: — All right. The motion is to concur. Is there discussion on the motion? Seeing none, we call the question. All in favour? Again it's carried unanimously.

Mr. Wild, Mr. Laxdal, sorry, we left you out a bit but we appreciate both of you appearing before our committee. I think this was a bit of a different exercise for us. I know that personally I garnered a lot of information. I want to thank you for your answers and your presentation. And we will now recess for 10 minutes and we will resume our deliberations at quarter past 11.

[The committee recessed for a period of time.]

Public Hearing: Saskatchewan Watershed Authority

The Chair: — Committee members, we'll resume our Public Accounts Committee meeting. We have now moved on to the third item on our agenda for today, the Saskatchewan Watershed Authority. We are dealing with chapter 3 of the 2005 report volume 1.

From the Provincial Auditor's office, presenting a summary of their findings, is Judy Ferguson. After Ms. Ferguson has completed her review, then we will ask the deputy . . . no, it's the president of the Saskatchewan Watershed Authority, Mr. Kramer, to introduce his colleagues, respond if he so chooses, and then we'll open up the remainder of the session for questions from committee members.

Ms. Ferguson, the floor is yours.

Ms. Ferguson: — Thank you very much. Mr. Chair, members, and officials, good morning. This chapter describes the results of our audit involving Saskatchewan Watershed Authority as was just mentioned.

The main focus of the authority's activities is to manage and protect the quality and quantity of Saskatchewan surface and groundwater resources. The authority is also responsible for the

operation, maintenance, and surveillance of its 45 dams and 130 kilometres of conveyance channels in Saskatchewan.

The dams are an essential part of the province's water management infrastructure. They provide water for municipal and industrial use, irrigation, and hydroelectric power generation. They also reduce the risk of flood damage, enhance recreational opportunities, and maintain aquatic habitat.

Of its 45 dams, the authority's four largest dams are Gardiner, Qu'Appelle River, Rafferty, and Alameda. The authority classifies these dams as a very high consequence based on the potential impact of dam failures, as these dams would have major consequences from downstream flooding, including property damage and risk of loss of life if they failed.

Our objective as set out in this chapter was to determine whether the Saskatchewan Watershed Authority had adequate processes to ensure its four largest dams are safe at December 31, 2004. In our audit, we defined a safe dam as one that performs its intended functions without imposing unacceptable risks to the public by its presence.

We evaluated the dams' processes . . . the authority's processes against the Canadian Dam Association's dam safety principles. The association reviewed and revised its principles in 2003. The authority accepted these principles as reasonable standards for assessing its processes. As such, to ensure dams are safe, the authority must have adequate processes for assessing the status of the dam, documenting procedures based on the status of the dam, and monitoring the effectiveness of the dam safety.

As described in the report, the authority uses various processes to assess the status of the dams and to keep them in repair. We found that while the authority has adequate processes in many areas to keep these dams safe, it needs to make improvements in four areas.

First, it needs to obtain independent, comprehensive dam safety reviews on its four largest dams at least every five years. The Canadian Dam Association principles recommend periodic dam safety reviews to determine whether the dam is safe and to identify required safety improvements. For very high-consequence dams, it recommends these reviews be done at least every five years. It further recommends that these reviews be comprehensive, formal, and carried out by an independent professional engineer, independent of the owner or operator of the dam. As with an audit function, independent reviews provide a fresh and objective look.

As their report indicates, the authority has scheduled reviews for its four largest dams over the next three to four years.

Second, the authority must have up-to-date, tested emergency preparedness plans for each dam. Emergency preparedness plans are formal, written plans that set out procedures that dam operators must follow in the event of an emergency at a dam. Similar to any disaster recovery or contingency plan, it is critical that plans be tested and kept current to ensure they operate as expected.

As our report indicates, the authority has plans to update or prepare each of its emergency preparedness plans for its four

largest dams over the next three to four years.

Third, the authority needs a process to ensure it keeps all its key manuals complete and current. Not unlike other Crown agencies, the authority will face an increased turnover of personnel due to demographic shifts. Turnover of personnel and changes in the system increase the importance of keeping manuals current and complete.

As our report indicates, the authority was currently in the process of updating its operation and maintenance manuals and recognizes the need to have complete surveillance manuals.

Fourth, the authority should set long-term targets to better monitor the effectiveness of its dam safety activities. Similar to other Crown agencies, the authority's performance information is improving.

As noted on page 43 of our report, the authority uses two key measures to monitor dam safety. However it has not yet set public, long-term targets for these measures, that is, expected results for these measures over the next five to ten years both at the overall level and at a dam level. The use of long-term targets would help the authority decide if it is carrying out the right activities at the right time to achieve the desired level of dam safety.

The committee will find these four areas reflected in our recommendations on page 38 for your consideration.

In closing, I would like to acknowledge and thank the authority and its staff for the excellent co-operation and assistance throughout this audit. That concludes my comments. Thank you.

The Chair: — Thank you very much, Ms. Ferguson. And before we give the floor to Mr. Kramer, I just want to assure everyone who's watching by streaming video or on television that when we talk about dam failures, dam processes, and dam operators, we are in fact using parliamentary language because we're talking about the Saskatchewan Watershed Authority.

Mr. Kramer, the floor is yours. Would you introduce your colleagues and respond to the auditor's report?

Mr. Kramer: — Thank you. And we welcome the opportunity to discuss the dam safety program this morning. With me on my right is Bryan Ireland, who is acting vice-president of operations. On my left, Bill Duncan who's director of infrastructure management. Behind me on the right, Eldon Hymers who is manager of major structures engineering. And behind me on the left, Doug Kilgour, project manager for dam operations and maintenance.

In my remarks, I'll just spend a few minutes in a couple of areas. First of all to talk a little bit about the dam safety program and what kind of dam-related activities are in dam safety and those which are excluded so there's a sense of where the dam safety program fits into the overall responsibilities of managing dams for the province. Then I'll talk about our responses in the four areas that Judy has referenced in our letter that went back to the Provincial Auditor on June 6.

With regard to dam safety program, I'd make the point initially that the processes that are involved with formally assessing the safety of dam — that is the processes — those are included in the dam safety program. Whereas rehabilitation work on dams or infrastructure that would be designed to improve their functioning and improve their safety is not included per se in the dam safety program or in this audit. That's true for routine maintenance as well, or routine maintenance activities wouldn't be part of dam safety.

So the kinds of things that would be included in this audit and part of the dam safety program per se would be these: monitoring the performance of dams with the use of various kind of instruments or surveys; undertaking dam safety analysis; conducting inspections and operation tests; commissioning dam safety reviews by independent engineers, which is the basis of one of the recommendations we'll hear about this morning. Preparing and maintaining various operating, maintenance, and surveillance manuals would be part of dam safety. And finally, preparing and testing emergency preparedness plans and emergency response plans.

To identify those dam safety activities then as a part of our overall dam program, probably the simplest way to do that is to look at the level of spending. Since 1999, the province would have spent about \$4.1 million on dam safety, the six activities that I had identified.

In addition to that, we would have spent about \$18.8 million on project rehabilitation, that is actual work on the dams and other infrastructure to maintain them, and we'd have spent a further \$4.7 million to operate and maintain those works on an annual basis.

So there is about 4.1 million for dam safety that would have been the basis for this audit and review out of about 27.6 million that we would have spent for operation, maintenance, and rehabilitation of dams over the last six-year period. So I wanted to give that as context so people understand what portion of the work that we do in water management is related formally to the dam safety program.

Then some observations I would make on the four recommendations in particular. Our response would have gone back to the Provincial Auditor, our written response, on June 6. First recommendation had to do with independent, comprehensive, dam safety reviews on each of the high-consequence dams. And as Judy would have indicated, those are undertaken to ensure that there is a qualified engineer that does that work who's not previously been involved in the design, construction, or inspection of the dam. And the purpose is to provide the owner, the authority, with an independent assessment of the safety of the works as to the effectiveness of the overall safety system.

And in its five-year dam safety program, that is our program — the authority's program — the authority's identified dam safety reviews for Gardiner, and Qu'Appelle, Rafferty, and Alameda to be done over the next three-year period commencing in 2006-2007. We'd expect that the cost for each of those dam safety reviews is estimated to be about \$100,000 which would be typical for that kind of work for those kind of structures. And we would plan to do those over the course of the next three

years.

The second recommendation is to maintain current, tested, emergency preparedness plans for each of the major structures, again the four that were identified. In the current year the authority intends to update the existing emergency preparedness plan for Gardiner dam and to undertake a suitable test prior to year-end. Suitable test being much like the emergency measures office would do for things like airplane crashes. For other things like that where it's a simulated system where people are phoned, other things are done to ensure that people downstream are actually taking the precautions that need to be taken should there be an emergency.

In addition the authority recently awarded a contract for about \$74,000 to an engineering consultant to undertake the dam break analysis for Rafferty and Alameda dams and to map the resulting water flows on the downstream flood plain extending to the international border. That kind of work, as you would expect, is necessary prior to preparing an emergency preparedness plan, and that's to be completed during the current fiscal year. The actual emergency preparedness plans for both dams would be prepared and tested in the following year.

And the authority intends to complete similar work over a two-year period commencing in 2007-2008 which would result in the preparation and testing of a preparedness plan for Qu'Appelle River dam.

Recommendation 3 was dealing with processes to ensure manuals always include complete procedures to operate, maintain, and monitor dam safety. We do maintain a comprehensive set of operation and maintenance manuals for our major dams. And in 2004 we commenced updating the manuals for Gardiner and Qu'Appelle River dams, that is an update was commenced.

With regard particularly to surveillance manuals, that's the focus of the recommendation. That dam safety guideline was first published by the Canadian Dam Association in 1995. The authority has initiated the preparation of such a manual for Gardiner and Qu'Appelle dams in 2004-2005, that's the fiscal year just ended. And the intentions are to complete this manual in the current year and to put in place surveillance manuals for Rafferty and Alameda dams in later year.

And recommendation no. 4 was to set long-term targets, that is in the order of 5- to 10-year targets for measures related to dam safety. And the authority would agree with that recommendation, and we would commit to identify long-term dam safety targets for the future.

I think in conclusion I would say that we found the audit to be useful. It's one which has identified some things that we can work on. I believe as the audit was done, there was confirmation as well of many things that we do which are required.

We have high confidence as management for the authority that our dams and infrastructure does a good job for the province, in a safe way, with risks that are well managed. But certainly it is an area that does have high significance for the province, and we welcome the recommendations and have responded as

we've indicated in our June 6 letter to the Provincial Auditor.

The Chair: — All right. Thank you very much, Mr. Kramer, and we'll open the session to questions. Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. This chapter of the auditor's report is certainly very topical with the high water flows coming into Saskatchewan out of Alberta and, you know, the higher river flows in both the North and south Saskatchewan. Of course the North Saskatchewan, as far as major dams affecting populated areas, it . . . Perhaps we don't have that situation as we do on the South Saskatchewan with the Gardiner dam. And on page 36 of the auditor's report, there is . . . the bottom paragraph outlines sort of our worst-case scenario.

And not that I intend to, you know, raise undue alarm, but I think it's probably . . . we'd be remiss if we at least didn't talk a little bit about this. I mean it's the description that the . . . at the peak, if the Gardiner dam should burst, the water levels would be some 15 metres above the Broadway bridge in Saskatoon. That, I mean, that would be pretty horrific, and we certainly would hope and feel very confident that we won't ever be faced with that situation. But nonetheless I guess we should perhaps talk a bit about it.

With that type of flooding, it's estimated I believe that a significant portion of Saskatoon would be flooded — the south and the west side; I can well imagine the downtown area would be under several metres of water and that sort of thing. And I guess just for information's sake and to get a bit of an idea of how quickly things would happen if in fact we experienced a worst-case scenario, how much lead time would the residents of Saskatoon have before the water would hit that city with a vengeance?

Mr. Kramer: — Thanks for the question. The information I would give is that the estimate that would result in those kind of flood levels would be one that would be based on something that would be a catastrophic failure of Gardiner dam. So it wouldn't be the result that would be leak or gradual failure. It would be catastrophic failure basically releasing a wall of water that would flow downstream from Gardiner dam. The time for Saskatoon in terms of travel, length of time for travel, is about 42 hours. And that then is significant — it would give time for response.

The emergency preparedness plan that we talked about a few minutes earlier, that's exactly what they're designed to do. In fact there are contacts in those plans that have certain tasks that they need to do, certain actions they need to take, others they need to contact to ensure that people are moved, they're notified to minimize economic loss and certainly loss of life as well.

But your specific question, the wall of water that would then move through Saskatoon would be at about 42 hours, and that would be the peak. Clearly there would be some of the flow that would be there before, and the areas that would be upstream of Saskatoon — clearly significant communities as well — would have less time to react.

Mr. Hart: — Well the first community that would come to mind would be the community of Outlook which is very close

to the dam. How much time would they have?

Mr. Kramer: — The answer on that is about seventeen and a half hours. So the ET [estimated time] would be some time to respond.

Mr. Hart: — How much time . . . I mean we're talking in terms of maximum flow as far as Outlook is concerned. How much time would they have before the water got to a level where there was a risk to loss of life and serious property damage?

Mr. Kramer: — Yes. The initial flows, what we would describe as time of arrival, would be three hours, and then the peak would be seventeen. So I expect it's probably near the front end of that time where you would have significant trouble already that would be associated with even the arrival of that wall of water.

Mr. Hart: — And going back to Saskatoon, when would the initial flow arrive in Saskatoon?

Mr. Kramer: — That would be fifteen and a half hours.

Mr. Hart: — Fifteen and a half.

Mr. Kramer: — Right.

Mr. Hart: — So your emergency preparedness plan, you have emergency response plans in place where people would be . . . there's a system where people would be notified and working with the local authorities and that sort of thing. Is that plan in place or is that plan just being developed now?

Mr. Kramer: — The update I'd given, that is the plan is developed; the plan has been distributed so that those who would have key actions have copies of that plan. But the plan has not yet been test run and that's one of the requirements, that it be actual test run. And that's what we would intend to do before the end of this fiscal year. So it is in place, but it isn't something that's had a trial run at this point.

Mr. Hart: — So when you say the plan hasn't been test run, what would running the plan entail?

Mr. Kramer: — It isn't a small release to see what happens or a big release to see what happens. It would be the phone calls that would need to be made or the other means of communication where people could follow through on the obligations they have under the plan. So it's done in theory, but it's communication of those who have the responsibilities so that they can put in place evacuation orders, other things like that, so that communities could respond.

Mr. Hart: — The auditor recommends in the first recommendation that the independent comprehensive dam safety review be done every five years. And I believe you said that the review . . . apparently there was a review done, a partial review done in 2001 but it wasn't a comprehensive review. I believe that the auditor had further on in the report had suggested that not all components of an independent safety review were undertaken, that the authority did some of it.

So I believe . . . I guess I should ask this question to the auditor.

So that you don't feel that the work that was done for the Gardiner dam . . . and was the Qu'Appelle dam included in that?

Mr. Kramer: — Qu'Appelle.

Mr. Hart: — You don't feel that the work done in 2001 constituted an independent safety review of the dams, is that . . .

Ms. Ferguson: — Basically what we have reported on page 40 of our report is that in essence what they did, instead of having one independent engineer do the entire review, they actually broke it up into two steps. The engineer did the larger part and then later on they actually did another piece of it. The standards actually suggest it should be all done together, comprehensive, so that everything fits together. I think it's so that they understand the relationships as opposed to breaking it apart into pieces.

Mr. Hart: — Okay. So a new review will be done starting in 2006, is that what you'd said earlier in your letter of response to the auditor?

Mr. Kramer: — Yes, that's correct. The reviews that were done in 2001 would have been done on Gardiner and Qu'Appelle. And as has been said by the Provincial Auditor they would not have been comprehensive. There would have been certain things that we would have asked the third party review to look at. And I think what is being identified in the audit recommendation is that there is merit in having a top to bottom external review.

Part of what I give as context is that there are 31 of our staff, as identified in the auditor's report, that work on dam safety and rehabilitation. So there is significant work that happens day by day in monitoring and rehab. But to have an outside set of eyes that look at our work on a five-year basis, that's part of the recommendation and we concur that that's worthwhile. And if you're going to have that outside set of eyes do the review then we would have it from top to bottom, that it would be the full audit that would be done of our activities tied to dam safety.

Mr. Hart: — On page 43 of the auditor's report, the auditor comments on the authority's performance plan of March 2004 where you've indicated that 27 of the 45 dams require significant upgrades to meet the CDA [Canadian Dam Association] safety guidelines and that the dams have an aggregated risk ratio of 14.7. Now could you explain the risk ratio and where that, you know, how relevant that risk ratio is? Is 14.7 mid-range, low-range, high-range? Just where is it on the . . .

Mr. Kramer: — I would say, by way of just an overview and then I'll ask Bill Duncan to provide some further comments, is that the overall risk ratio would look at all of our dams that would be our high consequence. The four that were audited, were very high audited — high, medium, and low — and would factor in the loss of economic value, loss of life that could be associated with each one. So it is a weighted average that would look at all of the 45 different dams. And then we would assess those on an annual basis. But I'll ask Bill to talk a little more about just what that assessment would look at for each dam and then how the weighting takes place.

Mr. Duncan: — Okay. Thank you. I guess the risk ratio is the ratio of the current assessed risk of our infrastructure in non-absolute terms to what we would consider would be the maximized risk if all of our infrastructure was bordering on the verge of failure. Risk, just to go back a bit, we defined risk as the product of the likelihood of a failure by the consequences of a failure. And so for each of our structures, we assess the likelihood of a failure on a scale of 0 to 27. And on our consequence, we have another rating scale which ranges from 0 to 200.

So each dam, we have assessed the failure likelihood and multiply that by the consequence rating for that particular structure, to come out with a risk priority number. We aggregate those risk priorities for all of our infrastructure and then divide that by the maximized risk for all of our infrastructure to come up with this risk ratio.

So we use this risk ratio and the individual risk priorities for each structure in a couple of ways. One, to set our work plans for which structure should be rehabilitated first, and also secondly, to monitor our progress in improving the safety of our infrastructure. So a couple of years ago our risk ratio was at 19 per cent. As of year end 2004-05, that had dropped to 14.1 per cent, and our long-term projection is to have that drop to something less than 10 per cent.

Mr. Hart: — Okay. Thank you for that. It's noted in that same paragraph that one of the four largest dams is greater than the aggregated ratio due to the dam's very high consequence reading. What dam is that, and what is its risk ratio at?

Mr. Duncan: — Okay. That pertains to the Rafferty dam. In the late 1990s cracks, longitudinal cracks along the upstream shoulder of the dam were observed which was indicative that the upstream slope was not stable. We undertook with our engineering specialists an evaluation of the structure and confirmed that on a theoretical basis that we did not have adequate factors of safety.

We also had that reviewed, our work reviewed, by an independent consultant who confirmed our work, the outcome of which we designed improvements, slope stability improvements, to Rafferty dam which are two phased.

The first phase was constructed in 2002, which entailed flattening the upstream slope of the dam from an approximate 1.7 to two to one existing slope, to two and a half to one slope. That's gone a long ways to addressing the potential slope instability issue. However we feel that to achieve a added degree of comfort that a stabilization berm should be installed along the upstream toe of Rafferty dam. However with the current high reservoir levels in Rafferty dam that would be very expensive to do. So we have elected to defer that work until a drought cycle comes along which would lower the reservoir levels and allow us to do it more economically.

Mr. Hart: — The auditor's report also indicates that the review of the Gardiner and Qu'Appelle dams in 2001 noted several deficiencies and the auditor states that some of these deficiencies are not yet addressed. I wonder, could you indicate what those deficiencies were and what is the plan to address these deficiencies?

Mr. Kramer: — Could be. Yes, it may . . . There'll be some comments here. I think part of what I would observe, go on to say that some of those deficiencies included the need for instance for a surveillance manual which is dealt with elsewhere in the recommendations or emergency operating procedures which is dealt with elsewhere. And some of the further work tied to the structure, we'll have further comments on. But some of those would have been dealt with in other recommendations. And then we can provide some information just on the structure itself.

Mr. Kilgour: — Okay. I guess just to go on in a little more detail. The dam safety reviews that have been done in 2001 provided us with an action plan . . . [inaudible] . . . Okay, the dam safety reviews that were done in 2001, the reports that were provided to us included an action plan of recommendations. So there was probably at least 30, 40 recommendations that we had to address to eliminate all the dam safety deficiencies.

So more or less what we did is we prioritized these activities and started chipping away at them, completing the most important ones first. And as it remains right now, I think we have probably in around 20 per cent still to complete.

The auditor's report had mentioned some of these revolved around the updating or preparation of the surveillance manual which is what we've started now but we have it scheduled for completion this year, as well as updating the EPP [environmentally preferred power program] which is also started but scheduled for completion this year.

There was a few other geotechnical components as well that included I guess reviewing our instrumentation program and coming up with some specific guidelines or procedures in the event of the loss of some of our instruments; in other words identifying the most important ones and how we would replace that instrumentation. So that's one component we haven't started as of yet. It is on our schedule to start it this year and we anticipate that will probably take a few years to complete.

Those are probably the main issues. Like I said we've completed quite a few over the last three or four years. Our intent was to get through the entire list by next year, which is the next scheduled review and I suppose we likely will have one or two outstanding items at that point. But prior to that dam safety review we'll do an overall summary of what has been done and what is still remaining to be done.

So again you know we prioritize the activities right off the start and we've done the bulk of them and definitely the most important ones that are most critical to dam safety.

Mr. Hart: — Good. Thank you for that. It's my understanding from reading this chapter of the auditor's report that one of the purposes that the authority . . . And the auditor enforces that belief that you should have proper documentation and manuals in place for not only the operation and maintenance of the dams, but the surveillance processes. One of the reasons is so that transfer of knowledge to personnel would flow quite easily and, you know, the information is readily available when personnel change.

What is the history within the authority of personnel changes at key levels, at manager levels, or whatever designation you have for the key staff involved with the operation and safety and surveillance of the dams? What is the authority's history as far as turnover of personnel in those areas?

Mr. Kramer: — Our turnover would be quite low. We would have succession plans where we would look at giving people opportunity to know the water management business throughout the authority before they move to senior positions.

I think as an example, people would have been very familiar with the media advisories and comments on water levels from Alex Banga over a number of years. It's a name that people would know. Now people are becoming familiar with Doug Johnson who has moved into that position. That's an example where we have, we believe, sufficient variety in duties and sufficient people that know the business at the working level, and then can move into management positions when they become available. So we see that as quite adequately handled as we'd indicated and the auditor's report indicates that as well.

We have about 31 of our 190 people in the authority that would do work tied to dams operation, maintenance of dams. So there is a fair group of people that give a fair bit of depth in terms of knowing the business and ensuring that safety and management of the facilities for safety of people is something that continues to have a priority, is well understood, and then people can apply that at a senior management level when they have the opportunity.

The Chair: — Mr. Krawetz.

Mr. Krawetz: — Just a couple of questions for clarification, Mr. Chair. And my first question to the auditor deals with page no. 40. And I wanted to find out the role that the Canadian Dam Association plays in working with the province. In the first paragraph on page 40 you use two different words. You use the words the CDA requires and then later on you use the words the CDA recommends. Obviously a huge difference between requires and recommends. Now I'm wondering, when the CDA requires that something be done and it's not done, what are the consequences? If I might ask Ms. Ferguson to comment on that.

Ms. Ferguson: — Basically probably the question on the CDA might be more appropriately addressed to management, so jump in when I'm . . . to fill in the gaps here. But the association is actually not unlike other associations where really they don't have in law in Saskatchewan the authority to require things of the Watershed Authority. So that's why at the onset we worked with management at the authority to determine whether or not the Canadian Dam Association, what they were setting forward in terms of recommendations, principles — with what they call them, principles, and then guidelines — whether or not they were a good benchmark to evaluate the Watershed Authority against.

What we're finding is that a lot of jurisdictions use them as really their benchmark and their bible. Also in some — from what I understand — in some jurisdictions they have incorporated that aspect into their regulations, etc. That isn't occurring here in Saskatchewan. So it doesn't have legal grounds in Saskatchewan but it is a useful benchmark and a

valid benchmark to evaluate the authority against.

Mr. Duncan: — I guess further to Judy's comments I guess I could state that the Canadian Dam Association is a non-profit organization. It's comprised of about 700 individual members and about 65 corporate members. The Watershed Authority is a corporate member of the association.

The membership of the Canadian Dam Association principally involves three groups of people — dam owners, regulators of dams, and engineering consultants. And the association was formed in 1997 with the amalgamation of two predecessor organizations — the Canadian Dam Safety Association, which was largely spearheaded by former staff of Alberta Environment, and the Canadian association on large dams, CANCOLD. So the guidelines and the principles that the association prepares, as Judy had mentioned, are largely recognized by major dam owners across Canada and I believe there is one province that actually makes reference to them in their regulations.

Mr. Krawetz: — And, Ms. Ferguson, just to clarify. When you indicated that the new dams that are completed the CDA requires that at three years, within three years of initial reservoir filling, that a first dam safety review be completed . . . And of course the history is that Rafferty and Alameda filled in '97 and '99. And then you make the statement, "At March 2005 the Authority had not done a comprehensive safety review of . . . Rafferty and Alameda . . ." — is that to suggest that the first dam safety review has not been done? Or is it the comprehensive safety review that has not been done since it is more than three years since these dams have filled?

Ms. Ferguson: — We are making reference to the comprehensive dam safety review. We just found it was so long to write every time so probably maybe we could have done that but it's actually the comprehensive dam safety reviews that aren't done.

Mr. Krawetz: — So this, to Mr. Kramer, this requirement or this recommendation that a safety review, the first safety review be done within three years of the reservoir filling, was that completed for both Rafferty and Alameda? And then subsequently, now are you waiting for a comprehensive review to be completed on those two reservoirs?

Mr. Kramer: — I'd ask Bill to provide comments.

Mr. Duncan: — No, there was not a comprehensive dam safety review within three years of the filling of both those reservoirs. There have been engineering consultants engaged since their construction to assess the safety of various aspects of those projects, but not a comprehensive safety review.

Mr. Krawetz: — So therefore, when you say that whether or not the province accepts the recommendations — this one, this recommendation by CDA that a first review be done within three years of the reservoir filling — that wasn't a requirement and therefore the authority chose not to do them within three years of the dams filling. Is that a fair analysis?

Mr. Duncan: — I guess we, by and large, acknowledge and accept the recommendations, the guidelines of the Canadian

Dam Association. And I guess we do acknowledge that we are deficient in complying with all the recommendations put forward by the Canadian Dam Association.

Mr. Krawetz: — You spoke of concerns that you had regarding the certain parts of the dam that needed to be improved because of structural deficiencies. Would those have been identified sooner had the review been done within three years, or were these concerns that have shown up since that first three years after the reservoir was filled?

Mr. Duncan: — No. I believe that Rafferty, the first instances of some distress on the embankment was observed in about 1997, I believe.

Mr. Krawetz: — So if I'm right then . . . To the auditor: you've indicated that the Rafferty and Alameda dams filled in '97 and '99. So is this within the first year that Rafferty has filled that this problem was identified?

Mr. Duncan: — I don't think that the problem was necessarily a direct result of the filling of the reservoir.

Mr. Krawetz: — Okay. Then let's move in the area where you said that it looks like it will be a costly venture at the current water levels within the reservoir and you're waiting for a drought-related term in our future weather patterns; and I'm sure that'll come about. Is there any concern about having to wait on that for, you know, four or five, six years?

We don't know when the next drought is going to occur and water levels will decline. Is there any concern from the safety point of view within the authority?

Mr. Duncan: — I guess we are proposing to undertake that work when conditions are more favourable because we believe that it will bolster the safety of the dam. However, we do not believe that there is undue risk with the configuration of the dam as it currently stands.

The Chair: — Thank you, Mr. Krawetz. I know we're running a little late here but I do have a couple of questions. When others were wondering how long it would take for the water to get from Gardiner dam to Outlook or Saskatoon, I was wondering how long it would take for my old basement, where I used to live, to reappear having now been under about 70 feet of water on Lake Diefenbaker.

Is it normal for dams to deteriorate? Like should we be expecting that they will deteriorate, that they will wear out, for lack of a better term and that repairs and reconstruction will occur at some point, whether it be decades or centuries?

Mr. Kramer: — I think the broad comment I'd make is that for earthen dams like Gardiner, they really are Saskatchewan high-consequence dams. We would look at their life being indefinite in the sense of lasting and lasting and lasting as long as adequate maintenance and rehabilitation is done. That means that some of the structures, the concrete structures, need to be tested on a regular basis. Some of those will need to be improved. Some of those will need to have rehab done on them.

But the basic structures, with proper maintenance — the kind of

investments that we're now making — would have indefinite . . . one can't say infinite but certainly indefinite life. And we think that that is reasonable. That's the way we plan for the province, that those will be available to us for the indefinite future.

The Chair: — So when you do a safety inspection or whether it be done by the Watershed Authority or whether it be done by an independent engineering firm, do they just . . . do they test concrete then? Do they also drill into the dam to check for water seepage or is there some way to detect whether earth has shifted? Just what do you do?

Mr. Duncan: — We have a variety of instrumentation, say at Gardiner dam. These include piezometers, every 300 or so — in that neighbourhood — which measures the porewater pressures, the water levels within the dam as well as the foundations. We have another set of instruments known as slope inclinometers which measure the movement within the embankment as well as the foundations. And we can measure movements down to the millimetre.

We also have settlement plates to again measure settlements within the foundation of the dam and the embankment. We monitor the seepage flows through a variety of drainage galleries, and we undertake surveys, both elevation surveys and horizontal surveys to measure the movement of the embankment.

So we have a full-time, three-person crew at Gardiner dam which works 24 . . . well I was going to say 7, but they're out there year-round undertaking these measurements which are provided to our engineers in head office who analyze the results and prepare a fairly thick report at the conclusion of each year.

The Chair: — So what does the five-year inspection or evaluation do then?

Mr. Duncan: — Well in addition to this performance monitoring, we also do comprehensive inspection of the works, a visual inspection as well as various tests such as you mentioned, concrete tests and monitoring of cathodic protection systems for metallic components at the dam. So there's a whole suite of activities which is undertaken to assess not only the performance of the dam but also the physical condition of the works.

The Chair: — And you do the same thing at the Rafferty/Alameda on a, you know, basically 24/7 basis.

Mr. Duncan: — There is a full-time crew stationed there.

The Chair: — And what about the dam at Tobin Lake? How is that? Because that doesn't fall directly under your responsibility, who is responsible?

Mr. Duncan: — That dam is owned by SaskPower so they're responsible for their dam.

The Chair: — And do they follow the exact same procedures or do they charge you with those responsibilities?

Mr. Duncan: — No. They undertake those with their own

forces.

The Chair: — Is that an efficient way to do that?

Mr. Duncan: — I'm guessing if they thought it was more efficient to use us, they may approach us but . . .

The Chair: — A slightly different line of questioning, if a dam in Alberta malfunctions on the Saskatchewan system, probably on the South Saskatchewan system because there's a tremendous amount of reservoirs and irrigation — a significant dam malfunction — can you handle that? What impact does that have on Lake Diefenbaker and on Gardiner dam, and what are the downstream consequences?

Let's suppose it happened. I mean this is appropriate because we've got flooding in Alberta right now and the lake is full. Let's suppose, you know, as a worst case scenario and a major . . . St. Mary's dam burst in Alberta and that came out. What would be the impact on our infrastructure?

Mr. Kramer: — A couple of comments that I would make. First of all it's just an interesting fact that for Gardiner dam, Gardiner dam itself has in excess of four times the storage capacity of all of Alberta's dams in total, combined. So the people who had the foresight to put Gardiner in place certainly had significant foresight for the province because Gardiner dam has more than four times the capacity of all of Alberta's water control infrastructure, water storage infrastructure combined.

So what we'd say is, if there was failure there would be significant capacity in Saskatchewan. But then you come to situations like ours now, and really Alberta's infrastructure now for water management is all full. So whatever comes down is passed through the South Saskatchewan through into Gardiner. We now are at the point where by the end of June we will be full, that is, at full supply level for Gardiner. We're now spilling. That is in addition to hydro going full bore 24 hours a day. We're spilling on the side.

And what I'd say there again by way of comfort for a committee, but even for people in the province, we're spilling now through the Gardiner dam spillway; we had about 1,800 cubic feet per second. And the capacity for the spillway — even when we say we've used the largest releases in a number of decades — is about 11,000 cubic metres per second. So we're at something like one-sixth of the spillway capacity.

But if there were failures that would come from Alberta's infrastructure which is relatively small in volume compared to Gardiner, they would be passed through the spillway. Now that has significant impact downstream even as we will see in Saskatchewan in coming days and weeks. As we move to the east side of our province, Cumberland House and other areas, they will be in real danger of flooding that could affect those communities in a significant way because as the river spreads out, that volume of water can have impact on the shores and would have.

But in terms of threats to communities, our capacity in Gardiner and on through is such that we don't have active worry of what may happen either from even significant new storms in Alberta or from failure of their infrastructure. We have capacity in our

infrastructure to manage that. Although if there were new storms we would spill; essentially it would pass through Saskatchewan at the same rate as it comes into Saskatchewan which would be significantly more than people are seeing downstream now. But up to about the end of June, we're still holding some of that to insure Gardiner is full at the end of these rains, but after that we would spill all that came in. But we have lots of capacity to spill.

The Chair: — I remember a time — I think it was in the '70s — when Gardiner was actually, Diefenbaker was actually overfull; it was 1 or 2 feet above the high water level. What is your maximum level that you will allow the lake to reach before you say no more must the lake level rise?

Mr. Duncan: — Under normal operating conditions, we limit the peak level on the reservoir to the full supply level. If we did have a probable maximum flood — which is something which nobody in the room here hopefully will ever see — the reservoir would rise to about 4 feet from the top of the dam. And it was designed to accommodate such loads.

The Chair: — And that would be how many metres above high water?

Mr. Duncan: — Right now when the dam is at a full supply level, we have 18 feet of freeboard. So that would — my math is right here — rise about 14 feet above the full supply level of the reservoir.

The Chair: — We're out of time. I was going to ask about the consequences to Tobin Lake and that dam if there was major malfunction of structure.

I think the chances of it happening are very small, but what are the chances of an earthquake impacting any of the dams in Saskatchewan? I know there's been really small ones as a result of potash mines. Is that in your considerations at all or is that so far-fetched that we needn't think about it?

Mr. Duncan: — No, it's not far-fetched, but in the Prairies we're deemed to be in the stable, geologically stable part of Canada. However at this juncture Geological Survey of Canada is reassessing the earthquake likelihood model so there could be some implications on dam design and rehabilitation requirements once those studies have been finalized.

The Chair: — All right, thank you. And I apologize to members for taking us a bit past our scheduled closing time. Are there any other questions that . . . no questions from the side?

We have four recommendations that we would like deal with from chapter 3 of the 2005 auditor's report. All four are on page 38. The first recommendation by the auditor says:

We recommend that the Saskatchewan Watershed Authority obtain an independent comprehensive dam safety review on each of its very high consequence dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner) at least every five years.

Is there a motion? Mr. Borgerson.

Mr. Borgerson: — Yes, I move that we concur with this recommendation and note progress.

The Chair: — All right. The motion is to concur and note progress. Is there any discussion on the motion? Seeing none, all in favour? Carried unanimously.

Recommendation no. 2:

We recommend that the Saskatchewan Watershed Authority have up-to-date tested emergency preparedness plans for each of its major dams . . . [the same ones].

Is there a motion? Mr. Borgerson.

Mr. Borgerson: — Yes, I'll move that we concur and note progress.

The Chair: — Okay, again a motion to concur and note progress. Is there any discussion? Seeing none, call for the question. All in favour? Carried unanimously.

Recommendation no. 3:

We recommend that the Saskatchewan Watershed Authority set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety.

Is there a motion? Mr. Borgerson.

Mr. Borgerson: — To concur and note progress.

The Chair: — Again a motion to concur and note progress. Is there any discussion on the motion? Seeing none, call the question. All in favour? Again carried unanimously.

And finally recommendation no. 4:

We recommend that the Saskatchewan Watershed Authority set long-term targets (e.g. five to ten years) for measures related to dam safety to help it better monitor the effectiveness of its dam safety activities.

Again, Mr. Borgerson.

Mr. Borgerson: — And again I will recommend we concur and note progress.

The Chair: — Again a motion to concur and note progress. Is there a discussion on the motion? Seeing no hands, we call the question. All in favour? That is too carried unanimously. We will now recess for lunch and resume our committee meeting at 1 o'clock.

Mr. Kramer, you had some comments.

Mr. Kramer: — Only very briefly in passing. I do have today's media advisory on water levels and water flows, the one from 9 a.m. this morning. I'll pass that around the table to committee and the staff just for their information. It is an interesting time to be involved in water management in the province. A number of references here, for instance highest June flows ever recorded

into Lake Diefenbaker. So it is interesting times. I'll pass this around.

And again thanks to the committee, thanks to the auditor for working with us. I think as a staff we would say we're confident that in the province, we have dams and infrastructure that does its work safely, and that's our commitment for the future as well.

The Chair: — Thank you, Mr. Kramer, and I apologize for forgetting that. Thank you and your colleagues for appearing before the committee. We're recessed.

[The committee recessed for a period of time.]

Public Hearing: Public Service Commission

The Chair: — All right, committee members. We're going to resume our meeting, and we're to the last item on our agenda, the Public Service Commission report which is in chapter 2 of the 2005 report volume 1. We have with us from the Public Service Commission, Clare Isman, who is the Chair. We welcome you and your colleagues and we'll give you in a moment a chance to introduce them and to respond to the auditor's report. But first of all I would ask Judy Ferguson from the Provincial Auditor's office if she would give us a summary of their findings, and then we'll move on from there. Ms. Ferguson.

Ms. Ferguson: — Thank you, Chair, members, and officials. Good afternoon. I am pleased to present our chapter on Public Service Commission. The Public Service Commission is responsible for about 20 per cent of the government's employees. That is it is responsible for primarily those employees employed by government departments. It is charged with leading and coordinating human resource planning across government departments. In addition it must ensure human resource activities of departments are aligned with priorities that effect many departments.

This chapter sets out the results of our audit of the Public Service Commission's processes to lead human resource planning across departments. We define human resource planning as having the right people in the right jobs at the right time. Good human resource planning enables the government to provide public services effectively and to meet its goals.

As outlined in page 26 of the report, we expected the Public Service Commission to have processes to guide human resource planning strategically across . . . over the long term, manage human resource risks across departments, analyze departments' human resource planning, and last, build capacity for human resource planning within government departments.

We found the Public Service Commission had adequate processes with two exceptions. First, the Public Service Commission has identified many human resource issues and communicated these to affected departments. To focus planning efforts, it is important departments have a clear understanding of priorities. Too many priorities can result in a lack of focus and reduce the capacity to act effectively. The number of priorities that a department can manage varies. For example the complexity of the priority and the time available will determine

how much expertise and effort will be needed. We found the Public Service Commission needs to communicate to departments a manageable number of priorities.

Second, although the commission has substantial information about human resource risks, it does not use a formal process to analyze risks. Use of a formal process, commonly called a risk-management framework, helps agencies to more comprehensively identify and address the impact of risks. In addition, it helps agencies to decide and set acceptable levels of risk.

Based on these findings we make two recommendations for the committee's consideration. You will find these recommendations on pages 28 and 30 respectively.

Finally, we'd like to recognize the Public Service Commission's excellent co-operation throughout this audit. That concludes my presentation and we'd be pleased to respond to questions.

The Chair: — All right. Thanks, Ms. Ferguson. And we will ask Clare Isman to introduce her colleagues and respond. Ms. Isman.

Ms. Isman: — Thank you very much, Mr. Chair. I'd like to introduce to my right, Rick McKillop, who's the executive director of employee relations. And to my left is Lynn Jacobson, the director of corporate services of the Public Service Commission.

I'd like to say thank you to the invitation back to Public Accounts. We do concur with the audit conclusions that the Provincial Auditor's office has made with regard to human resource planning priorities as of October 31, 2004.

We're also pleased to advise that since the review was concluded and the report released, we have been working on the recommendations of the Provincial Auditor's office, that is with regard to refining the number of human resource priorities that we have, as well as researching risk management frameworks.

The Chair: — All right. Thank you very much. That was a very concise response. We will open up the floor to any questions. Mr. Elhard, critic for Public Service Commission.

Mr. Elhard: — Thank you, Mr. Chairman, and good afternoon. It doesn't seem that long ago that we met to discuss the 2004 report, and it's good to be able to move directly into the 2005 report today. And since everybody seems inclined to brevity, I don't know if I want to break the tradition or if I want to make my questions fall in line with the precedent already set.

The report this year though did bring some questions to mind. And I take it that from your comments, Ms. Isman, that the Public Service Commission has taken the advice of the auditor's office, recognizes some weaknesses, and has already started to address some of those weaknesses. Can you identify some of the things you're doing to address the problem areas that the auditor outlined?

Ms. Isman: — I'd be happy to do that, Mr. Chair. I guess the two areas that the auditor's office talked about, one was with

regard to risk management frameworks, and so I'll start there.

Risk management models are an interesting thing both in the private and the public sector. And it really is, I would suggest, an evolving area of study, an evolving area of practice as it relates to overall general planning, whether that's with regard to strategic planning or in this case, human resource planning.

What we've done to date is we've started to research risk assessment models that we believe can be applied to a human resource management framework. And the way in which I'll differentiate that is when you look at risks that aren't with regard to human resources, for example risks as it relates to financial management practices, those are often fairly well established in terms of, for example, established accounting standards through the Institute of Chartered Accountants, their handbook, and those practices that are well established.

In the field of human resource management, the study really hasn't evolved that far. So what we're doing is looking at risk management frameworks and how you apply that then to the risks of people and the impact of people on an organization, which means that we're modifying things that in practice haven't necessarily been directly applied.

Some of the things that we're looking at is risk management models that Australia and New Zealand have actually started to work with most recently. Wiltshire Consulting is another one that we've been able to find that are starting to model frameworks as it relates to human resource management. Hydro One is another organization that we've found actually has some information that we've been able to start to look at, and the Treasury Board of Canada as well. Those are the four that we've actually — in the time that we've had our conversations with the Provincial Auditor's office — gone looking.

We're in the process right now. You'll notice from the corporate human resource plan that our previous plan went from 2002 to 2006. So we're in the process right now of renewing the corporate human resource plan for 2006 to 2010, which is a very appropriate time for us now to implement a new risk-management framework as we're looking at the risks in the out years.

So what we're learning from our studies now, we will then apply to the renewal of the corporate HR [human resources] plan as we're moving forward. That then assists us in terms of establishing the priorities, which is the other area that the auditor's report talked to us about, rather than simply establishing what the issues are and addressing the point, that we need to address all of them. And so then therefore we attempt to address all of them without establishing clear priorities. I think the risk-management model that we then choose will allow us to then establish the priorities in a more formal way, coming back to the questions of how much capacity do we actually have within the system to address each and every one of them.

In terms of risk management we have established a time in September 2005 to run a risk-management workshop for all the HR planners across government. So we will be bringing in some external expertise as well as our human resource planners that are already working in this area to do some internal

capacity building as it relates to human resource risk management.

And finally I think the last thing is we will continue to work with the performance management branch at the Department of Finance as it relates to an overall risk-management strategy related to the overall department plans, so that you see alignment between risk management in our performance plans that's well aligned to our human resource plans as well.

Mr. Elhard: — If I understood your response adequately, what you're doing basically is moving into an area that's roughly uncharted as of yet, that is pretty experimental or theoretical maybe — academic might be a better way to describe it. And you talked about some areas where these kinds of models have been employed. Can you give me an indication in the case of the Government of Australia or New Zealand or maybe Ontario Hydro where they've started to work with this, how much experience do they have with this type of risk management?

Ms. Isman: — And actually at this point, Mr. Chair, I don't think that I have the details. I can certainly prepare something in terms of what the research that we're doing is finding, but we haven't yet had a report in terms of the work that we're studying and the documentation gathered. I haven't actually personally looked at it, in terms of the gathering of that information, but would be pleased to report back in a summary document if that would be helpful.

Mr. Elhard: — Maybe I should direct the question to the auditor's office as to sort of the efficacy of this type of risk-management requirement and what basis did the auditor's office have on which to recommend this type of an operation or adventure basically for the Public Service Commission because it sounds like it's relatively new in the area of human resource activity. And I'm wondering if you, as an office, have seen this type of assessment and capability work effectively in the human resource area.

Ms. Ferguson: — One of the things that we do in these types of engagements where our office doesn't have the expertise directly within the office, we actually engage outside assistance. And in this audit, we did that. And through the use of our outside assistance, they identified that this was a reasonable expectation in the area for human resources — he is a human resource expert — and that yes, it is an evolving area.

So the expectation that we have of Public Service Commission is that they won't be able to fully implement this like tomorrow or, you know, within the short term. But it is something that they need to move forward on that. And so in that light is how we've assessed the organization and expect it to move forward.

So I don't . . . It is an evolving area, but so is a number of areas. The whole area of performance management and performance reporting is also evolving. But it is reasonable that the government agencies are on side with best practices and evolving best practices.

Mr. Elhard: — I guess the only reason I was inquiring about that is that if it's a discipline that is so new, we might be asking something of the Public Service Commission that they're going to have to dedicate more time to completing than it's worth.

However if there is substantial effort or experience in this area but we're just unfamiliar with it, that's a whole different situation.

Ms. Ferguson: — There is experience elsewhere. Like, if you look on our resources, you'll find that the very last one indicates some experience in the area of human resources and using of risk. It really . . . Embodied in the Walker document, the very last one, was a risk management dimension too. So it's not uncharted waters whatsoever, but it is an evolving area as was expressed by the commission.

Mr. Elhard: — I was taking a few minutes prior again to today's meeting to just go over the report contained in volume 1 by the Provincial Auditor. And it talks about the need to have a clear human resource priority established. And secondly, that the commission has substantial information about human resource risks but does not have a formal process to analyze these risks. I'm referring to page 24.

And so I guess I would like to just work my way through this report if we can. I highlighted a few areas that I have questions pertaining and appropriate to this afternoon's discussion.

Can we identify what risks the auditor's office is looking for? Can we put a name to these risks as opposed to just a general use of the term?

Ms. Ferguson: — Yes. If you actually go to page 25 of the document, what we've done is we've provided, you know, three examples within the document. And they are demographic shifts that affect the ability to attract and retain employees, the need for a supportive workplace and workplace environment that promote learning, and the modernization of the human resource management systems processes and practices. Those are three examples of human resource risks.

Mr. Elhard: — Are there other risks, though, that you are anticipating? Like, you have identified those risks, but it seemed to me — if I understood the report appropriately — that you knew that there were some risks that the commission was aware of and had taken some steps to address them. But I got the impression that you were worried about other possible risks, none of which you had identified in the report, but that you were suggesting that there might be additional risks that the Public Service Commission ought to be prepared to address.

Ms. Ferguson: — What we did on this engagement is that we focused on what systems and what practices the commission used for a process. We didn't take inventory of the existing risks and then assess whether or not the commission had identified them. We didn't undertake that at that exercise.

What we did in this report, though, and what we have recognized is that the commission has identified a number of — sometimes they used the term risks; sometimes they used the term issues — in the course of their activities. And they do communicate all of these, and the list is rather extensive.

But what we didn't get a feel for is which were the most — if the commission had gone through and assessed — which were the most important ones and communicated their importance to the departments, you know.

And really it's that whole concept of prioritization so that everybody had a common understanding of which ones were the most important ones and why. And from there you could set the time frame. And I think, as the commission has appropriately linked, is that there's a relationship between that risk management process and the setting of priorities. And so that's what we've tried to convey here is that that relationship is very important. You're dealing with people here, and so I think it increases the ante in terms of the importance of that.

Mr. Elhard: — The auditor's office gave the Public Service Commission a reasonably good report. If I'm putting words in your mouth, correct me. But I think that you recognize that there is some important steps being taken by the commission, that they've achieved some benchmarks that you're happy about, and there a few weaknesses that you want them to attend to yet. But I do notice that, I think that the word adequate was used to describe the achievements. Is that being damned by faint praise?

Mr. Wendel: — That's a term we use a lot at our office was adequate. We very seldom give anybody not much better than that. I guess that's the terms that auditors use.

Mr. Elhard: — Is acceptable another term, a synonym that . . .

Mr. Wendel: — Acceptable would be fine.

Mr. Elhard: — Okay. I remember as a student having my work described as adequate and it usually meant a C.

All right. So what we've got here are two exceptions though, the areas of establishing a manageable number of priorities and the analysis of human resource risks. And so I guess once again I should turn to the Public Service Commission and ask them what are they able to do? What are they going to be doing in terms identifying the manageable number of priorities? How is the Public Service Commission going to attack that particular issue?

Ms. Isman: — Thank you, Mr. Chair. I think there's a couple of ways. And as I indicated, I think part of it is the application of risk management that then helps you determine what the priorities are. So for example, you know we talk about demographics, we talk about the workplace environment, training and development as being issues or risks for the public service in terms of the current state. I think you can add to the list things like the skills and competencies of your workforce at this point in time versus the needs as you go into the future. You can talk about the impact of technology then as it relates to the skills and competence of your workforce and therefore the risk that that poses to the organization as you move forward. The quality of your managers, for example, as you move forward in a more complex environment.

When you take that list of risks or issues and then you apply risk management to it, what you're then doing is you're determining how great is the risk and which risk is more significant than the other. So it causes you to rank order of them and therefore to result in the establishment of priorities. So rather than saying they all have equal weight which is generally how we've done it, we've identified our actions in the corporate human resource plan that basically says we're going to do all of

these things in order to address all of these issues. And what we find is then we're spreading ourselves I guess relatively thinly across the piece in order to establish all of them rather than in some cases potentially going deeper, resolving it, and moving on to the rest.

And I think the establishment of the risk management framework as is recommended by the auditor will allow us to then determine at what point in time do we want to go deeper, get that management issue dealt with or human resource issue dealt with over this period of time rather than assuming all of them will be managed the same over a three- or four- or five-year period of time. So we deal with this one first versus the other.

So as an example for you, one of the things in terms of some of the key issues that we're dealing with right now is on the demographic side, the increase in retirements that are potentially facing us as we get closer to the end of this decade starting in 2010. Four years ago, in 2002, when we put the corporate human resource plan in we knew those demographics but 2010 seemed substantially further out. So our immediate need around, for example youth recruitment probably wasn't as significant in 2002 as potentially it is now from 2006 to 2010.

Therefore the activities that we need to be putting in place today in terms of the ability to establish the public service as an employer of choice for youth recruitment is probably more urgent as we're starting today than it would have been in 2002. And therefore our activities need to be moved along more quickly in order that we're prepared for 2010. So that would be an example of what we are doing.

Over the last couple of years we have spent considerable time in terms of the way in which we're communicating with young people in the province around a career in the public service. The look of our ads, the look of our materials, moving away from what was looking quite bureaucratic, certainly seen by young people to be overly demanding in terms of the kinds of competencies we were potentially looking for. It wasn't seen to be inviting to youth. So we very much spent time thinking about well what do youth want. What are they looking for in terms of being an employer of choice, and then moving to move our systems and our processes to align with those kinds of needs. So I think that would be an example.

Mr. Elhard: — In our discussion just a few minutes ago about the risk management models and, you know, the availability of precedence to study and so forth, I got the distinct impression that that's an exercise that would take some time. Now I don't know if you've got a timetable in which you hope to complete that. But if I understood you correctly, you want to really finish the risk management model search before you get into establishing the priorities. So the factual establishment of these priorities could be an exercise that we won't see any completion for, for what, a year? Two years? I mean what is the realistic time frame?

Ms. Isman: — Mr. Chair, I don't think the two things can happen independently of each other. As our corporate human resource plan evolves, which it has . . . And I think we've improved it every year since we started. And that in and of itself in 2002 was a new initiative for us. And if I go back and look at

what our plan looked like four years ago to what our plan looks like today, I would suggest to you we've made significant progress in terms of improving it.

I think the same thing will happen with regard to risk management. We know more than we did four years ago. It will be easier now to establish our priorities for this year and the coming years, and that's even in the absence of a risk management model. What the learning of the risk management model will do is enhance our skill to be able to do it. And so it will evolve, I believe, over a number of years.

And so I'm not sure that within a year I can come back and say we've got an effective risk management model and it's working perfectly. But I think we will have come some way in determining whether or not the processes that we're using in terms of risk management have improved from one year to the other and whether we're comfortable. We'll try some things. Then we'll evaluate on how they're working and if they're not, we'll go on and we'll try something new. And we'll learn as we do it and grow and improve.

Mr. Elhard: — If we move to page 28, there's a few questions that arise as a result of some of the information contained on this page of the report. And it says that the Public Service Commission is recommended to communicate to departments a manageable number of human resource priorities. And I guess I should address this question maybe to the auditor's office and then later to the officials from the Public Service Commission.

When this was written, whose responsibility was it envisioned to be to identify the priorities? Were you as the auditor's office reserving unto yourself the right to establish or identify the priorities, or were you just recommending that that's something that the Public Service Commission do for itself? Who's going to do that?

Ms. Ferguson: — What we did is in this one we actually looked to and we expected the Public Service Commission to identify the priorities, you know, and to have processes to do that so that it would be done in a systematic manner so that the results that you get are legitimate results. And what's important to recognize is that they are a central agency, and they have to show leadership in terms of the human resource planning.

And so the priorities that we were expecting them to identify are priorities that would really be those priorities that would affect most of the departments as opposed to a priority for Department of Agriculture and Food or Department of Finance. So it would be the priorities that affect across the piece. But our expectation clearly was that the commission would have a process in place to do the identification.

Mr. Elhard: — Is it possible to envision a situation in which the auditor's office would pass judgment on the priorities as established by the Public Service Commission? Would the auditor's office feel comfortable saying, you know I don't think we can agree with the priorities established here?

Mr. Wendel: — I doubt very much whether we would disagree with their priorities. It's up to them to come up with the right priorities and then answer for their selection if those aren't the right ones.

Mr. Elhard: — How would the commission envision going about establishing its priorities? Do you have a template that you work with? Do you have a pretty clear-cut idea of what things you want to see achieved?

Ms. Isman: — Mr. Chair, yes there is, and this is one of the things that we've learned through doing. It's a fairly inclusive process. What we do is we basically start with a broad environmental scan. And when we do the environmental scan, we use best practices. We look at organizations across the country, internationally, and we really look at all of the demographic information, the financial information, technology, all the kinds of things that generally would impact on an organization.

We then gather some of that environmental scan data from other departments that they may have, and we put that all into a package. And we're in the process of working on this now in terms of our 2006 to 2010 corporate human resource plan.

We then use a process of ongoing consultation with stakeholders basically to assess what we're putting in front of them from our best expertise in terms of what we believe the organization will face in the out years and what we currently see in the current environment. And we talk to stakeholders like our own management committee internally, the public service commissioners, government as we relate when we talk through, for example, estimates and the kinds of things that we talk about.

The department's human resource community, department executive committees, would be involved because it's through the gathering of that information as well as their feedback that you can then actually identify overall across government really what the key issues are, what the priorities are.

So that's the process we're working through. We would also involve discussions with our unions as key stakeholders in the process in terms of where they see and what they understand from their perspective to be the key issues that we're facing, which then allows us to then go in and talk about our goals, our objectives, our priorities, and our key actions.

Mr. Elhard: — From the recommendation contained on page 28 where it talks about communicating to departments a manageable number of human resource priorities, I'm putting the emphasis on the manageable because I'm wondering how we're going to determine that. And I can also assume that at some point or other some of the priorities were determined to be unmanageable — too many priorities. So how are we going to determine the manageability of these priorities?

Ms. Isman: — That's finding the right balance. Part of it I guess is through experience, and how many of the issues, and how critical they potentially are, looking at our capacity. And I think one of the things the auditor's office talked about is our systems and processes and practices. So when we think about manageability and our capacity to do it, do we have less capacity to deal with an issue because we're tying up our time doing things that potentially aren't as value-added as they should be.

So part of the human resource professionals, when we come

together, we need to talk about that. So if we've determined that these are critical priorities and that we need to put time and attention to them and we don't have increased resources to do it, then we need to engage in the conversation then — what can we do differently in order to free up time, or what are we prepared not to do over that period of time in order to allow us to engage it. That's the discussion within the broad human resource community.

So the Public Service Commission is the central agency. Our management committee as well as the human resource directors and their staff across government come together to have that discussion. And it is somewhat of a negotiation process because, as the central agency, our expectations may be higher than they believe they can deliver at a point in time, and we'll go through that discussion to determine where we ultimately agree and where we can move. If in the central agency I believe — and my executive committee believes — we need to put attention to it, then we'll need to look to find the resources that we can potentially then put to that as well. So maybe we can do something different in terms of supporting the departments in terms of what those priorities might be.

Mr. Elhard: — You probably said this, but I was maybe thinking of asking a question while you were saying it. I understand then that manageability will vary depending on the department, the needs of the department, the capabilities of the department, and the resources of the department. Is that a fair assumption?

Ms. Isman: — Yes. That's the key, yes.

Mr. Elhard: — On page 28, but prior to this particular recommendation, there's reference to the government's new financial management system, MIDAS [Multi-Informational Database Application System], which I assume is an acronym or maybe a trade name. It's kind of an interesting name for a government capability. But nevertheless we've talked about the MIDAS systems and how it's going to work in terms of financial reporting and payroll and those types of activities. How does the human resource component dovetail into the MIDAS system? Can you describe that for us?

Ms. Isman: — I will try, and then I'll ask Lynn to follow up because Lynn is actually leading the initiative with regard to the integrated human resource management and payroll system. So MIDAS, first of all, it's the Multi-Informational Database Application System. So that's what MIDAS is.

And so, as you referred to, the financial piece is already running in terms of financial accounts. The human resource and payroll component, it's easier for me to look at it. The financials are done. Payroll feeds into the financials in terms of the expenditures of salary expenses into the financial. So that's where you actually have a very direct link between payroll and your financial accounting system.

There is then a link, in terms of your human resource management system, into payroll on several fronts. The first is probably time capture. So out in the system, in terms of the front end of your payroll system, is generated by the hours of work that employees have — their rates of pay, overtime, and all of those things — which is the time capture system, which

then feeds the payroll system, which feeds the accounting system.

The human resource system feeds the time capture and the payroll system inasmuch as all employee data — so that related to the employee, that related to payroll, that related to training and attendance, and all of the other human resource management functions — are then captured on the human resource management side of the integrated system.

So the value in integration is that all of those systems can feed each other, talk to each other, and allow us to report collectively on one system with one set of organizational structures, one set of reports, etc.

The implementation of HR and payroll is scheduled for the end of this year. Our go-live date is December 2005 and that's what we're currently working on. And we have a joint team, the Department of Finance as well as the Public Service Commission actually working on the development of that part of MIDAS in preparation for that implementation date.

Mr. Elhard: — Did the Public Service Commission have any real input into the design of the MIDAS system and how it applies to the human resource sector?

Ms. Isman: — Yes, a lot. And I'll maybe ask Lynn just to speak to some of the details of that.

Ms. Jacobson: — As Clare has already enunciated, the project is a joint project with the Department of Finance and this is really the phase 3 of that integrated system that will include financials, HR, and purchasing. So Finance, in terms of the first part, really led and managed that. The Public Service Commission wasn't involved.

Now in phases 3 and 4 which deal with the HR, payroll side of it, we're intimately involved and we actually have a project team with the Department of Finance building that component. So we have our staff. There's about 52 folks on this project devoted to the development so there's a lot of input from the HR community.

Mr. Elhard: — If I can paraphrase it using, you know, sort of the vernacular that the layman would be more familiar with, MIDAS as you have described it seems to me to be an improved mechanical system. You know, it offers an improvement in terms of reporting, sorting information, cross-referencing — those types of efforts — all of which is probably important to bring some level of efficiency to the system and certainly communication across the board. But is there any other real benefit to the system? I mean we're expending a lot of manpower, a lot of money, I assume, to this initiative. Is it just a better mousetrap?

Ms. Isman: — I think there are a lot of benefits to it and probably more history to the need to implement it than I necessarily have got the details on. But I think part of it is around, I mean the need of the technology in terms of new technology. But with the implementation of any new system I think you come back to looking at modernizing your business processes and how you ensure that your processes support the organization and the reporting, but as well the systems of

controls and things that you put in place based on best practice.

The systems that we're also looking at with regard to not only our ability to report and that of certain individuals to be able to run reports and get information, but for managers to have better access to information they need on a timely basis, for employees to have access to information and to be able to update their records.

For example, when you think of modern systems and processes that we need to fill out a paper form now for an employee with the employee information and their designates on beneficiaries and all of that and you use a paper-based system, and then you have someone keying in that information and then all the checks and balances, to a system that now in today's world would allow an employee to go in and say, here's my name; if I need to change my address so that you can send me correspondence, I can do that online — in terms of the kinds of the information that they would have access to and could readily change.

So it's the kind of things around those kinds of services. The ability for example, if you've got the need to submit claims for travel expense claims, rather than having a paper-based system, the ability to utilize technology and best business practices. The ability to do workflow so that you don't necessarily need paper moving from office to office and being signed by multiple levels of people but you can actually do that electronically using best business practices as well from a human resource management systems perspective.

As well it allows us to put in new systems in terms of where we had potential gaps around the application of the seniority provisions, for examples, in the collective agreement — of moving away from multiple systems to a singular system.

So I think all of those things get evaluated and assessed when you're putting a in a new system and allows you to put in system improvements all the way through.

Mr. Elhard: — Does it make the public service more effective? Does it give them an opportunity to do better work on behalf of the people of Saskatchewan? Does it allow them to establish, you know, new goals and priorities? I guess, you know, I wonder sometimes whether all the systems that new technology avails us are really as practical as they ought to be. You know, there's no end to the kinds of things you can with new technology, but does it enhance the job that people are doing and is there a component to this MIDAS system that will achieve that?

Ms. Isman: — There are probably different benefits at different phases of the process in terms of ultimately the goals and objectives.

I think in terms of the implementation of the system, one of the key drivers was the current system that we had wasn't going to be supported any more. So from the point of view that we needed a new system because our old system simply wasn't going to do what it needed to do, I think was probably a bit of a key driver.

In terms of new goals and priorities, I think there might be

several benefits that I would suggest. One is with regard to human resource management information and the ability for the organization to make decisions based on better information. So if we can get better information that is less labour-intensive to get, that would be a benefit because ultimately the time being spent on gathering the information could then be redirected to some of the other priorities I spoke to you about.

In today's world of not having an integrated system, it's often very difficult and complex to get the data we need to be able to respond to inquiries, whether those are from the public or whether they're from management itself. As well, if it frees up time that we aren't doing manual calculations, for example, that the system can do, once again that will free up resources and time of certain individuals to be able to do it.

We spend significant resources, when we looked at our review, in terms of the transactional and the admin work that we need to do to be able to drive our payroll and HR reporting system, simply because of the nature and the complexity of old system technology. So our ability to be able to free up that time and move it into more professional advisory services as it relates to government's human resource priorities, I think will lead us down a path where you actually do see more effectiveness in terms of the work we're doing, the time we spend with employees, coaching managers, and all those other things that human resource practitioners would do.

Mr. Elhard: — I don't know if it's the job of the Public Service Commission to do this or not, but if the success of MIDAS could be measured, it might be measured in response time to citizens' requests of departments. You know, if a request comes in to a department now, and it takes three weeks for a response to come back, but this would reduce that to two weeks or 10 days or 3 days, then somebody would say, that's a successful system. That was worth the time and effort we put in place, or we undertook to put the system in place. But if it doesn't have any direct impact on the service provided to the citizens of the province, then it's just a data-collecting system — a glorified new mousetrap.

And I guess that's one of the concerns I have. There's obviously a fair amount of effort going into this and a fair amount of cost, but will it produce the kinds of benefits that the citizens will see, not just the in-house management requirements of the government and human resource people? So do you have any comments in that regard?

Ms. Isman: — Well I think ultimately if our systems and processes are working better, and we are able to better support our employees, our managers and our employees ultimately, they will be able to provide better services. So our ability to actually track that as a direct line of evaluation may be quite difficult to do. But in terms of the logic flow that you just explained, if we are able to spend less time doing transactional work and as a result spend more time in terms of effectively coaching managers to be the best managers they can, which then evolves into employees being more productive employees, ultimately the end line result is that they will be able to provide better services to the people of Saskatchewan, which ultimately is the goal for all.

Mr. Elhard: — This is really an aside and I don't want to get

derailed too far here, but does the Public Service Commission measure those kinds of response times to citizens' requests of departments? Is there any process by which the Public Service Commission, you know, checks up on that?

Ms. Isman: — We don't as it relates to other departments in the performance measures that other departments have. With regard to their strategic plans that they report on the performance plans that are publicly . . . there will be those kinds of measures there. In our plan we do track some of the things, for example, that relate to the human resource management system and our turnaround time to support the system, as well as inquiries from the public and those sorts of things. So we don't track what other departments do.

Mr. Elhard: — In our question earlier, we were given to understand that the Public Service Commission has contributed a great deal of energy to the development of the MIDAS system. Are you being expected to bear some of the cost of the MIDAS system as it rolls out?

Ms. Jacobson: — . . . the funding for this project, it all resides with the Department of Finance. The budget resides with the Department of Finance because it is an integrated system and this is the third phase of it.

Mr. Elhard: — So individual departments, to your knowledge, don't contribute to the costs as it relates to their own department coming on stream.

Ms. Jacobson: — No.

Mr. Elhard: — Okay. I guess there is some questions possibly as a follow-up from the 2004 report that I might touch on if I may. Mr. Chairman, how much time do we have today?

The Chair: — We're scheduled to be done in about seven minutes, Mr. Elhard.

Mr. Elhard: — We'll have a very few questions from the 2004 report. On page 251 . . . I didn't bring the report with me. I'm just going by the notes here. "Department human resource plans must align with the Government's strategic direction" is one of the recommendations or statements of that report. And I'm wondering how the Public Service Commission has responded to that expectation. How is it going to be accomplished and how is it being accomplished now? I haven't made myself clear? Is the question clear?

Ms. Isman: — A little bit more would be helpful.

Mr. Elhard: — Okay. Well you do have a requirement for the individual departments, the human resource departments of . . . or the human resource agencies of the individual departments aligning with the government's strategic direction? I think that was a suggestion from the auditor's office in the 2004 report. Has that been accomplished? Is that being accomplished? And maybe the better question is, how well is it being accomplished?

Ms. Isman: — I'll go back to the earlier point first before the question with regard to how well. I think in terms of the establishment of strategic direction, we in the individual

departments take our guidance from many places. First of all in terms of government's priorities as they are enunciated in the Throne Speech, through the budget process, those become fundamental documents for us in terms of where the direction and where the priorities of government are.

Coupled with that are the department's strategic plans, the performance plans that I alluded to earlier. So each department through the accountability framework establishes the key areas of priority of goals, objectives, and key actions that align together in terms of their respective areas. Human resource planning then needs to link that in terms of both corporately where we sit as an employer — and that's the benefit of the corporate human resource plan — as well as with department strategic plans.

So when we're working on the plans, it's that alignment and that very integrated approach that we don't work in isolation, that we don't work as individual silo departments, that through the process that I referred to earlier that we use a very consultative process coming across in terms of identifying where the key issues are. Where there are issues that are government-wide or multi-department where we need to address them corporately, we then align them. Rather than dealing with one-off strategies from department to department, we can actually roll them up into a corporate strategy and a corporate objective.

I think through the accountability framework and the performance plan system that government has initiated, I think it is working significantly better. And as we move through the processes, we're seeing improvement from year to year in terms of that alignment because we are getting better at not only documenting the strategies and the objectives, but we're also measuring our progress and reporting on that as well so that we can track whether or not we're actually making progress in the key areas. That allows us then to come back and realign in terms of the areas of key focus and key areas that we need to work on.

Mr. Elhard: — You've indicated that there's ongoing consultative efforts when these priorities need to be established or when there's issues arising out of the strategic plan. Is it ad hoc or is it scheduled? Do you have a fairly detailed and specific schedule that you adhere to in terms of meeting and consulting with the departments?

Ms. Isman: — Yes, it's very scheduled. We have a framework. So we work in alignment with the planning process of government starting in the spring, working through both on our four-year plan, as well as on our annual plans. So the departments . . . the framework is established.

The departments know when the dates are. We schedule meetings. Our human resource directors meet on a regular basis. The human resource planners now meet on a regular basis. And so we have timelines that we adhere to in terms of the collection of the information, the discussion, and the evolution of the plan to a target date.

Mr. Elhard: — Other than some of the more obvious issues that we've talked about here relating to human resource risks and concerns, as a result of these consultations with

departments and, you know, the regularity of your meeting, are there other areas that are starting to emerge as, you know, matters of concern for the Public Service Commission?

I mean, we've talked about the aging group of public service employees that are going to retire in the near future and the impact that'll have and the problems of recruiting young people and what appeals to them and what kind of advertising even you need to undertake to get their attention.

But are there other more significant issues than those or issues that are going to be potentially difficult to deal with that have come to the attention of the Public Service Commission recently?

Ms. Isman: — I think the ones that are there and are documented in our performance plan . . . I mean, clearly the ones that you've spoken about are key for us. Training and development continues to be an issue of concern of the Public Service Commission and the investment in the ongoing learning and development of our workforce. And we, not unlike many employers, in terms of the financial resources that we are able to allocate to that, continues to be a challenge that we've identified.

I think some of our systems and our processes and practices we've identified as being challenges, that they're overly cumbersome in an evolving world. So that our ability for example to do staffing transactions that do balance the public interest in terms of openness and transparency, and the requirements that we have under the legal frameworks and the collective agreements on one hand do that, however they take a long time, and so that becomes a bit of a problem for an employer who is looking to recruit people as quickly as they can into needed vacancies.

We continue to work hard, for example, with regard to the quality of managers. One of the things that the employee survey indicated last year was that — it links back a little bit to learning and development — that we hire technical experts as they progress in their field of study and their field of practice, but often we aren't giving them necessarily the support they need to be effective managers and supervisors. And so once again I guess that links back into the training and development question that I raised earlier.

So, you know, demographics are certainly one, but I think the corporate human resource plan that really identifies the goals and objectives of being our ability to recruit and to retain and have a diverse workforce are there because we've been able to identify these key issues that will make us an employer that can provide the services that we want to the people of the province.

Mr. Elhard: — Quite a few other questions I would have liked to have pursued today, so maybe we'll have to meet again fairly soon. But I do have a line of questioning I want to ask that's very specific if I may. If you have an individual working in the public service — it doesn't matter what branch or department and this is hypothetical and you'll understand that — but if you had a very capable person in any given department who said to their department head, I'd like to pursue an M.B.A. [Masters of Business Administration], will the Public Service Commission help me do that? What's your answer?

Ms. Isman: — My answer is that we have a policy with regard to tuition reimbursement and that we go through a process to evaluate the ability of the study of the individual as it reports to the individual and we would go back and look at the policy. Ultimately it's the department that makes the choice. The policy certainly allows for it, but the discretion is left to the permanent head in the department.

Mr. Elhard: — Is the request for that type of an opportunity limited by the funding you talked about earlier? I mean you indicated there were some limitations on training opportunities and so forth. Is it a funding issue primarily when you respond to that kind of a request? Is it that the demand far outweighs the funding available? What are the criteria that might be considered when the policy is being applied?

Ms. Isman: — There's a balance of both of those things. One is the benefit to the individual of the area of study. There is the benefit the organization, both in the immediate term as well as the long term of the field of study. And then there are the financial implications of the support. And all of those are considered.

Mr. Elhard: — I used the M.B.A. designation primarily because, you know, it's certainly a designation that just about any enterprise will benefit from. And given the size and complexity of the government services and the public service generally, it seems to me that the more qualified M.B.A.s we have working in the public service, probably the better off we're all going to be. But nevertheless, I mean there's all kinds of other opportunities and educational expectations and demands that people might want to pursue if the opportunity was there.

And I guess one final question in this area might be, in view of the expressed concern you indicated a few minutes ago about training opportunities for public service participants, will the commission be taking a more active or aggressive stance on encouraging training opportunities for people within the public service? Because I can't see that there's any real way the general public would be harmed by encouraging public service participants to upgrade themselves whenever they wish to.

Ms. Isman: — Yes, we have, and we are. In terms of our discussion at estimates this year, we did put a proposal forward in terms of some corporate dollars as it related to predominately supervisory, management development, leadership training. And we were successful in our budget to get some dollars allocated there this year.

As well, we've been doing, I think, some very good work on working co-operatively within the department. We've got a new website up with regard to learning and development that we've just recently announced to the organization, where we've been able to bring together the resources that are available across the service — the expertise that we have in the service for some training and development — and making those available to individuals across departments in response to that.

Mr. Elhard: — I guess that concludes my time and questions for today. But I appreciate your candid answers, and we look forward to our next meeting. Thank you very much. And to the auditor's office as well, thank you.

The Chair: — Thank you, Mr. Elhard. There's been some reference made in some of our previous sessions of the last two days to a report that's coming out from the Public Service Commission which will include recommendations on criminal record checks for public employees. Can you give us some kind of indication as to when that report will be released and maybe even give us a little tidbit as to what direction it might be going? I don't know if you can do that or not, but do you have any response at all?

Ms. Isman: — Well yes, Mr. Chair, we are working on it. As we've indicated, our review is still ongoing. We have several further consultations that we need to do with some of the key stakeholders. I will have a report to the Minister Responsible for the Public Service Commission by June 30, which is our time frame. And at that point I expect that she will then take the appropriate time to review it with those individuals that it needs to be reviewed with. And our commitment is that — that she has made — is that she will then report on it publicly and release the document.

The Chair: — Thank you very much. We thank you. Oh, I think we do have a couple of recommendations here. I'm getting ahead of myself. I, for some reason, thought that we didn't have any recommendations in this chapter, but the Clerk pointed out that we do have a couple.

On page 28 is recommendation 1 by the Provincial Auditor. The recommendation reads:

We recommend that the Public Service Commission communicate to departments a manageable number of human resource priorities.

Is there a motion? Mr. Borgerson.

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

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

Recommendation no. 2 is on page 30. It reads:

We recommend that the Public Service Commission use a risk management framework to identify and analyze human resource risks and set acceptable risk levels.

Again is there a motion? Mr. Hagel.

Mr. Hagel: — Mr. Chair, I'll move that we concur and note progress as well.

The Chair: — Again a motion to concur and note progress. Any discussion on this motion? Seeing none, we will call for the question. All in favour? Any opposed? That's also carried unanimously.

Thank you Ms. Isman and your colleagues for appearing again so soon before our committee. We again appreciate the co-operation from your department, and it's allowed us to get through another chapter of the auditor's report in a rather adroit

fashion. So thank you very much, and we wish you an excellent summer.

There are a couple of matters I want to bring to the committee's attention. First of all there is a Canadian Council of Public Accounts Committee conference, the 26th annual conference in Niagara-on-the-Lake. That will occur August 20 to 23. Two members from . . . You may be excused. You don't have to hang around if you don't want to. We appreciate you being here, but we don't want to bore you.

Two members from each side of the House are entitled to attend the conference. My understanding is that besides Mr. Borgerson and myself, that Mr. Trew and Mr. Cheveldayoff will be attending.

And I give notice that as Chair of Public Accounts, I will do what I did after the last conference and ask those members to briefly report the highlights of the conference back to this committee so they can be thinking of that . . .

A Member: — Including the social times.

The Chair: — Including the social times and the fun times.

A Member: — If there are any.

The Chair: — If there are any. They did an excellent job in Fredericton, New Brunswick last year. I'm sure Ontario will pull out all the stops.

Secondly, we are contemplating the next Public Accounts Committee meeting to occur the week following Thanksgiving in October; looking at maybe October 13 or 14. Nothing is nailed down but we just want you to consider that, see if it works. If it doesn't work, let either myself or Mr. Borgerson or our Clerk know what problems would be entailed with a date around that period of time.

I think that . . . Mr. Cheveldayoff.

Mr. Cheveldayoff: — Mr. Chair, I just wanted to revisit the topic that we dealt with yesterday regarding a motion to request the Provincial Auditor to carry out a special investigation of Liquor and Gaming spending on mega bingo from February 2000 till June 2001. My understanding that it was tabled yesterday. Can the motion be brought up again today?

The Chair: — I believe the correspondence was tabled. The letter . . . I brought the letter to the committee because it was addressed to the Public Accounts Committee. And I believe Mr. Hagel tabled the letter which means we received the letter and it was circulated to all members. The Clerk can help me here. I assume that . . . received it but we haven't distributed it yet.

Mr. Cheveldayoff: — Mr. Chair, at this time I'd like to move then:

That this committee request the Provincial Auditor to carry out a special investigation of Liquor and Gaming spending on mega bingo from February 2000 to June 2001.

We've received correspondence from a member of the

legislature requesting this, and I'd like to put that motion forward.

The Chair: — All right. A motion is put forward. Is there any discussion? Mr. Yates.

Mr. Yates: — I move to table the motion at this time.

The Chair: — You move to table the motion. So the tabling motion then would supersede the motion to request the auditor to carry out a special investigation of Liquor and Gaming spending on mega bingo from February 2000.

Okay. The effect of the motion is to adjourn debate on your motion, Mr. Cheveldayoff. And so we will call the . . . Yes, Mr. Krawetz.

Mr. Krawetz: — Tabled to the next sitting in October when this motion is reintroduced?

Mr. Yates: — When we meet again, we can deal with the issue.

The Chair: — So the issue can be raised again at the next meeting of the Public Accounts Committee. The motion can be reintroduced . . . [inaudible interjection] . . . Right. Right.

Mr. Hagel: — It's on the table and you can remove it from the table.

The Chair: — All right. We can't really allow any discussion on anything other than the . . . [inaudible interjection] . . . Actually we can't allow any discussion because we have a motion to table and that's a non-debatable motion. It's a motion to adjourn.

So all in favour of the motion? Four in favour. Opposed? Two opposed. That's carried, and so the motion is tabled or adjourned.

And that brings me to the end of my agenda for the Public Accounts meeting. I want to thank you for your prompt attention, a fair commitment to stay on schedule. We got off track a couple of times. For once it was the chairman's fault, but I know you'll forgive me for that.

I wish you, on this first day of summer, a very profitable, enjoyable centennial summer. This meeting is adjourned.

[The committee adjourned at 14:13.]