



# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

## **Hansard Verbatim Report**

**No. 29 – March 21, 2006**



**Legislative Assembly of Saskatchewan**

**Twenty-fifth Legislature**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS  
2006**

Mr. Elwin Hermanson, Chair  
Rosetown-Elrose

Ms. Joanne Crofford, Deputy Chair  
Regina Rosemont

Mr. Lon Borgerson  
Saskatchewan Rivers

Mr. Ken Cheveldayoff  
Saskatoon Silver Springs

Mr. Michael Chisholm  
Cut Knife-Turtleford

Mr. Andy Iwanchuk  
Saskatoon Fairview

Mr. Kim Trew  
Regina Coronation Park

[The committee met at 10:30.]

**Public Hearing: Environment**

**The Chair:** — Good morning, ladies and gentlemen. We'll call the meeting of Public Accounts Committee to order. On the published agenda, we have one item, and that's dealing with chapter 6 of the most recent auditor's report on the Environment. But we have a couple of items of business prior to that that has just been brought to my attention in the last, well the last day or two.

And the first item on the agenda . . . By the way, welcome to everyone here. We have a couple of new committee members, and we welcome Joanne Crofford and Andy Iwanchuk to the Public Accounts Committee. They are now the permanent members. We have one substitution this morning. Substituting for Ken Cheveldayoff is Mr. Glen Hart, and we welcome Mr. Hart to the committee as well.

I understand that there's a proposed change of the Deputy Chair of the committee. And so I guess we could put a motion forward if there's one coming. Mr. Borgerson.

**Mr. Borgerson:** — I will so do. Thank you, Mr. Chair. I'd like to give formal notice of my resignation as Deputy Chair of Public Accounts and move this motion:

That Joanne Crofford be elected to preside as Deputy Chair of the Standing Committee on Public Accounts.

And I so move.

**The Chair:** — All right. We have the motion. Is there any discussion on the motion? You never asked my permission as to whether or not you could do that, Lon. All right. Seeing no discussion, all in favour? It's carried unanimously.

And so, Joanne, congratulations and welcome to the position of Deputy Chair of Public Accounts Committee. And, Lon, we want to thank you for your service. It's been a pleasure working with you in that capacity. I think we've gotten along quite well, and the committee has functioned well. And we expect the same thing will happen. Joanne, you wanted to speak?

**Ms. Crofford:** — I just want to thank the committee for allowing me to be Vice-Chair. I was on Public Accounts when I was first elected, and Ned Shillington always said if you're going to be on any committees in government, Public Accounts is where the action is so . . . I think that we are in an age of accountability. I'm very pleased to be involved in this process here.

**The Chair:** — All right. Thank you very much, Ms. Crofford. We appreciate that, and we will get on with business.

I have a communication that I just received this morning, and it's from the comptroller's office. And I was hoping that they would be present, but apparently they're still tied up in the news conference. Perhaps what we'll do is we'll deal with this matter just a little bit later on in the proceedings this morning because I think it would be wise to wait for the comptroller to be present when we discuss the correspondence we've received.

**The Chair:** — Therefore we can move directly to the agenda item which is the Environment. We welcome back the deputy minister, Ms. Stonehouse, to our committee. We've met a few times, and we're looking forward to this meeting as well. I also want to welcome the Provincial Auditor and several members of his office to the meeting.

What we will do is follow our usual procedure and ask the auditor . . . And I believe it's Mr. Ahmad that will give us a summary of chapter 6 and point out the highlights of that chapter. And then, Ms. Stonehouse, we will ask you to first of all introduce your colleagues that you've brought with us and perhaps respond if you care to before we open up the meeting to questions from members of the committee. Mr. Ahmad.

**Mr. Ahmad:** — Thank you, Mr. Chair, and good morning, members, officials. I will provide an overview of chapter 6 of our 2005 report volume 3 on Department of Environment. The chapter starts on page 145 of the report.

In this chapter we report the result of our audit of the department, its special purpose funds, and Crown agencies for the year ended March 31, 2005. To complete our work for two Crown agencies, that is Watershed Authority and Operator Certification Board, we worked with their appointed auditors, Meyers Norris Penny and Mintz and Wallace respectively.

In this chapter, we also report results of our audit of the department processes to regulate quality of drinking water.

First the department, in spring 2005, we issued our 2005 report volume 1. In that report we identified deficiencies in the department's controls and made five recommendations and repeated three prior recommendations. The department did not have enough time to address our new recommendations by March 31, 2005. Accordingly the deficiencies we reported in volume 1 of our 2005 report continued. Your committee considered all those matters and concurred with our recommendations.

Your committee had also considered the matters we describe on pages 150 to 153 and concurred with our recommendation. The department continues to make progress in addressing those recommendations. We will examine those matters during our 2006 audit and provide update in our future report.

On page 154, we make two new recommendations. First we recommend the department prepare complete and accurate year-end financial reports as required by the financial administration manual. The department's financial report on March 31, 2005, did not include approximately \$1.2 million in inventory and approximately \$35 million in commitments.

Second, we recommend the department submit to Treasury Board the quarterly financial statements of its funds as required by the financial administration manual. The department prepared quarterly financial statement for its funds but did not submit all quarterly financial statements to the Treasury Board.

Next, the Operator Certification Board, this board certifies

operators of water and sewage works. The recommendation on page 155 requires the board to define and communicate to management the reports it needs to adequately oversee operations. During the year the board did not receive any regular financial reports. The board may make incorrect financial decisions in the absence of complete and accurate financial report.

Now I will speak briefly about the department processes to regulate quality of drinking water. Under The Environmental Management and Protection Act, 2002, the department is responsible for regulating drinking water in Saskatchewan. The objective of our audit was to determine if the department had adequate processes to regulate the quality of drinking water at March 31, 2005.

On page 158, we list the criteria we used to make this assessment. We concluded that the department had adequate processes to regulate the quality of drinking water except for the two matters covered in our recommendation.

The first recommendation, on page 161, requires the department to adequately document its quality control view of waterwork inspections. The department's environmental protection officer, that is EPOs, inspect waterworks in accordance with the established procedures. To promote consistency and to help ensure its EPOs appropriately inspect waterworks, the department has a process to annually review the work of EPOs. However the department did not document these quality control reviews and the results. The department should do so.

The second recommendation on page 163 requires the department to follow up water quality monitoring results. The department monitors the frequency and results of drinking-water tests. If a test finds impurities like potentially harmful bacteria, staff must do specific established procedures. However the department did not have adequate processes to ensure that all follow-up steps have taken place. The department should do so.

That concludes my overview and thank you.

**The Chair:** — Well thank you, Mr. Ahmad, for that excellent condensation of the chapter 6 of the Provincial Auditor's report. Ms. Stonehouse, we again welcome you and ask you to introduce your colleagues and respond.

**Ms. Stonehouse:** — Good morning and thank you. Today I have with me Dave Phillips, assistant deputy minister of resource and environmental stewardship division; and behind Dave, Bob Ruggles, assistant deputy minister, planning and risk analysis; on my left, Donna Johnson, our director of finance and administration; and behind Donna, Susan Wood, one of our new department's internal auditors; and Sam Ferris, our drinking water quality section director.

We, as always, welcome the advice and appreciate the work of the Provincial Auditor and his staff with our department, and I appreciate this opportunity to provide a brief update respecting matters raised in the Provincial Auditor's report.

Since the discovery of financial irregularities in Environment, our department conducted a thorough investigation of the

matter which the Provincial Auditor reviewed and commented on in his 2005 report volume 1. Our internal audit report made 15 recommendations, three of which have been completely implemented, and the remainder will be complete in the coming fiscal year.

To date the department has improved its procedures for verifying new vendors and has instituted a new policy restricting the use of special cheque handling feature that brought payments back to the department for distribution.

The department has also delivered staff training on internal controls and fraud awareness to all branches. In addition to the fraud awareness training, the department's entire management and support group, approximately 170 employees, received training respecting the government's seven-step payment process to help them better understand the realities of the need for segregation of duties.

And the department's internal audit staff are nearing the end of their comprehensive review of duties within each of our branch offices, including all 52 field and park offices. The results of this review will be presented to department executive when it reviews the fourth quarter internal audit report in April 2006.

Also following the completed review of segregation of duties within the branches, the department will evaluate if there is a need for increased insurance coverage, either in total for all employees or for specific employees in government. The department will make this assessment with input from Finance, the Public Service Commission, and Sask Property Management.

With respect to the auditor's previous recommendations to strengthen the department's internal audit function, the executive meets with the internal auditor on a quarterly basis to review status reports and outstanding audit recommendations, having last met on January 20, 2006, to review the quarter ended December 31, 2005. We also developed our 2005-06 audit plan based on a department-wide risk assessment.

With respect to our operational and compliance reporting needs, the department continues to work on meeting the auditor's expectations. Department management receives quarterly performance reports that update progress during the year on attaining our goals, objectives, and key actions. The department executive also receives monthly reports on the financial operations of the department.

The department is participating in the government-wide implementation of criminal record checks for specified positions. We currently require criminal record checks for new hires to designated positions and have begun implementing the policy to request criminal record checks of department incumbents in designated positions, starting with our senior management team.

Now with respect to the specific recommendations made by the Provincial Auditor in chapter 6 of his 2005 report volume 3, beginning with the continued recommendations regarding control over the department's capital assets, the department has identified and recorded all the capital assets for which it is responsible and annually conducts physical counts or checks of

the fixed assets and inventory. In fiscal 2005-06 the department will make the adjusting entries necessary to ensure that book balances agree to the physical counts.

In fiscal 2004-05 the department also improved its annual report to include information respecting planned future capital asset acquisitions. The department will continue to improve its annual report for 2005-06 to address the auditor's outstanding recommendation to describe the capacity of each major category of capital assets, the extent to which their use achieved planned results, and the strategies to manage major risks to the key capital assets.

With respect to the need for improved collection processes, the department recognized the need for improved processes and procedures in this area. Accordingly we have now documented all of our revenue and accounts receivable processes. We have communicated with staff the standard of documentation required to demonstrate collection activity taken with outstanding accounts receivable, and we are working towards seeking approval for writeoff of those accounts we deem to be uncollectable.

The department's also developing a request to the Provincial Comptroller for exemption from the policy in those situations where it is important to continue to work with the account holder to collect amounts owed to the province rather than quickly transferring the accounts to a collection agency.

Regarding the strengthening of controls over bank accounts, the department continues to work towards timely reconciliation of its 24 bank accounts. One field account was closed since this item was last before the committee. At present the department keeps 23 of the 24 bank accounts reconciled on a current basis and is continuing to work to bring the last bank account up to date.

With respect to a complete written contingency plan, the department completed the written contingency plan and submitted it to the Provincial Auditor for review in November 2005. And we also had opportunity to test the plan in mid-November when our Regina office file and print server failed, and we can report that the disaster recovery plan served us well in that exercise.

Regarding the first new recommendation that the department prepare complete and accurate year-end financial reports, the department agrees with the auditor's recommendation. The auditor's recommendation speaks to errors in the department's 2004-05 year-end financial schedules where inventory and future-year commitments respecting the fleet renewal agreement were not accurately reported. These errors have been corrected, and the department has increased the number of employees with accounting designations who can provide the guidance necessary for the timely and accurate completion of year-end financial reports in the future.

The second recommendation to submit quarterly financial statements for its funds to Treasury Board is one that the department also agrees with. And I can report that the department is now in compliance with this recommendation.

The department and Board of Directors of the Operator

Certification Board also concur with the auditor's third recommendation that "... the Board of Directors of the Operator Certification Board define and communicate to management the reports it requires to adequately oversee operations."

The board met twice since the auditor's recommendation and have reviewed financial information from the management of the board at each of these meetings.

Respecting the auditor's last two recommendations for the department to "... adequately document its quality control reviews of waterworks inspections and [to] follow up water quality monitoring results," I can report that the department revised its processes to ensure that all quality control reviews are adequately documented, and implemented a system to ensure that water quality monitoring results are appropriately addressed.

Thank you for the opportunity to have opening remarks, and I welcome your questions.

**The Chair:** — All right. Thank you very much, Ms. Stonehouse. We appreciate that response. Before I open the floor to questions, I have I guess a technical question that I'd like to ask the auditor because I am sure he has a good reason for it, but I don't understand.

On page 149 in the audit conclusions, the final bullet on the top of page 149 says, "the financial statements of the Department's funds and Crown agencies are reliable." And then when we look though at the ... which recommendation was it here? There was a statement that said that there were errors, that it wasn't reliable, in one of the recommendations. I'm just trying to find it. I thought I had it here. We recommend the ... no, that's not the right one. Here we are. It's recommendation no. 1:

We recommend the Department of Environment prepare [and] complete and accurate year-end financial reports as required by the *Financial Administration Manual*.

Are they in conflict, or are they talking about two different things?

**Mr. Wendel:** — Mr. Chair, they're talking about two different things. Those financial reports are reports that are sent to the comptroller's office for the purpose of preparing the General Revenue Fund financial statements. The other ones that we talk about here are the financial statements that are actually separate financial statements which are tabled in the Legislative Assembly. That's the comment where we say the financial statements of the department's funds and Crown agencies are reliable, and we list those funds and Crown agencies on page 148.

So all of those financial statements are reliable but there were some financial reports that are being prepared and sent off to the Department of Finance for inclusion in the General Revenue Fund financial statements. Those financial reports were not accurate, and they were corrected after the fact.

**The Chair:** — So they don't relate to each other.

**Mr. Wendel:** — No they do not.

**The Chair:** — Okay, very good. I wanted to make that clarification. Mr. Chisholm.

**Mr. Chisholm:** — Thank you, Mr. Chair. Good morning. My first question is in regarding to the collection processes, page 151, where we're talking about leases that are in arrears or are considering being written off. I wonder if you could explain to me who the property is leased to and a little bit about this leasing operation.

**Ms. Stonehouse:** — The department has about 6,000 dispositions mostly in northern Saskatchewan, and so the lessees could be recreational cottagers in the northern forest. They could be outfitter camps. They could be cottages in subdivisions in the parks. Any other example? They could be wild rice harvesters. Go ahead.

**Mr. Phillips:** — Sand and gravel would be another type of lease that would produce revenue.

**Mr. Chisholm:** — I wonder if people are in arrears of their lease payments, are they still leasing the property? Are they still able to have benefit of the use of the property that . . .

**Ms. Stonehouse:** — If they're in arrears and we're still working to get them to come into compliance, they would still have use of the property. At some stage we do evict them.

**Mr. Chisholm:** — And further to that, it said that there may be \$2.4 million that's deemed to be uncollectible. If that is the case, will that amount be . . . how will that be recorded in the current year?

**Ms. Johnson:** — The \$2.4 million that was referred to in the auditor's report is the amount that we currently have set up as an allowance for uncollectible accounts. So the amounts were over a period of years already charged to a bad debt expense.

**Mr. Chisholm:** — Okay, thank you. I guess maybe I'd like to know what the annual lease revenue is, and what percentage of that is in arrears on an annual basis.

**Ms. Johnson:** — I can make my best estimate. I don't have the annual revenues in front of me, but the department in total collects about \$65 million. That is broken down as follows. About 10 million of it is in the Commercial Revolving Fund where we collect our park fees. And depending on the year, 15 to 20 million of that would be for forest dues and fees. Working our way down, our next largest revenue source is our licences, our hunting and angling licences and habitat certificates. And then we move into the land leases and in total our department would issue bills for between 4 and 5 million for land dispositions, the majority of that which accrues to the Northern Revenue Sharing Trust Account, given that those land dispositions are approximately 80 per cent based in the northern administration district.

Now the amount of the land dispositions that would be uncollectible on an annual basis, it certainly varies. I would estimate it to be approximately 5 per cent per year.

**Mr. Chisholm:** — Thank you. I guess you'd mentioned collection procedures. I'm just wondering if you could elaborate a little bit on that — what your procedures are in determining at what point in time action is taken and what action that would be.

**Ms. Johnson:** — The collection procedures that we follow are the ones that are outlined in the financial administration manual. And in-house collection procedures amount to us sending out a bill for the initial use of the property and then looking for receipt of payment within 30 days. If payment is not received, we send out a statement reminding the client to pay the bill. And again if payment's not received, we'll send another reminder out at 60 days. At 90 days we'll send our final reminder out, and after 90 days typically we take the accounts to a collection agency.

Past practice in the department has been on occasion to not involve a collection agent when department staff have been working directly with the account.

**Mr. Chisholm:** — Thank you.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Thank you, Mr. Chair. Just a follow-up to my colleague's questions here. The auditor notes on page 151 that the amount of money owing by lease customers is growing. In 2004 it was \$1 million, and in 2005 it was \$1.3 million. It also shows that about \$1 million has been outstanding for more than a year. Can you explain why the amount that hasn't been paid, the unpaid lease fees, have been growing? If you're taking action to collect these, you would think that the trend would be reversed; that you would see a smaller amount outstanding rather than a large amount outstanding.

**Ms. Johnson:** — The circumstances that we've been working with on the land leases are two rather large accounts with mining companies where we've been working to resolve the payments. One of them is moving along quite well so we continue to be in contact with the company.

The other component in that roughly million dollar figure is a number of land leases, small matters individually, that in total come to almost, well almost \$500,000. That's accumulated again over a period of years. So the \$500,000 amount includes recreational land leases, small permits, one-time invoices, and wild rice permitting fees. The amount has been, I think, a challenge for us to collect because we're dealing primarily with accounts that are in the North where we do regularly have challenges finding the original client.

**Mr. Hart:** — How long have some of these accounts been outstanding? Can you give us a sense? Has it been for two or three years or do some of them go back further than that? Just if you could provide the committee with, you know, some information as to the term of these outstanding accounts.

**Ms. Johnson:** — Many of the accounts are several years old. We've not written off any of the accounts in the land disposition area for . . . Well in my memory we have not written them off. I've been working in this position for the last two years so there've been no writeoffs in the land dispositions in

our department in the last two years.

**Mr. Hart:** — Are the leaseholders that are in default of lease payments, do they still have . . . Are they still leasing the properties? Are they still continuing to use the properties in most cases or have some actions been taken to discontinue use and then following . . . you know then the follow-up procedures to collect the outstanding moneys owing? What's the situation on an average I guess in these cases?

**Ms. Stonehouse:** — It's not quite that black and white is part of our problem. So if we take for instance wild rice leases, we've had a number of years where it really wasn't a good year to be harvesting wild rice. And so our wild rice lessees tended simply to not pay but also not harvest. And as the weather changes and it becomes a good year then they'll come back and want to renew their lease.

At that time we'll be talking to them about the arrears of, you know, the past four or five years when they haven't been active. But that leads to a dispute because from their perspective they haven't used it, haven't been on it so why do they need to pay the lease? And so we have some issues like that that make it not quite so black and white. Are they on it or aren't they?

**Mr. Hart:** — You mentioned that of the \$1 million outstanding for more than a year, there is two large amounts dealing with mining companies. Then you went on to say that about \$500,000 is a small account. So I guess by simple math the two mining companies owe the department a half a million dollars, and then the remaining half a million dollars is made up of wild rice people and cottagers and a whole raft of small accounts. Did I understand that correctly?

**Ms. Johnson:** — Well I'd like to correct my records. The accounts that I have as of November 28 show that for the accounts that are more than a year old that we're looking at about \$800,000 worth. So we've obviously received some payment since the year-end that was reported on in the auditor's report.

The account outstanding with the mining company is in the neighbourhood of \$280,000.

**Mr. Hart:** — So is that \$280,000 owing by one company? I believe you mentioned there was two companies.

**Ms. Johnson:** — The company is one that took over from a second company, so there are two companies involved but the account receivable is currently the responsibility of the one company.

**Mr. Hart:** — So just to be clear, there was one property that a former one company was active or had a lease on and then another company took that property over and assumed the outstanding lease fees. Is that what you're saying?

**Ms. Johnson:** — Actually I believe there were two leases involved with the two companies.

**Mr. Hart:** — Okay. Who is the company that owes this amount?

**Ms. Johnson:** — The company is CDG Investments.

**Mr. Hart:** — And what type of activity are they involved in? Would that be part of the lease agreement they would specify what type of exploration work they're doing or what they are using the property for? How much property are we talking about in this case?

**Ms. Johnson:** — I'm sorry, I don't have that detail.

**Ms. Stonehouse:** — But if it's a lease it won't be exploration. There'll be actual work on site if it's a lease.

**Mr. Hart:** — Okay. It could be a campsite or . . .

**Mr. Phillips:** — It could be a gold mine. There's been renewed interest in some idle properties.

**Mr. Hart:** — Okay.

**Mr. Phillips:** — But I don't know that for certain but that would be typical though.

**Mr. Hart:** — Well the amount that's owed by smaller accounts, would you have . . . Like you mentioned wild rice lessees and I can see there perhaps that there could be some problems there and so on. But I believe you also said that some of the outstanding amount was also owed by perhaps cottagers and that sort of thing. Would you have a breakdown of approximately how many dollars are owed by people who are leasing lots for cottages?

**Ms. Johnson:** — I do have a listing of the accounts receivable by client. And when I look at the clients it appears that they are for either residential or commercial recreation enterprises.

**Mr. Hart:** — And what would that total be of that group of lessees?

**Ms. Johnson:** — It would be over 100 — in the neighbourhood of 120.

**Mr. Hart:** — Okay, good. Well thanks. The auditor expressed some concern about capital assets and inventory and that sort of thing. And I believe, Ms. Stonehouse, you mentioned that the department has taken some corrective action in this area. But just to be clear on what has happened in the past, would it be fair to say that the department never had a master report of the inventories of the department?

Like I'm assuming that some of the capital assets that the department would own would be in the parks. And you know I'm guessing that, you know, everything from lawnmowers to whatever — tractors and that sort of stuff. So you've said now that you have a complete inventory list of all the capital assets that the department owns. Is that what you said this morning?

**Ms. Stonehouse:** — I mean I think it would be fair to say that in the past we made brave attempts with a paper and pencil list. But when the parks lent equipment from one park to another or the fire program lent equipment to the parks, they weren't necessarily tracked and that was part of the dilemma that we've had. So we've sort of updated all of that and we're hoping to

automate, as the financial system develops, that capability — the government's financial system.

**Mr. Hart:** — So you believe you've met, satisfied the auditor's concerns in that area with your inventory control, improved inventory control procedures then? Is that . . .

**Ms. Johnson:** — Well I think the . . .

**Mr. Hart:** — Or the auditor will let you know.

**Ms. Johnson:** — Yes, exactly.

**Mr. Hart:** — In the next report whether you've met those standards or not.

**Ms. Johnson:** — That's correct.

**Mr. Hart:** — Okay. You mentioned that 23 bank . . . The auditor raised some concerns about unreconciled bank accounts and you had indicated that the department has 24 bank accounts — 23 are reconciled and one you're working on. Which account is the one that is causing you grief and where are you at on that particular bank account?

**Ms. Johnson:** — Well the account that we continue to work on is the account that we call our large transfer account. It's the account that the funds from all of our 23 field accounts are moved into prior to getting moved to the General Revenue Fund account at Finance. And that account proved to be challenging to reconcile when our automated system failed in 2002-2003. And we replaced that automated system with a new system that we continue to work the bugs out of.

So we've certainly made progress in the last year, but we're not complete with the reconciling of the large account yet.

**Mr. Hart:** — So just to be clear then with the way the department operates and the number of bank accounts. You have 23 accounts throughout the province. And then you have this granddaddy of an account that all the monies flow into and that's the one you're — because of some technical problems and equipment problems in the past year or so — that's the one that you're having trouble getting all the deposits and withdrawals and so on reconciled with your bank statements.

**Ms. Johnson:** — That's right.

**Mr. Hart:** — Okay, good. The auditor also raised some concerns about year-end financial reports. He indicated that there was \$1.2 million in inventory that wasn't accounted for. I wonder if you could explain what that inventory was, what it consisted of, that was not that 1.2 million that wasn't accounted for in the year-end financial report.

**Ms. Johnson:** — I believe it was related to the Northern Air operations. And the inventory was there and was counted, I believe, but was not recorded properly in the year-end schedules that we submitted to the Department of Finance.

**Mr. Hart:** — So what type of things would that consist of?

**Ms. Johnson:** — Airplane parts, nuts and bolts. That sort of

thing.

**Mr. Hart:** — Okay. What about the \$35 million in commitments that weren't taken into account in the year-end financial statement?

**Ms. Johnson:** — That was an oversight by our branch in preparation of the year-end schedules. It related to future year commitments. When we prepare the year-end schedules there's a series of schedules that each department completes, including listings of our accounts receivable, our accounts payable, and everything on into future year commitments, which is an important part of any organization's financial reporting. And the future year commitments that we did not include in our schedule related to the airplane contract with Bombardier, I believe. So we had entered into a contract during '04-05 that was a multi-year contract and that had us committed to make purchases over a period of years. So by rights we ought to have recorded in the future year commitments schedule the amount of the future year payments that we would be making under the terms of that contract.

And as a result of us being somewhat busy in April and May of last year dealing with our financial irregularities and going through the audit investigation, we found ourselves a bit overwhelmed and understaffed at the time. So there were the two items that the auditor identified were items that we recognized we failed to include.

**Mr. Hart:** — It's a fairly substantial oversight, is it not? But what you're saying is by far the biggest part was the payments that the department was committed to to purchase these firefighting aircraft.

**Ms. Johnson:** — That was it. Yes.

**Ms. Stonehouse:** — We made a correction before . . . We were able to correct it so that the government's overall financial statements are accurate. We were able to make the correction in time.

**Mr. Hart:** — You have indicated to the auditor that you have increased resources in your accounting department to improve financial reporting process. I may have asked you this question last spring but we'll go there again. Could you tell the committee what steps you've taken to improve your financial reporting abilities?

**Ms. Stonehouse:** — We've been able to recruit four new professional staff with accounting designations, so we've gone from a position where we had two accounting staff with designations to a position where we have five. And one of those is a new internal auditor position, but the other four are in management, supervisory positions where they can train and oversee the work of our staff.

**Mr. Hart:** — So with your increased capabilities within the department it's your opinion that you are now in a position to meet the needs of the financial administration manual, the requirements that you as a department are obligated to?

**Ms. Stonehouse:** — We're in a much better position, and it's twofold. One is just the benefit of those resources, but there's a



secondary benefit in that they understand the reason why and so they can explain it to the rest of our accounting staff. And it just raises the awareness over the whole department in terms of the requirement here.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — I just had a question regarding the fraud case of 2004. Is there any reason to believe that any of those funds can be recovered?

**Ms. Stonehouse:** — We'll make best efforts to recover what we can, first through the criminal process but also applying against our insurance. It'll be some time yet before we know how much of it we can recover, but we will make best efforts.

**Mr. Chisholm:** — Okay. Thank you.

**Mr. Hart:** — What I'd like to do is move on to the second part of the auditor's report, the Operator Certification Board. First of all maybe just with the structure of the board itself. The auditor talks about the board of directors. How many people are on that board and who are they?

**Ms. Stonehouse:** — Sam's the person who knows the answer to that question.

**Mr. Hart:** — Okay, so we'll wait for Sam then.

**Ms. Stonehouse:** — Thanks, Sam. How many people on the board and who are they?

**Mr. Ferris:** — Presently, sir, there are four members of the board.

**Mr. Hart:** — How many?

**Mr. Ferris:** — Four.

**Mr. Hart:** — Four.

**Mr. Ferris:** — The Chair is Mr. Ed Sigmeth, representing municipalities; Tom Olson represents educators. There is a new member from the Buffalo Pound filtration plant that represents operators, and the fourth member eludes me at this moment.

**Mr. Hart:** — Do you recall if this individual represents a group, or is this an individual at large?

**Mr. Ferris:** — It came to me. It's Mr. Al Loke representing northern Saskatchewan.

**Mr. Hart:** — Oh okay. Okay. Great. Now as far as staff, how many staff does this board have?

**Mr. Ferris:** — The board has a single person that carries out the administrative and I guess you might call it managerial functions that works for the board.

**Mr. Hart:** — Well the board really doesn't have large revenues or large expenditures, and the one person seems to be getting the job done.

We have got four board members and one staff person. How are the directors compensated? Are they on a per diem and if so, what? Just a sense of how much of the \$83,000 . . . or well I guess it was 76,000 in expenses. How much of that would be board expenses?

**Mr. Ferris:** — Well at this time, sir, there's actually the Operator Certification Board, and then there's an education advisory committee with other representatives. And those individuals are compensated for per diems for their expenses in terms of travel and for food in terms of when they're at the meetings.

As far as I know, beyond that, the individuals serve to represent the interests of groups like operators. Yes.

**Ms. Stonehouse:** — It's their expenses we pay. They serve on a voluntary basis.

**Mr. Hart:** — Oh okay. Okay. The auditor has some concerns with the reports that they feel the board should be receiving from their staff person I believe. Maybe perhaps we can get the auditor to explain their concern in recommendation no. 3 once more.

**Mr. Ahmad:** — Mr. Chairman and members, what we did not see was any evidence of board members receiving any financial report from management. So there was no evidence that they were receiving any financial report.

**Mr. Hart:** — Oh okay.

**Ms. Stonehouse:** — I think it's fair to say the board was concentrating on its primary role which is certification of waterworks operators and assessing whether people had met the standards and determining that they should receive certification. But they do receive revenues. They do receive fees from those who write exams and fees from those who renew their certification. And so what we have now done with the manager and the board is ensure that there are regular reports to the board on those fees and their disposition.

**Mr. Hart:** — Okay good. So then the board will have a . . . It will be provided with the financial overview to see where the funds are coming from, how they're being expended, and so on.

On page 156 the auditor talks about the responsibility for drinking water and says that the Department of Environment is responsible to regulate and inspect municipal waterworks and so on, or any public waterworks with the capacity of 18 cubic metres or more per day. I can't relate to 18 cubic metres of water. In terms that most people can understand, how many gallons a day?

**Mr. Ferris:** — Four thousand imperial gallons a day.

**Mr. Hart:** — Four thousand. Okay thank you. So if we have a very small hamlet with only two or three houses or four houses and their daily usage falls below the 4,000 gallons per day, they don't fall within the purview of the Act and the department's responsibilities. Is that . . .

**Mr. Ferris:** — They do. There is five ways in which you can

look at what qualifies under the regulations, the first one being any municipal waterworks. And a hamlet is considered to be a municipality under The Municipalities Act so therefore they're in.

The 18 cubic metres refers to other public works, not as in municipal works, but for example if it is a campground for example with a 4,000 gallons per day capacity, if it is a large resort area that has its own water supply, that would be what would fall into that 18 cubic metres per day category.

**Mr. Hart:** — Okay. If one or two rural residents decide to develop a central source of water and then distribute it, you know, to the residences but they're not — you know, perhaps there's a couple of farmers or some people living on acreages — they're not really incorporated as a village or a hamlet or anything like that, do they fall under these rules and regulations? And if so, where is the . . . what level would they then fall into that area?

**Mr. Ferris:** — The situation you describe, sir, would typically not fall under the regulations. If they had developed a privately owned waterworks and they had greater than 4,000 gallons per day capacity, then they would be captured either under that clause or if they operated sort of like a pipeline operation, they may be captured depending on what it's connected to.

**Mr. Hart:** — Well let's say we have three residents, you know, the three yards, houses and, you know, outbuildings, and they have one central water supply. And from that they pipe it to the three residences or four, you know. Would they then have to be part of this inspection process and so on?

**Mr. Ferris:** — No.

**Mr. Hart:** — Okay. The auditor has indicated that you have conducted a number of inspections of municipal water systems I believe. I just can't find the page right now. Yes. You performed 792 waterworks inspections in the last fiscal year. Now this is over . . . This has nothing to do with the assessments that each municipality was required to do of their water treatment facilities. These are inspections done by department staff?

**Ms. Stonehouse:** — That's right. These are inspections by department staff as opposed to an assessment which is sort of a risk assessment to determine what the future state of the waterworks would be.

**Mr. Hart:** — Is there a schedule that waterworks are inspected once a month or whatever and then if there's a problem found, that they come back? Could you just kind of explain what happens as far as the scheduling of inspections?

**Mr. Ferris:** — Yes. Our inspection protocol lays out that we do typically one inspection at all waterworks a year. And one out of every three inspections is unannounced with the exception being is that if it's a surface water base source or a groundwater that's influenced by surface water, those are typically inspected twice a year. And for the larger towns and cities, we inspect those twice a year regardless of whether they're surface-water or groundwater-based systems. The inspection is recorded and documented. A copy of the results are given to the operator and

the administrator for the works and to Saskatchewan Health as well, and if there's inadequacies that are found, those are followed up on.

The other instances when we'll get into inspections, if for example we have a report of an upset at a waterworks. Let's say a component of the waterworks system fails, and they'll call us which is a good thing — and it's a requirement actually — so that we can respond. And that will often result in an inspection by means of that. So you'll go out to find out what the problem was, and you'll end up doing an inspection there. And in some locations that can occur, depending on the equipment, two or three times a year.

**Mr. Hart:** — Now inspections, by inspections do you mean staff taking samples of the water? Do they inspect any of the physical equipment of the treatment plants? What does an inspection entail?

**Mr. Ferris:** — What an inspection entails is, beforehand, the records for the operation of the works are examined to see how they perform in terms of their water quality and whether on the previous inspection they've met any deficiencies. A person will arrange for the inspection. At the time they will review all the records of the waterworks in terms of things like chlorine residuals, sample submissions. Periodically we provide new protocols in forms similar as this fact sheet. They'll provide that.

They'll actually inspect the physical condition of the works to see its operational ability. They will talk with the operator about any questions he or she will have. They will review new components that may have been added to the waterworks. They will also collect . . . usually it's a single bacteriological water quality sample. And the reason for that is, is so we sort of have a quality control sample to show that samples that are collected by the waterworks operators are proper samples. The operator will collect one, and we'll do one. And we'll compare the results.

**Mr. Hart:** — I guess my next question is to the auditor. On page 161 near the bottom just above recommendation no. 4, last paragraph, you indicate that the department does not document the reviews or the results. Could you explain what your concerns are? And you said that the department should do so, and then you make recommendation no. 4. I wonder if you could just explain and expand on your concerns in that area.

**Mr. Ahmad:** — Sure. Mr. Chairman, what we saw was that there is a process for the department to review the work of EPOs, that's the environment protection officer's work, inspection. And that is a quality control just to make sure that each EPO is doing work consistent to their processes or procedures. And they were not documenting that review. It's not that EPO's work was not documented; it's the quality control review was not documented.

**Mr. Hart:** — Okay so the work that the environmental protection officer was doing, that work was documented.

**Mr. Ahmad:** — Right, right.

**Mr. Hart:** — But we don't know the quality of the work that

was being done.

**Mr. Ahmad:** — Right, right.

**Mr. Hart:** — And how would the department address that and what's your . . .

**Mr. Ahmad:** — They had a process to do that. They said, we are going to look at the quality of each EPO's work on an annual basis. But then they should go and document how they do that.

**Mr. Hart:** — Oh okay.

**Mr. Ahmad:** — And that was not . . . documentation was not present.

**Mr. Hart:** — Okay. Would you care to respond to Mr. Ahmad's comments?

**Ms. Stonehouse:** — So quality control here is in an effort to get consistency of the inspections across the province. And our supervisors were reviewing the work of the environmental protection officers and discussing that with them so that we would get a more consistent approach to the inventory, but not necessarily writing a report about it. Maybe, Sam, you want to talk about what we're doing now.

**Mr. Ferris:** — Sure. Okay here we go. Yes as we received the initial report from the auditor, we agreed with their concern about the need to audit or to document our inspection audit protocol. So what we're doing now is we added some text to the actual inspection audit protocol, and we now have a standard template. An example being here as to what each individual . . . When they call him or her, the chief inspector goes out to check up on the other inspectors. That's all documented and tracked and provided to the supervisors. It was done informally before; it was not formally documented however.

**Mr. Hart:** — Okay. So then what you're telling us is that you now have a formal process in place that . . .

**Mr. Ferris:** — Yes, sir.

**Mr. Hart:** — You would hope that when the auditor looks at your operations next year, we won't see these concerns being raised in his upcoming report.

**Ms. Stonehouse:** — That's correct.

**Mr. Hart:** — Okay. Well we'll wait and see. I wonder if the auditor could explain their concerns with recommendation no. 5 on page 161. Just perhaps a bit more information on as to what this recommendation . . . what your concerns are surrounding this recommendation.

**The Chair:** — Is that recommendation no. 4 or 5?

**Mr. Hart:** — Recommendation 5. Sorry.

**The Chair:** — Okay. So that's on 163.

**Mr. Hart:** — On 163, yes. Sorry.

**Mr. Ahmad:** — As we explain in the top paragraph after the italics on page 162, when the results of a test show that there is harmful bacteria or some contaminant in the water, the staff is required to do some specific procedures, specific tests. And when we did the audit, we saw that there was no consistent follow up done on those tests, and they should do that. And that's our concern.

**Mr. Hart:** — Okay. And, Ms. Stonehouse, or you and your officials, could you tell us what you either have done or are planning to do to address this concern?

**Mr. Ferris:** — Okay. Yes we recognize the auditor's concern. What we did was we — and we're using this on a quarterly basis in terms of reviewing the results — we took the . . . Typically this arises from the bacteriological water quality samples that communities will send in periodically. It depends on the size of the community.

And so we've compiled an electronic data-management system now. And what we do is we take those records and we compare them in terms of when they had a positive sample, was there the appropriate number of bacteriological repeat samples sent in? And if those are positive, were the special samples sent in, and were they followed up on? So we essentially have a . . . And this is sort of what it looks like when you print it out on paper; I know it's difficult to see from where you are. But we track this now, and we track down any inconsistencies.

What we found following the auditor's report was that the manner in which the samples were identified often . . . In all but one case the samples were all identified correctly, or were all submitted but were incorrectly identified. So for example if there was a positive sample on a routine sample, they would have sent in a couple of repeats, but they failed to mark them as repeats. So that's kind of triggered what I think the auditor found, in part. Nonetheless it was a very good suggestion, and we are following that, sir.

**Mr. Hart:** — Good. Thank you. Mr. Chair, I ended up with concluding the questions that I would have.

**The Chair:** — Mr. Borgerson.

**Mr. Borgerson:** — Yes just leading up to that fifth recommendation. On the top of 163 there's a suggestion from the auditor about making information more available and understandable through the website, highlighting instances where results do not meet water quality standards. Have you been looking at that as a possibility as well?

**Mr. Ferris:** — Yes we have, sir. It's one of the things that we'll need to make alterations to our electronic data-management system for that. We're also looking at something called a drinking water quality index which would sort of do that in advance based on historical data. And it's really good quality, good quality, fair quality — something like that.

**Mr. Borgerson:** — Okay. And just a couple of questions. So we have a farm in rural Saskatchewan with a single well for a single dwelling.

**Mr. Ferris:** — Right.

**Mr. Borgerson:** — That does not have to be reported. But of course I mean I know from my own experience that we would regularly do that. We'd send in water samples just to get them analyzed. That process is still followed?

**Mr. Ferris:** — Yes. For small, independently owned waterworks systems, like on a farm or an acreage, the Saskatchewan Health and health regions actually provide advice on a case-by-case basis when requested. And there is advice on the Sask H<sub>2</sub>O website in terms of for common things like chlorinating your farm well, that kind of stuff. And presently the committee that I serve with the other provinces is looking at developing a comprehensive set of information for owners of private wells or private waterworks, very small ones that aren't typically regulated.

And in the middle, between what we deal with in terms of the larger and the municipal facilities, Saskatchewan Health and health regions deal with the semi-public waterworks — so these are the small public ones — and they have regulations in place for those.

**Mr. Borgerson:** — In the case of the very small operations, there is a charge for those tests I would think.

**Mr. Ferris:** — Yes.

**Mr. Borgerson:** — But that would be through Health.

**Mr. Ferris:** — Yes depending on where they send the samples. Typically they will send them to the provincial lab. I think there's a 20, \$25 fee for water sample analysis.

**Mr. Borgerson:** — Okay. So in terms of say for example a bed and breakfast which is a commercial operation, a rural bed and breakfast, because they are then commercial, they would have to have their water tested by Public Health and pay the fee as well.

**Mr. Ferris:** — Yes.

**Mr. Borgerson:** — Okay. And then in terms of a larger . . . a hamlet, for example, that has the appropriate volume of water, they then have to go through the water assessment.

**Mr. Ferris:** — At this time we're looking at requirements for waterworks system assessments to deal with the pressures of those faced for small communities. Right now as it sits, yes they have to do a waterworks system assessment.

**Mr. Borgerson:** — And once you get into those hygienic and then those that qualify for the Sask Water assessments, that then is through Department of Environment and through Sask Water?

**Mr. Ferris:** — Sask Water and the Saskatchewan Urban Municipalities Association have set up a program, and Saskatchewan Environment has been involved in sort of a guidance role to organize and conduct the waterworks system assessments. And that's a convenient way to try and minimize the costs of the assessments by organizing them in a physical geographical area and to provide a service for the clients of SUMA [Saskatchewan Urban Municipalities Association] as

well.

**Mr. Borgerson:** — Interesting we've all been sipping our glasses of water as we've been going through this section. It's something that's incredibly important and yet we take for granted in our lives.

I have one final question, and it may have been answered; I might have missed the response. If you go back to page 148 in this chapter, just looking at original estimates and actual expenditures, I certainly understand in farm management forest protection why the original estimate was much higher than the actual. I understand that. But in terms of compliance in field services — original estimate 22 million, actual 17 — the difference there, is that as well because of the lower fire . . .

**Ms. Stonehouse:** — Donna will join us and add to this. But I think this was an adjustment year for our restructuring. And so some of the expenditures that in the budget were shown in compliance in field services, because they used to be in our regional service areas, were actually environmental protection or resource stewardship expenditures. And so when we . . . the actual expenditures will show them in a different area.

**Ms. Johnson:** — That is correct.

**Mr. Borgerson:** — Thank you, Mr. Chair.

**The Chair:** — Thank you, Mr. Borgerson. We're nearing the time we agreed to be concluded with this chapter, and we have some recommendations. There were two or three issues I wanted to pick up on. We may not have time, but perhaps if there is a 30-second answer, we could get a written answer.

Back on the issue of lessees that are in arrears, there was some discussion about there was an eviction process. I just wonder if you could let the committee know what that process is. What are the criteria for eviction? Is it a consistent criteria, or is it a case-by-case criteria that are applied to how you determine when and how you're going to evict a lessee in arrears? That's the first quick question.

**Mr. Phillips:** — Short answer, it would be case by case. I'd reference evictions in our park system where it's apparent that a property is derelict; the person is not able to and expresses no continuing interest. Then we've had cases where we've asked them to remove their buildings and the site returns to the Crown.

**The Chair:** — The second question is on reconciling that large account, that one that all the other accounts flow through. How much discrepancy is involved here? How close are you to making this thing balance and be understandable?

**Ms. Johnson:** — Well I wouldn't put it in terms of a dollar amount. We have thousands of transactions that flow into that account each year, and so it includes our transactions, all of the charges to MasterCard and Visa as well as any other payments that are made. And in terms of the years that are outstanding, we've been able to complete the matching process to about 95, 97 per cent levels.

So the majority of the transactions have been matched, and

we're just going back to collect our detailed information on the other transactions to make sure we've got the right items matched together. So on the whole I'd say we're about 95 per cent there.

**The Chair:** — So is this a technology problem then?

**Ms. Johnson:** — It's something like that, yes. The challenge that we have is that we'll have payments come in from the various offices, and the deposits are made. And then in the large transfer account, we end up matching those details.

So we could have for instance a \$10 park gate fee go through one bank account and then transfer into the large transfer account where we need to make sure it gets matched to the proper deposit and the proper transfer into the GRF [General Revenue Fund]. So we have to follow that \$10 from North Battleford all the way through to the General Revenue Fund knowing that it gets combined with deposits, with other \$10 and other deposits, at the field account and then gets combined again in the large transfer account when it moves into the GRF.

And given that we do have a standard set of fees that we charge, it is at times difficult to ensure that we've matched the correct \$10 amount from the bank statement to the \$10 that was paid in North Battleford, as opposed to the \$10 that was paid the day before in North Battleford. And in any event it is a technology thing and we're . . .

**The Chair:** — But you balance.

**Ms. Johnson:** — Yes.

**The Chair:** — You balance.

**Ms. Johnson:** — Yes.

**The Chair:** — Okay. And the last question then, and I don't think there's time to answer it but again perhaps a written answer. These smaller communities that are required by Sask Environment to upgrade their water treatment facilities or their water systems and they simply haven't the assessment base to do it, they simply cannot find the dollar — how are you satisfying those situations?

And again perhaps you don't have time to answer it. But it is a real concern that they just simply don't have the tax base. There is not the resources to comply with what's required. You know, they can't go . . . I mean we can't expect them to go out and buy bottled water for the rest of their lives. What are they supposed to do?

**Ms. Stonehouse:** — Well this is a concern for us and something we've been working especially with SARM [Saskatchewan Association of Rural Municipalities] and SUMA on. And they do have an option for a hygienic approach which would supply drinking water, potable drinking water in another way.

And we've also been reviewing some of the other costs around this process like the waterworks assessment and like some of the other requirements. And we've been encouraging through SaskWater a regional approach to providing drinking water. So

we keep working, and we will continue to keep working with the small communities to find ways for them to have potable water.

**The Chair:** — You're being flexible and cautious.

**Ms. Stonehouse:** — We're trying.

**The Chair:** — We have five recommendations, colleagues, that we need to deal with. The first recommendation is on page 154. I will read it. The auditor says:

We recommend the Department of Environment prepare complete and accurate year-end financial reports as required by the *Financial Administration Manual*.

Is there a motion? Mr. Borgerson.

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

**The Chair:** — A motion to concur and note progress. Is there any discussion? Seeing heads shaking in the negative, we'll call the question. All in favour? Carried unanimously.

Recommendation no. 2:

We recommend the Department of Environment submit to Treasury Board the quarterly financial statements of its funds as required by the *Financial Administration Manual*.

Is there a motion? Mr. Borgerson.

**Mr. Borgerson:** — Yes. I'll move that we concur and note compliance on this recommendation.

**The Chair:** — This time a motion to concur and note compliance. Is there any discussion on this motion? Seeing none, we'll call the question. All in favour? Only one? Oh two, three, four. It's carried, but not everyone voted.

Recommendation no. 3 on page 155:

We recommend that the Board of Directors of the Operator Certification Board define and communicate to management the reports it requires to adequately oversee operations.

Mr. Borgerson.

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

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

We'll flip over a few pages to page 161, recommendation no. 4 at the bottom of the page:

We recommend the Department of Environment adequately document its quality control reviews of waterworks inspections.

Is there a motion? Ms. Crofford.

**Ms. Crofford:** — I'll move that and note compliance.

**The Chair:** — A motion to concur and note compliance. Any discussion on the motion? Mr. Hart.

**Mr. Hart:** — I don't know if we're quite there yet. I would say that we would note progress. I think maybe we need to have the auditor look at it one more time to see if the quality reporting is there. The auditor raised some concerns about the quality controls and so on. And the department indicated that they've taken steps to meet the auditor's concerns but I'm not sure whether . . . I think we need, as I said, I think we need the auditor to look one time and say yes, yes I'm happy; let's move on. So I would suggest that we concur and note progress rather than compliance.

**The Chair:** — All right further discussion on the motion. We can't change it; we can vote against it.

**Mr. Borgerson:** — Well I'm just basing, I'm basing my response on what we've heard from the department also on the top of 162, that:

Management told us the Department has now changed its review processes to ensure that all quality control reviews are adequately documented.

Now having said that, I think we would be open to defeating that motion.

**The Chair:** — Do you want to withdraw the motion and note progress?

**Ms Crofford:** — Note progress. Sure I think we're good with that.

**The Chair:** — All right. So there's agreement then that we'll withdraw the original motion and move to concur and note progress. Any other discussion? Seeing none, call the question. All in favour? Carried unanimously.

And the final recommendation on page 163 reads:

We recommend the Department of Environment follow up water quality monitoring results.

Is there a motion? Ms. Crofford.

**Ms. Crofford:** — I'll be more cautious this time and suggest that we concur and note progress.

**The Chair:** — Thank you. Again a motion to concur and note progress. Any discussion on the motion? Did you wish to discuss the motion, or are you telling me to call the question? I thought it was call the question. All in favour? Again carried unanimously.

Thank you very much and thank you, Ms. Stonehouse, and your colleagues for appearing before us. You have a little bit more work to do of course, but we're pleased to note that there has been some progress.

Colleagues, before we adjourn the meeting, as I mentioned at the opening, we're waiting for the comptrollers to arrive. I have received a letter from the Provincial Comptroller, Mr. Paton, and he indicates that he will be reporting to the Public Accounts Committee on a quarterly basis any losses or . . . I believe it's also irregularities, have I got that correct, Mr. Paton?

You'll also have an appendix to his letter which includes the losses of public money from April 1, 2005 to March 20 of 2006. Some of these we have dealt with in Public Accounts. There are some that, like the theft of laptops and whatnot, that we haven't specifically dealt with.

But, Mr. Paton, perhaps you could just briefly — and we've reached the time we're supposed to adjourn — but briefly explain, is this going to be . . . This report was brought up to as of yesterday. So these quarterly reports, are they going to be the immediate preceding quarter? or can you explain how you're going to do this. And also, I guess, we'd like to know why this hasn't been reported at least to the auditor or this committee prior to now.

**Mr. Paton:** — Thank you, Mr. Chair. First of all speaking to the general comment around the policy, this policy is one that has been in place — to have losses of public money reported to myself — has been in place for a long time.

You should also be aware of that whenever the provincial auditors meet, he is made aware of the losses. He also reports these to you on a regular basis. What we've found — and it's a result in part of some of the significant losses that have taken place over the last year — that we think that it's appropriate that these are brought to the attention of the committee on a more timely basis. So it's not that this information hasn't been made available in one fashion or another, but it's really the timeliness of the information being reported to you.

The intention will be to report on a quarterly basis. Normally this would have been on March 31, and I'll undertake to update this to March 31 should any items be reported to me between now and that time period. I will be reporting those every quarter after that, so every three months.

It's important to note that the information that I'm providing to you is based on information that's provided to my office. While it's getting information to this committee on a timely basis, it won't necessarily provide you with all of the information that you may require. It'll bring the item to your attention, and I would encourage you to be asking the departments in more detail about specific losses. A good example are the two large ones that happened to Community Resources and Environment. We're still examining those at this point from a public prosecution's perspective.

So in many cases we may not know exactly what happened, whether or not blame's been attached to a loss, but it will be bringing the information to your attention as soon as it's made available to myself.

The plan now is to do a quarterly. If that time frame were deemed to be inappropriate either because there's a large number of losses or we're finding that there's not a lot, I'd probably be coming to you and saying, well should we amend

the reporting process? If more frequency is required, we could do that. Or if we're seeing there's not very many, I might drop it back.

Right now it's an important issue with my office. You can see the number of losses that do get reported to me is not that many. So a quarterly report we think will be appropriate. What you have in front of you today is almost a full year's report and in fact includes two losses that were prior to the year that I'm reporting on.

One change that we are making to our policy — and it is impacted on this report — up until now the losses that were reported to me were only being reported by departments. Currently I'm expanding that to include departments and all Treasury Board Crowns and such items as Sask Crop, Sask Housing, and so on. So I'm expanding my policy to include agencies that are very similar to departments but really don't fit that description.

It's also my understanding that the Crown Investments Corporation will be looking at the report that I'm providing you with today along with the policy that I follow. And I understand they're going to be developing a policy and reporting mechanism that's very similar to what you see before yourself today, and they'll be doing that for the Crown agencies such as SaskPower, SaskTel, and so on.

**The Chair:** — That report then would go to the other committee if they pursue the same reporting procedure.

Just a final question — and we're short on time and we'll adjourn here shortly — but what is the definition of losses? I mean if a department falls short of revenue expectations and their expenses are . . . that would not be considered a loss that would be reported under this format. Or is this specifically unexpected losses, fraudulent losses, unexplainable losses? How do you determine what a loss is?

**Mr. Paton:** — These are often referred to as frauds or financial irregularities. The definition is actually the loss of public money. So it could be where we find money that has gone unaccounted for — petty cash funds and so on — but it's expanded to include other items where physical assets have been apparently stolen. But it would not include, you know, fluctuations in expenditures.

**The Chair:** — All right. Colleagues, is there any other quick questions, before we adjourn the meeting, for Mr. Paton in regard . . . I know you haven't seen the letter, and I've just seen it. But we'll table it with the committee so you can all review it. Mr. Borgerson.

**Mr. Borgerson:** — I'm assuming from this that, as you indicated, your first report then would be in the next few weeks.

**Mr. Paton:** — My first report is attached to the back of the letter, so it's with the committee at this time.

**Mr. Borgerson:** — Okay. Thank you.

**The Chair:** — Okay thank you very much. Colleagues, we have proposed two more meetings which I will discuss with our

new Deputy Chair, Ms. Crofford. But if she agrees, we will be dealing with Learning a week from today on March 28, and also we will conclude Health on Thursday, March 30 if the proper arrangements can be made. Just so you are aware of that. I want to thank you for your co-operation. We've gone a little bit over. I apologize for that but I declare the meeting adjourned.

[The committee adjourned at 11:53.]