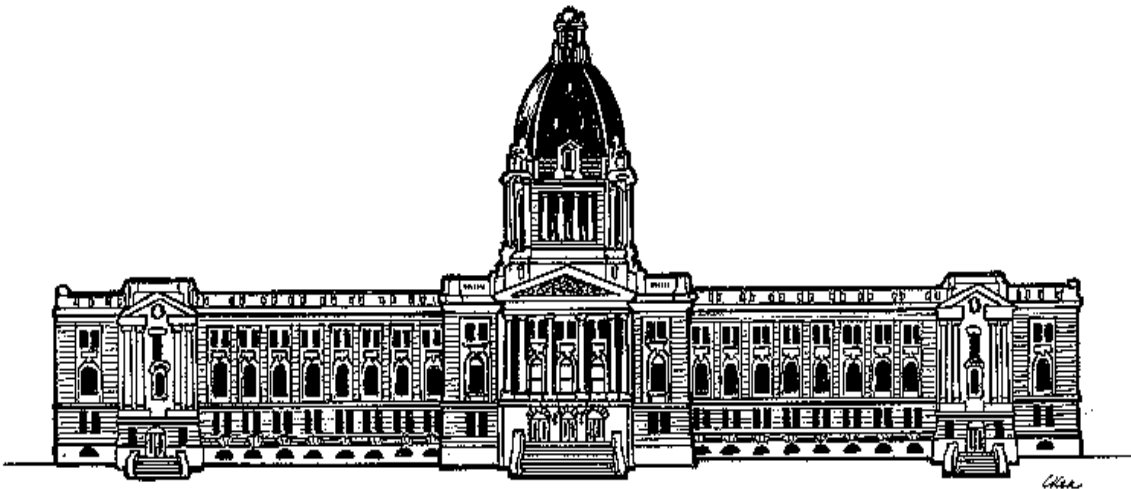




# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS  
2006**

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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 09:30.]

**The Chair:** — Good morning, ladies and gentlemen. We will resume the Public Accounts Committee meeting. We are on day two of our two-day agenda. We have about six items on our agenda, five items on our agenda for today. First of all though I would like to inform members of the committee that Sandra Morin is substituting for Andy Iwanchuk on the committee as a voting member this morning. And I believe that's the only change in composition. All the other members are the regular members of the Public Accounts Committee.

**Public Hearing: Community Resources and Employment**

**The Chair:** — We have some unfinished business to begin our session with. Back in May we did not complete chapter 4 of the 2005 report volume 3 which was looking at Community Resources and Employment. I believe we were nearly concluded, but members felt that they needed a bit more time to deal with a couple of issues or review some issues. One or two of those issues may actually have some impact on the second part of our deliberations on Community Resources and Employment which is a special report on the Oyate Safe House.

So we will not ask the auditor to provide us with the summary or the department to respond to chapter 4 because we've already done that in our May meeting. We will give members the time they need to conclude chapter 4. We have two recommendations that we need to deal with and then as soon as that's completed, then we will proceed on to the special report on the Oyate Safe House. At that point we will have a report from the auditor and a response from the department, and then we will consider or entertain questions from members. So are there any further questions on chapter 4 of the 2005 report volume 3? Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. Good morning to deputy and his officials. Thank you very much for the opportunity to conclude my questioning. I think we got to about page 112 of the chapter, just a couple of pages left. The topic of financial reports I believe is where I left off, and the auditor begins this section by stating that "DCRE needs to ensure that it receives and reviews financial performance reports from CBOs on a timely basis."

It goes on and the auditor has reported problems with the CBOs [community-based organization] financial and operational performance. And the auditor has continued to express concern about this — I've been doing some research — back to, I think if we turn to page 349, it goes all the way back to 1999 when he started expressing concern about financial reports from CBOs. And it's just one of the frustrations I guess we have as members when we see these recommendations year after year after year, and it doesn't seem like a lot has been done.

The auditor talks about many CBOs not providing the required financial information on time. On page 112 it says: "... 46% of the quarterly and 52% of the annual reports were not submitted on time ... 61% of the CBOs' reports were not reviewed by DCRE within six months of the CBOs' year-end."

The auditor goes on to state:

Late reviews of financial reports could result in DCRE not taking timely corrective action.

Because DCRE did not adequately follow its rules and procedures, it did not know on a timely basis if the money provided to CBOs was used for the intended purposes.

Now, Mr. Deputy, I know that you're new to the department, but judging from the comments from the auditor, to me that's just no way to run a department. And I guess if you could just outline for me your comments on what has taken place up until your tenure and some of the ideas that you have to correct this action.

**The Chair:** — And before Mr. Fisher answers, if I could just interject. I apologize; I forgot to introduce you, Mr. Fisher, and welcome you to the committee and also suggest you might want to introduce your colleagues as well before you resume with your answer.

**Mr. Fisher:** — Thank you very much for the question. Before I answer I'll just introduce the officials that are with me today. To my right is Bob Wihlidal who is the assistant deputy minister of operations. Also with us today are Shelley Whitehead, assistant deputy minister of policy; Don Allen who is our chief financial officer; Lynn Tulloch who is the executive director of our income assistance division; Larry Chaykowski who is the executive director of the housing division; and Lynn Allan who is the executive director of our central regional operation.

I would agree with your assessment that this recommendation has been outstanding for far too long. We accept the Provincial Auditor's recommendation that we need to do a better job on the monitoring of community-based organizations. And I am pleased to be able to tell you today that we have very recently implemented a procedure manual for monitoring CBO standards where we go through all of the requirements within the service agreements that we use with community-based organizations and outline for our staff what the standard is, what the expectation of them is and the rationale behind that expectation so that there is no misunderstanding about why things are in the manual, why they are important and why they are critical to do.

In addition to the creation of that manual which has been provided to our staff that deal with CBOs, we have done a comprehensive training package for all these staff and the supervisors that are involved in this area. And so I am quite confident that we will see a tremendous improvement in the coming months in regard to the compliance of those reporting requirements for CBOs.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. You know I guess we're encouraged by that statement but it begs the question, were there not any similar manuals in place before? You know what type of documents or assistance were employees given to be able to carry out their job in a functional way?

**Mr. Fisher:** — I think in the past we've relied on the service agreement themselves. And I think we've taken it the next step

with this manual, as I said, in providing employees not only with what the standard is but why it is, why that standard is there so that there's a better understanding. And it's part of our process within the department where we're trying to develop a quality improvement, service improvement culture within the department so that it's not just folks doing things by rote — because an agreement says there's a quarterly report, you should get a quarterly report. We want to try to have a better understanding amongst our staff about why those standards are there and why they're important and then clearly what our expectation is in terms of follow-up with CBOs in terms of when the reports come in on time, what is our expectation. If the reports are tardy, what our expectation of staff is to do in terms of follow-up with the CBO.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. Mr. Chair, just one other question. The auditor indicates due to poor operational reports DCRE [Department of Community Resources and Employment] does not know if CBOs are achieving DCRE's operational objectives. CBOs are not required to set targets and measures to enable them to report their progress in meeting DCRE's objectives. In the new manual, in the new philosophy, do we set targets? Do we set measurables? Do we encourage staff to meet those measurables? Can you articulate to the committee on how the topic of targets and measurables is addressed.

**Mr. Fisher:** — In the past I think the majority of our service agreements, as the auditor has pointed out, have focused on I'll call them activities — so how many hours of service or how many spots in a residential service for example — and we haven't focused on performance outcomes or outcome measures. That's not because it isn't important; it's because it's a very difficult thing to identify within the human services sector. And we've put a working group together, and as of April 1 of '07, we will be piloting some outcome measures for at minimum 25 CBOs.

So we recognize the auditor's recommendation that outcome measures is an area we need to move more aggressively on. We will start in '07-08 with some pilots to see whether they're the type of measures that are going to prove fruitful in terms of not only monitoring the CBOs but ensuring that the funds we provide CBOs actually drive the desired outcome for the children and families that we serve. So we will be moving on that in the agreements that go out for the '07-08 fiscal year.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. Mr. Chair, I just want to comment that I appreciate the deputy's answers and recognition that there's been systemic problems in this department since 1999, many of them which were recognized by the auditor and not acted upon. It's brought us to a situation where the auditor's had to do a special report on the Oyate Safe House and as well as the involvement of the Children's Advocate. But I think I've completed my questioning as far as the chapter 4. And I appreciate your answers, and I look forward to changes happening in that department. Thank you, Mr. Chair.

**The Chair:** — Any other questions on chapter 4? Okay. Seeing none then, are we prepared to go to the recommendations? As I mentioned, there are two recommendations. I'll just find which pages they're on. First one is on page 105. I'll read the

recommendation by the auditor:

We recommend that the Department of Community Resources and Employment focus the work of its internal auditor on the activities where the Department is at greatest risk of loss of public money or spending money for unintended purposes.

Is there a motion? Ms. Crofford?

**Ms. Crofford:** — Yes. I move that we concur and note progress.

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

Second recommendation is on page 108. It reads:

We recommend that the Department of Community Resources and Employment ensure that only eligible persons receive the correct amount of Saskatchewan Employment Supplement.

Is there a motion? Ms. Crofford.

**Ms. Crofford:** — Again I'll recommend that we concur and report progress.

**The Chair:** — Okay. Another motion to concur and note progress. Any discussion of the motion? Seeing none, we'll call the question. All in favour? Again that's carried. Thank you, ladies and gentlemen. We have completed chapter 4 of the 2005 report volume 3.

And that takes us to the second part of our session with Community Resources and Employment. So at this time I would ask the Provincial Auditor to bring us a summary of their special report which is called *Report to the Standing Committee on Public Accounts Regarding* — and excuse me if I pronounce this incorrectly — *Oyate ataya WaKanyeya OwicaKiyapi Inc.* That should be incorporated. I think I've got the last word pronounced right at least. June 2006. And I believe that Mr. Heffernan is reporting for the auditor. Mr. Heffernan.

**Mr. Heffernan:** — Thank you, Mr. Chair. I think I'll just refer to this organization as Oyate. I'm not sure I could pronounce it as well as you did.

Oyate is a safe house for children 12 to 15 years of age who are victims of sexual exploitation on the street or are at imminent risk of being sexually abused. Oyate is a community-based organization that provides services to children on behalf of the Department of Community Resources.

On March 9, 2006, this committee asked our office to carry out an immediate special investigation of the services, administration, and operations of Oyate, including any allegations of wrongdoing. In response to this request, we examined Oyate's oversight practices, control processes, and compliance with the law during the period March 26, 2003, to March 31, 2006. We also examined the department's practices

to supervise Oyate's activities for the same period.

Our investigation of Oyate showed that its board of directors did not set clear direction to management and staff of the safe house or adequately monitor the safe house's performance. The board did not set goals or objectives for the safe house or policies and procedures for how to achieve planned results. As a result, safe house management and staff did not receive clear guidance on how to address the needs of the children in their care. The children's needs typically included food and shelter; safety from sexual exploitation; drug detoxification, in some cases, and other medical care; assistance to return to school; and reconnection with family and community. One consequence of the lack of adequate policies and procedures was that children often ran away from the safe house.

Oyate's practices were not adequate to safeguard public money or to ensure it was used for the purposes intended by the department. Oyate did not comply with the department's service agreements that required Oyate, for example, to plan and implement a program for each child to meet their individual needs. We make 15 recommendations related to Oyate's inadequate oversight, practices, control processes, and non-compliance with the law.

The department did not use adequate processes to supervise Oyate's activities. The department did not follow all of its established processes to select Oyate to operate the safe house for children. For example, it selected Oyate to deliver the services even though Oyate had no experience in the residential care of children. Once the Oyate house was opened, the department did not do a risk assessment of Oyate to determine how closely it needed to supervise Oyate. This resulted in the department not closely supervising Oyate or taking adequate corrective action when it became aware of allegations of mismanagement and wrongdoing.

We make five recommendations the department needs to implement to ensure Oyate complies with service agreements, safeguards the public money, and uses the public money only for purposes intended by the department. That concludes my remarks, Mr. Chair.

**The Chair:** — Thank you, Mr. Heffernan. And, Mr. Fisher, we give you an opportunity to respond before we open the meeting up to questions.

**Mr. Fisher:** — I would just make a very brief response. We appreciate the Provincial Auditor's recommendations, and we have begun work with the board of Oyate to implement the recommendations that he has issued. We have moved forward with Oyate on a plan on each one of those recommendations that talks about the recommendation itself, the expectations, how that expectation is going to be measured, who is responsible for implementing the recommendation, and the time frame in which that recommendation will be implemented. We've actually shared the draft of that plan with the Provincial Auditor's office, and we've received some very good comment back from them which we will be incorporating into the work plan.

And we intend to move forward with the board of Oyate and hopefully enter into a new service agreement at some point in

the future that will allow us to provide an effective service for these children in need.

**The Chair:** — Thank you, Mr. Fisher. Now there are 20 recommendations in this chapter, and my goal is to deal with the content of the chapter in general, and we've allotted time up to 11:30. We've not slotted in a break time there, so I guess it depends on how much progress we make whether we're able to conclude prior to 11:30. I would like to deal with the recommendations at the end of our time of discussion. Therefore let's get on with questions. Mr. Merriman, the opposition critic for the Department of Community Resources.

**Mr. Merriman:** — Thank you, Mr. Chair, and welcome deputy minister. When were you appointed to the job of deputy minister of DCRE or Community Resources?

**Mr. Fisher:** — It was April 10.

**Mr. Merriman:** — Just in your comment you had said that you had developed a group to work on outcomes and goals and objectives which was set up April 1. Was this done prior to you arriving?

**Mr. Fisher:** — No, I'm sorry if I was confusing in my response. The pilot for the outcome measures will be implemented with the service agreements that will come into force on April 1 of the coming year.

**Mr. Merriman:** — Thank you for that clarification. When you took over your new position, what briefings did you receive about the operations of the Oyate Safe House, and who provided those briefings?

**Mr. Fisher:** — Well the staff in the department . . . Bob Wihlidal, who is the assistant deputy minister for operations, works on a daily basis with our regions and also from our regional staff as well so I was briefed very early on in my tenure in the department about some of the challenges that we had identified and knew we were faced with at Oyate.

**Mr. Merriman:** — So you had no briefings from the previous deputy minister about this when you arrived on the job?

**Mr. Fisher:** — Yes, I did. Certainly Ms. Young and I had an initial discussion about a number of issues in terms of a transition from my position at Health into this new position at Community Resources.

**Mr. Merriman:** — But just for clarification that I understand, you and Ms. Young did have discussions regarding the Oyate Safe House and the issues with that. Is that correct?

**Mr. Fisher:** — I believe we did. Yes.

**Mr. Merriman:** — In those, what were you told about the problems identified in the recent report by the auditor and the Children's Advocate from those discussions with Ms. Young or other staff?

**Mr. Fisher:** — Well I think the briefings that I would have received focused on two main areas. The first and most important would be the services that were provided to the

children, and I think the thing that sticks out in my mind was the area around the challenges that the program was facing around staffing in terms of maintaining and recruiting an executive director and also, you know, the general staffing issues and challenges that the organization was facing.

And then secondly were obviously the financial reporting issues.

**Mr. Merriman:** — When did these discussions take place and any other substance that related to those discussions around both the financial concerns and especially on the concerns of the safety of the children that were in the facility and at risk?

**Mr. Fisher:** — I don't know the . . . I don't recall the exact date, but it would have been within a day or two of coming to Community Resources, so the first week of my tenure there. And my recollection — but I would have to go back and check my calendar — my recollection is it would have been the Monday or the Tuesday that I arrived in the office.

**Mr. Merriman:** — So would you say this was one of the first issues that you were briefed on . . .

**Mr. Fisher:** — That's a fair statement, yes.

**Mr. Merriman:** — Did the former deputy minister indicate to you that she had briefed the current and former minister on problems at the Oyate Safe House?

**Mr. Fisher:** — Our discussions focused on the programmatic issues, and so I don't recall that we discussed what or when she had talked to the minister about the issue, no.

**Mr. Merriman:** — So what you're saying is you're not sure if the former minister or the current minister was briefed on these by the former deputy minister?

**Mr. Fisher:** — No, what I'm saying is I thought your question was, did I discuss with the former deputy minister how the previous minister had been briefed, and no we did not discuss that.

**Mr. Merriman:** — Do you know if the former minister and the current minister were briefed by the deputy minister?

**Mr. Fisher:** — I can speak to the current minister. There were certainly discussions with the current minister, yes.

**Mr. Merriman:** — By the former deputy?

**Mr. Fisher:** — And by me.

**Mr. Merriman:** — By yourself. You know, as you're aware, details on the problems of the Oyate Safe House first became public knowledge because of the CBC [Canadian Broadcasting Corporation] story that included briefing notes obtained through freedom of information requests. In your discussions with the minister, did he indicate at any time that he was aware prior to the February 28, 2006, of the content of those briefing notes or the fact that the FOI [freedom of information] had been filed requesting them?

**Mr. Fisher:** — Could I get you to repeat that please?

**Mr. Merriman:** — Sure. Were you aware of details of the problems of Oyate Safe House first became public knowledge because of the CBC story that include briefing notes obtained through an FOI request? In your discussions with the minister, did he indicate at any time that he was aware of, prior to the February 28, 2006, of the content of those briefing notes or the fact that an FOI had been filed requesting them?

**Mr. Fisher:** — Yes. If the question as I understand it was, prior to February 28 when the freedom of information request was issued, had the minister been advised of some of the challenges and issues at Oyate? Yes, the department had had discussions with the minister prior to that, and those discussions always included a plan of action as to, not only what the issues were, but what we were going to try to do to resolve them.

**Mr. Merriman:** — What we're saying is that the minister knew prior to February 28 that this story was going to break and that the briefing notes that he had . . . he was briefed fully on this matter. Is that what you're saying?

**Mr. Fisher:** — Briefings would not have been directly related to what the CBC was going to do or not going to do. But as a general course of operations in the department, if there is an issue, an important issue, the minister is certainly briefed. And in the Oyate case it would be no different. This was an important issue to the department. We knew we had challenges, and so the minister was advised. And as I said, we would have provided a plan of action to try to resolve the issues as we saw them at that point in time and move forward.

**Mr. Merriman:** — I just want to make sure I have the timelines right. What was the date on which you first discussed the Oyate Safe House with Minister Belanger?

**Mr. Fisher:** — Well again, as I said, I believe I began in the department on April 10 and so operations at Oyate, I believe, were ceased on April 13. So my first discussion with the minister around Oyate would have occurred between the 10th and 13th. And if you would like, I can check my calendar and get back to you what the exact date was, but it would have been within that very short window or very small window.

**Mr. Merriman:** — Where I was going was that I wanted to find out, prior to February 28, prior to your arrival, was the minister briefed on this information?

**Mr. Fisher:** — Again, as I tried to say earlier, when there is an issue in the department, we try to keep the minister advised as to what the challenges are and what we're going to try to do to fix it. And so prior to February 28, I think where I'm stating that we knew that Oyate posed some challenges, and yes, the minister would have been advised that these challenges existed, and we would have advised him what we were going to try to do to fix those challenges.

**The Chair:** — Perhaps the Chair could intervene. Perhaps we could clear this up if you or your colleagues could tell us when the minister was first briefed about problems with Oyate House.

**Mr. Fisher:** — I don't know that I can tell you that today, but I

would commit to bring or to provide additional information back to the Chair to inform you as to what that date was.

**The Chair:** — Mr. Merriman.

**Mr. Merriman:** — Thank you, Mr. Chair. Well I have several questions on that, but if we don't have the date then we'll have to come back to it and ask those questions at that time.

So the minister was briefed on the problems with the Oyate Safe House identified in the auditor's report and then again in the Children's Advocate, if I understood you correctly, between April 10 and April 13.

**Mr. Fisher:** — He was briefed on the issues as we understood them at the time. I don't believe that the auditor issued his report until June and the Children's Advocate didn't issue his report until September. So many of the issues that were touched upon would have been discussed in a general sense but we wouldn't have discussed those two reports in detail with the minister in that time frame because they hadn't been issued yet.

**Mr. Merriman:** — In March of this year, the minister responded to a series of written questions stating that he was unaware of any financial or other problems at the Oyate Safe House. To your knowledge, is the response to that written question accurate?

**Mr. Fisher:** — Well I don't have the written question in front of me, but the issue that we . . . As I said earlier, when we briefed the minister we would always provide a plan of action. That plan of action would address what we were trying to do to fix the situation. And in the majority of cases on the Oyate file, when we had discussions with the board around some of the challenges and issues that had arisen, we would have tried to generate an agreement with them around financial matters. For example, if there were missing reports or more information was required, we would seek agreement with them that they would provide it. And generally we were getting good co-operation with them and — or thought we were getting good co-operation with them — so we may have advised the minister that there were financial issues that we believed were going to be resolved.

**Mr. Merriman:** — There's where I have the problem. You're telling me that the minister was briefed both on financial and operational issues. The minister, in my written question to him in March of this year, says he was unaware of any financial or other problems at the safe house. So either he was briefed and forgot or he wasn't briefed. I'm not sure. But his answer to the written question says he was unaware of any financial or other problems at the Oyate Safe House.

**Mr. Fisher:** — Give me a second here to look at something. If I could ask for the Chair's indulgence again related to these dates. If I could go back and just confirm when the briefings were and the details of what was discussed, I can provide that to the committee.

But all I can speak to at this point is that, you know, during the initial discussions that I had with the minister, my recollection without going back and checking, was that we discussed the challenges that we were facing at Oyate and that led to our

discussions with the board and the board's resolution to suspend services on April 13.

**Mr. Merriman:** — Thank you . . .

**The Chair:** — The Chair has noted that offer and we will look forward to receiving that information. Mr. Merriman.

**Mr. Merriman:** — As we are here for another hour, maybe one of your officials could find out the answer to the question. What is the first time this minister was briefed on the Oyate Safe House file?

**Mr. Fisher:** — We will attempt to have that information prior to adjournment of the committee this morning.

**Mr. Merriman:** — Thank you. On the written questions it's my understanding that the deputy minister writes or reviews or sees these questions . . . the answers to these questions, prior to them coming back to the House. And my question on the written questions that I submitted to the House, my question was, was the minister unaware of any financial problems is what he stated. Did you see these written questions? Did you answer these written questions to the House?

**Mr. Fisher:** — The written questions were submitted?

**Mr. Merriman:** — In March of this year.

**Mr. Fisher:** — Okay. And they were responded to . . . I'm sorry, what was the date?

**Mr. Merriman:** — Prior to the House adjourning.

**Mr. Fisher:** — Well certainly as deputy minister I'd be responsible. If these came through during the period after April 10 they would have been . . . we would have had input into the responses. And you know, if they had come through the department subsequent to April 10, yes, I would have.

**Mr. Merriman:** — My question . . . You said input. I would assume you would have approval of those responses.

**Mr. Fisher:** — That's correct.

**Mr. Merriman:** — The minister answered again in the House to me in the written question that he was unaware of any financial or problems at the Oyate Safe House. That was his response to the written question which you're going to check, which you have said you have input, and also you are accountable for those responses. And yet the minister is saying to me in the House in the written question that he's unaware of it. And you have stated that he was briefed both by you and by the previous deputy minister. How could he be unaware of it in his written question?

**Mr. Fisher:** — I believe the intent of the response was, as I said, we would have talked to the minister about the issues facing this community-based organization. But as I also said, we would have advised him that the issues that we were discussing had a plan of action. So were the issues still . . . You know, were we saying that the issues were being dealt with with the minister and could he say that the issues were being dealt

with? Yes, because we had tried to have a plan to address them. So the issues would have been under consideration and under . . . We would have been trying to deal with them I guess is what I'm trying to say.

**Mr. Merriman:** — We're not discussing a plan, a plan of action. What we're discussing is the minister stated he was unaware of any problems both financial and operational. That was his response: I am not aware of it. And yet we're sitting here saying he was briefed by a previous deputy minister as well as yourself and probably staff. How could his response be I'm not aware of it?

**Mr. Fisher:** — Well because as I said, we would try to provide the minister with the information about how those issues were going to be dealt with.

**Mr. Merriman:** — My question to him wasn't how they were going to be dealt with. My question to the minister was, are you aware of any problems both financial and operational at Oyate? You have said you have both input and accountability for the written answers to the question. The written answer said there are no problems, no issues. So we have a situation where, you know, something doesn't add up.

**Mr. Fisher:** — Well I think at this point I can't provide any further comment than what I've already said. As I said, we will endeavour to get that information prior to the end of the meeting, and if we aren't successful in that, we will have it to you in very short order.

**The Chair:** — Mr. Merriman.

**Mr. Merriman:** — Well thank you for getting it. Just as long as we are on the same page. There was two questions there. One was the date from which the minister was first notified of Oyate — the first date, not the first date you did, the first date. The second question was his written question answer which stated he was unaware of any financial problems or operational problems of the Oyate Safe House. That's the second question, which you have said you review the written answers to the questions and are accountable for those answers. The question is, was the minister briefed or not briefed? Or who did those written questions and why do they not seem to be accurate?

**Mr. Fisher:** — . . . give the answers to those questions as quickly as we can.

**Mr. Merriman:** — Thank you. On March 2 the minister made the following public comment regarding the Oyate Safe House: "We have no concerns as to the glaring problems in relation to money management." To your knowledge, is this statement accurate?

**Mr. Fisher:** — Can you give me a little bit of the context of that statement and when did the minister make . . . or you told me when but, you know, where did the minister make that statement and was it part of a . . .

**Mr. Merriman:** — Thank you. Just to clarify again, the date was March 2. The comment the minister made is, "We have no concerns as to the glaring problems in relation to money management," made in the rotunda of this building on March 2

to a scrum. The question is, to your knowledge is that statement accurate?

**Mr. Fisher:** — I believe based on the information we had at that point in time which . . . remind myself that that was prior to the detail that the Provincial Auditor provided us. That was during the time when we had a good working relationship with the current executive director at Oyate Safe House and we had been receiving regular financial reports at that time. So at that particular point in time I believe that was a correct statement, that we were not aware that there were any huge financial issues afoot.

**Mr. Merriman:** — I find that answer mind-boggling, absolutely mind-boggling. The Chair of Oyate is the same Chair that has been there. There's a constant flow through. You are responsible as a department to audit, to review those financial statements from 2003. And you're telling me that on March 2, that the minister made that comment, "We have no concerns as to the glaring problems in relationship to money management," that nobody was aware of that within your department or had briefed the minister. Is that what we're saying?

**Mr. Fisher:** — No. I am saying that at that point in time we believed that we were making progress in dealing with some of the financial issues at Oyate so that there wouldn't be — I don't know what the phrase was — glaring issues. Certainly we had received some financial information from them. As the auditor has subsequently pointed out and as we had pointed out to the board in past years, the financial information that we had received from them was not at the level of detail that we would have liked.

Oyate operates under the umbrella of the File Hills Qu'Appelle Tribal Council and the audited statements that we were provided didn't provide the level of detail that we would normally receive from a community-based organization. And we had been working with them over that period to try to get that level of detail and we're working with them now to try to get that level of detail. But I think we knew that there were issues around reporting, certainly. We knew that we didn't have the detail around those financial statements. But did we know at that time some of the things that Mr. Wendel pointed out in his report? No, we did not.

**Mr. Merriman:** — Well Oyate is operating under a service agreement signed with you which says financials have to be disclosed. I believe that that's a correct statement. Is that correct?

**Mr. Fisher:** — Yes.

**Mr. Merriman:** — So now what you're telling me is that since 2003 nobody reviewed those financial statements to even be able to discover some of the things that the auditor pointed out. Is that what we're saying?

**Mr. Fisher:** — No, that is not what I'm saying at all. I am saying that the audited financial statement . . . or the financial statements that we received from Oyate I believe were at a much higher level than we would have liked to have seen. So they didn't allow us to get down into the level of detail that we should have. It's an issue that we've been working with the



board over time on, and it's an issue that, I think, was reinforced by Mr. Wendel in his report.

We have now been working with the auditor for Oyate and the File Hills Qu'Appelle Tribal Council. They've provided us with much detailed information and so we're going back in time to try to develop the detail that we need to be able to assess financial issues over the entire period that the facility was in operation.

**Mr. Merriman:** — When you state the financial statements were at a higher level, I mean this is a fairly simplistic operation. There's nothing sophisticated in the operation of the Oyate Safe House. They probably have 30 line items at max. What do you define as higher level that they gave you? What did they just give you?

**Mr. Fisher:** — Speaking what we would like to see from a CBO in their annual financial statements, would be a line-by-line review of expenditures similar to the line-by-line budget that we would provide at the beginning of the fiscal year.

What we got from Oyate was Oyate's financial information as part of the overall operation of the tribal council and so we got . . . I don't know the exact number, but many of the expenditures were rolled up into four or five items. And so we have been working to get the more detailed financial information available to us in a format that allows us not only to look at the individual year's operation, but as Mr. Wendel has pointed out, to try to determine from the overall financial picture of the organization not only what they did during the current year but the financial viability of the organization looking forward.

**Mr. Merriman:** — You say then, based on the comments of what you just said, that the financial statements you got were part of a total tribal council. I don't know . . . Why they would give you their total financial statements would be beyond me anyway, but as part of Oyate rolled up into there, would they not be outside of their service agreement, thus triggering a cancellation of the service agreement for not providing those financial statements?

**Mr. Fisher:** — Well as I mentioned in my earlier comments, the manual for CBO monitoring does a better job of outlining what the expectations on our staff are and what the consequences of not providing the information as required to the CBOs. So you're correct in stating that it is a requirement and the requirement was not fully fulfilled in some of the time frames we're talking about. But we are at this point in time, as I said, working with Oyate's auditor and Oyate's board to get all the detail that we require.

**Mr. Merriman:** — You know Oyate was in breach of the contract on financial statements. Somebody should have been triggered to the alarm bells of the turnover of staff, the fact of training . . .

**Mr. Fisher:** — If I could just interject, you know, a breach of their contract . . . They did provide some financial information. So it wasn't at the detail that we would have liked, but they did provide some audited financial information so you know you

could make the argument, were they in breach? Possibly, if you wanted to take that position. But we did receive some information, so I just wanted to make it clear that it wasn't the case that nothing was provided. It just was the case that material at the level of detail we would like to see from a CBO was not, and we are getting it.

**Mr. Merriman:** — Okay. They were not completely in breach, but they didn't supply what was requested or what was wanted under the service agreement.

**Mr. Fisher:** — They're not completely compliant.

**Mr. Merriman:** — They had the highest levels of turnover of staff. There was reports coming back of issues within their reports from staff to you. All of these things would have triggered prior to even this year for someone to look into why these things aren't happening as far as the service agreement goes, and somebody should have been working on this file and correcting these errors long prior to here. Would you agree with that?

**Mr. Fisher:** — I would agree, and we were, and we were attempting to correct those things.

**Mr. Merriman:** — It's interesting that the auditor went and he got the financial statements and got this done I'd assume in a reasonable amount of time and got the financials just of the safe house. Why couldn't someone of your department have secured those in the same time frame?

**Mr. Fisher:** — Well we were not part of Mr. Wendel's review. We, I believe, have now received the same information that he was available to work with during his review.

But I think I would say that . . . And I don't want to put words in the Provincial Auditor's office's mouth — so if I'm incorrect here, you can please correct me — but I believe we're going through the individual expenditure items in a more complete manner. Mr. Wendel looked at certain transactions, tested certain areas, and we're going through the entire budget, top to bottom.

**Mr. Merriman:** — I understand that. That truly wasn't my . . . My question was, the auditor went in, sent somebody in and got these financial statements to the point where they're now readable, which is what he wanted. Why didn't someone from your department, prior to three years of this happening, not supersede his having to do this and you got these statements done correctly?

**Mr. Fisher:** — Well we do not have them done correctly even today. We are working with the auditor and the board to take, basically, to take the general ledger and walk through it item by item and create the statements. Basically, what we have at this point in time are those broader statements that I mentioned to you earlier.

**Mr. Merriman:** — There's a lot more questions in there, but I'll go to the next one. Has the department recovered or made any attempt to recover more than the \$10,000 misappropriated as board honorariums by Oyate?

**Mr. Fisher:** — Certainly one of the items that we are looking at as we go back through the individual expense items with Oyate is board honoraria. Have we recovered it to date? No, because we want to make sure that . . . You know, there are certain things in their financial records that are eligible for reimbursement related to board expense. Those would be things like travel to board meetings, accommodation at board meetings. And there's some evidence that some of the items were lumped together in one board expense account.

So we are working again with the auditor to try to identify what, if any, funds were spent on board honoraria and what, if any, funds were spent on appropriate board expenses. I can say to you that once that review is complete, if we do find that there were inappropriate or ineligible, rather, board expenses charged against Community Resources' funding, that will be part of any reconciliation that we do and that money would be recovered.

**Mr. Merriman:** — Within the financial statements, just looking quickly, there is a line item here for board travel, elder and staff travel. So I would assume that those board honorariums by the auditor have been put in the correct line item by his staff. So, you know, prior to this happening, can you assure me that either you or the minister has asked that these monies will be returned to the public purse and to be put into the program where they so were designed to be?

**Mr. Fisher:** — The discussions that we've had with the board have dealt with this specific issue. And as I said earlier, if, as we go through the detail, we find that board honoraria was paid against Community Resources' money, it will be recovered.

**Mr. Merriman:** — Thank you for that answer. On March 15 the minister made the following public comment regarding the Oyate Safe House: "We have no evidence [that] there have been any problems, we have no evidence [that] they did not respond to the issues." Is that statement accurate?

**Mr. Fisher:** — Again I would ask for clarification here. Was this the statement around the staffing problems in the facility?

**Mr. Merriman:** — My understanding is, the minister stated that on March 15 — he made the public comment — that "We have no evidence there have been any problems, we have no evidence they did not respond to the issues."

**Mr. Fisher:** — My recollection, and again I can confirm this, but my recollection is that that statement could have been around an allegation that was made around a staffing issue at Oyate. And that allegation had been passed on to the board, and the board had reviewed it and taken appropriate action. Therefore if that is the statement I am thinking of, the minister's statement about there wasn't an issue would have been correct because it would have been dealt with at that time.

**Mr. Merriman:** — You know, you can pick one little piece out of it and say that that's the response to it. But when a minister's responding in general public and he says, there's no evidence there's been any problems, ". . . we have no evidence [that] they did not respond to the issues," as referring to the board . . . which you're trying to draw the analogy that says, well did they need a loaf of bread — yes, they did. He is stating in his comments that he believes there was no problems and that they

did not respond to the issues in his public statement. I'm asking you, is that an accurate fact based on what we've just discussed?

**Mr. Fisher:** — And I'm responding that my recollection of that statement was that it was around a very specific issue which had been dealt with. So I believe his statement would be correct.

**Mr. Merriman:** — You attended the news conference with the minister in this building on September 14. Is that correct?

**Mr. Fisher:** — Yes.

**Mr. Merriman:** — Did you discuss the comments with the minister following the news conference on September 14, with that comment?

**Mr. Fisher:** — Did I discuss which comment? The one you just referenced?

**Mr. Merriman:** — Yes.

**Mr. Fisher:** — I have . . . I mean, certainly the discussion that we had subsequent . . .

**Mr. Merriman:** — Oh I'm sorry; I'm wrong. I apologize for that. Sorry. The comment was when the minister . . . The question and the comment was, we had briefings with the minister. And you said, obviously. That was a statement you made in the news conference. Is that correct?

**Mr. Fisher:** — I remember one of the members of the media asking the question about whether there were briefings with the minister on this issue, and I responded that we had. I don't know if that's the exact quote, but yes.

**Mr. Merriman:** — I have it in quotations, so I'm assuming — it was given to me — that it is an exact quote. I could stand to be corrected.

**Mr. Fisher:** — Well it's consistent with what I told you earlier, that there were discussions with the minister on this issue.

**Mr. Merriman:** — Did you have discussions following that meeting with the minister regarding your comments at that meeting?

**Mr. Fisher:** — Well we certainly met after the news conference to debrief on the news conference. I do not recall any discussion with the minister about my answer to that question, no.

**Mr. Merriman:** — On pages 6 and 25 of the auditor's report, it states that DCRE received allegations of inappropriate care of children, unfair labour practices, and misuses of public money. To your knowledge, was the minister aware of these allegations?

**Mr. Fisher:** — What page are you quoting from?

**Mr. Merriman:** — Page 6 and page 25 of the auditor's report.

**Mr. Fisher:** — I believe, as I tried to answer one of your earlier questions, the auditor's report provided us with a great deal of

information that we previously did not have all the details on. So this level of information, no, I don't believe I was aware of that.

**Mr. Merriman:** — So you're saying prior to the auditor's report that you weren't aware or nobody in your department was aware of these issues regarding the care of children, unfair labour practices, or misuses of public money.

**Mr. Fisher:** — I'm saying that we were aware that there were challenges related to the programming at Oyate. We were aware that there were financial reporting issues. We were not aware that there was misuse of public funds. And I don't believe . . . I mean I would have to seek clarification from staff about the unfair labour practice, but I don't recall being aware of that one at this point. But certainly the first piece about the care of children as I've identified earlier we've had some concerns, yes. So we would have known about some of the concerns related to the care of children.

**Mr. Merriman:** — Do you know when that first came to light, the inappropriate care of children?

**Mr. Fisher:** — Well I think the issue would be . . . We believe that it was important to work with Oyate to provide this service. In any operation, there are going to be times when there are issues that need to be addressed regarding services provided, and that was no different at Oyate. So there were issues. I mean staffing is a good example. The high level of turnover in staffing was a concern for us from early in the operation. So that certainly has an impact on the care of children. So it was something that we were trying to deal with with the board and executive directors at Oyate, certainly.

**Mr. Merriman:** — What I'm after is, it's one thing when you have some financial issues or irregularities that we have to look at. But with the inappropriate care of children, that's paramount to anything. And my question was, when were we first aware . . . There were staffing issues; we understood that. We can get into a whole series of questions on that. My question was, when was your department first aware that children were at risk in that facility?

**Mr. Fisher:** — Again I would try to provide some context. I mean you're using the term inappropriate care or . . . I think I can say that very early in the operation, July '03 for example, we were aware that Oyate needed some assistance in providing services that we had entered into a service agreement with them for. And as I had also mentioned earlier, when we became aware of those issues, we worked with the board, the executive director, and the staff to try to resolve them. So we became aware of some issues in July. We were in there trying to provide additional training for staff, for example, almost immediately.

And so this is an issue that I guess I would like to say that I don't want to leave people with the impression that from day one to April 13 when admissions were suspended to Oyate that this place did not operate appropriately during periods of time.

I think certain periods of time when they had some stability with their executive director, some stability with their staffing, they provided a good service. There were many other periods of time, as you've identified, where there were concerns raised,

concerns that we shared around the services that we were delivering, and we were trying to take action with the staff and the board to resolve those issues.

I mean in hindsight should we have gone farther? Perhaps. But we were committed to trying to create a successful organization with Oyate. But I guess in direct answer to your original question, we became aware initially of some practice concerns as early as July.

**Mr. Merriman:** — I thought you said . . . Did you say July '03 or . . .

**Mr. Fisher:** — Yes.

**Mr. Merriman:** — July '03. So I mean that's even more alarming. So for three years we've known they've had service problems in dealing with this and I . . . was certainly questioned by the Children's Advocate their success ratio, period, whether it be up or down as you have stated. So for three years we've worked with this board to try to help to improve them. Is that correct?

**Mr. Fisher:** — Yes.

**Mr. Merriman:** — And we had a Children's Advocate report that came out that was absolutely damning to that facility. Is that correct?

**Mr. Fisher:** — I would say that the Children's Advocate and the Provincial Auditor's report provided a number of serious issues; serious issues that we intend on resolving before we reopen the facility, and I do not . . . I don't, I don't . . . I would not use the word damning. I would say that they are very serious, very concerning to the department. But I would also say that we believe there's a commitment on part of Oyate and the department to resolve these issues co-operatively and put us in a position to provide a service.

**Mr. Merriman:** — Well I would call it damning because we're putting children at risk. And, you know, where was the commitment from the Oyate safe board . . . or board three years ago to resolve all of these issues? I mean, you just told me since July '03 you've been working with them to resolve some of these issues. The Children's Advocate's report just came out a little while ago, which I'll call damning. And nothing has changed in that three years.

**Mr. Fisher:** — As much progress as we would have liked to have seen made, I would agree with you now . . .

**Mr. Merriman:** — What progress? Name me two progresses that we made.

**Mr. Fisher:** — Well we have an excellent physical facility and we have a board that's committed to provide the service. We have a First Nations board that's committed to provide the service. And I think it's, it might be an opportunity to talk about, I mean the approach that we have taken to try to provide services to First Nations children within the province.

We've had an approach where we've tried to nurture, support, and build capacity with some First Nations and First Nations

CBOs. We've focused on relationship building, offering assistance without necessarily imposing the way that Community Resources does things. We've over time been trying to increase the accountability and reporting requirements for First Nation child and family service agencies and First Nation CBOs.

Now we agree that the issues that the advocate and the auditor have raised are very important. The agreements that we have in place require the same sort of standard that we would look to in all of our other agencies, and certainly the definitions that we would use in those agreements. So I think it's important to recognize that we're coming from a system where First Nations child and family service agencies, First Nations child welfare is still very much in the developmental stage. So have we made progress as quickly as over the last three years you're referring to with Oyate specifically? No, but certainly there's been a lot of progress with child and family service agencies and many First Nations CBOs. And we have every confidence that as we work with Oyate, we're going to make a success of this program.

Has the Provincial Auditor's report helped bring focus and emphasis with Oyate's board that there are issues that need to be fixed? It certainly has. And so I'm very hopeful that over the coming months we're going to resolve this situation.

**Mr. Merriman:** — Let's be clear on this. We believe there needs to be a program. There's no question. We're not debating on that. What I'm debating on is that for three years you were aware that this board was not performing. For three years you have stated you assisted this board to try to get it up to a level of competence. You are now telling me that we're going to continue on with this board, the same board that for three years has been derelict in its duty. Why would I assume that something's going to change with the same board for the next three years?

**Mr. Fisher:** — Well I will give you a couple of reasons. The first is the report by the Provincial Auditor and the Children's Advocate. It has brought focus and raised the attention that these are important issues that must be addressed. And we have committed and the board has committed to dealing with them. I think that is by far . . . I know it is a message that will take us forward and doesn't answer the question retroactively, but I think it is an important component in the position that we're currently in.

And the second point that I was going to make is that the services that we are going to be asking Oyate to provide in the future are going to be different than the services that we had asked them to provide in the past. In the past we had contracted for a full assessment and stabilization service with Oyate. In the future we are going to be looking for what we refer to as a transitional aftercare program that will build on the strengths of the Oyate program, their ability to connect . . . reconnect some kids with school, their families, community. But it will not ask for the sort of multidisciplinary professional service that perhaps we overreached with Oyate in the first go-round.

The second or the third point that I would make is we have seen some commitments of progress, as recommended by the Provincial Auditor, about the issue of risk assessment and

dealing with high-risk agencies in a different manner than perhaps a low-risk agency. We have agreement from Oyate that we will have two departmental representatives sitting on the Oyate board as liaison members. So we will be present at all board meetings and participate in board discussions and we're very hopeful that that will allow us to move these issues forward in a more timely fashion.

And in addition, we have agreement with the Oyate board that as the search begins for a new executive director to lead the program development of the new service at Oyate, that Community Resources will be part of the selection committee. And we will be able to provide some advice to Oyate's board on the qualifications and the competencies that, from our perspective, would provide good leadership for the organization.

So we have a different configuration on the board. We'll have input in the pick of the next executive director and we are reconfiguring the service. So I believe those are important reasons why I think we are going to be able to move forward with Oyate and provide a successful service in the future.

**Mr. Merriman:** — Thank you. I'll move along to another question. But I think if it were my choice, we'd go out to tender and find an organization that had the skill sets at this period of time. As you're aware, the minister is responsible as a parent to these children and should make sure that the best care available is available.

What memos, briefing notes, and estimates, graphs, or other materials were generated to inform the minister about the problems at the Oyate Safe House?

**Mr. Fisher:** — If I could make one other comment about your last remark. I would agree that the assessment stabilization program is a very important program. And the service provider that we've entered into or we're just finalizing arrangements with at this point in time to provide that service is Ranch Ehrlo. And we believe that they are a long-standing service agency in the community that will be able to provide the assessment stabilization service in that multidisciplinary manner that will meet the needs of the children. And that the new service that Oyate will provide, the transitional aftercare program, will complement the work that the ranch will do.

And so we will have, when we're successful with Oyate, strengthened the continuum of service for these children.

**Mr. Merriman:** — Thank you for your response to that. My next question was what memos, briefing notes, estimates, graphs, or other materials were generated to inform the minister about the problems at the Oyate Safe House?

**Mr. Fisher:** — Well again I'd have to go back and compile that information. I don't have a complete set of that with me and I wouldn't like to attempt to answer that question without having an idea of what was available because I wouldn't want to mislead you.

**Mr. Merriman:** — Would you commit to do that in a timely fashion?

**Mr. Fisher:** — Certainly.

**Mr. Merriman:** — Could you just give me a time frame on what you would — I guess for clarification — on what you would classify as a reasonable time frame?

**Mr. Fisher:** — Well I don't know that we're going to have that by the end of the meeting today but . . .

**Mr. Merriman:** — No, I guess . . . that wasn't the question.

**Mr. Fisher:** — If we could get that to you within a couple weeks, that would be sufficient?

**The Chair:** — Noted.

**Mr. Merriman:** — Who else was told about the problems at the Oyate Safe House? Anybody . . . any other departments within government?

**Mr. Fisher:** — To my knowledge I don't believe, you know, any of the other line departments were involved in the discussions.

**Mr. Merriman:** — Was cabinet briefed on these problems?

**Mr. Fisher:** — In response to your question, there were two cabinet information items that were prepared and I believe . . . I don't have the exact dates but I believe one was in June, one was in July.

**Mr. Merriman:** — I'm sorry. I didn't hear you.

**Mr. Fisher:** — I'm sorry. There were two cabinet informations prepared and they were done in the summer. I don't have the exact date, but I think one was in June and one was in July.

**Mr. Merriman:** — Because some of this is interdepartmental, did you brief any other deputy ministers on these issues?

**Mr. Fisher:** — Certainly there is a human service deputy minister's committee, and I believe during my tenure in the department it was on the agenda at at least one of those meetings just to provide a status report on where we were with Oyate.

**Mr. Merriman:** — So more informative than assistance request then.

**Mr. Fisher:** — Yes.

**Mr. Merriman:** — It would seem to me, Mr. Deputy Minister, there would be some crossover there, certainly with the Healthy Living minister and Health and other issues that these children would be dealing with, that there would be an interest on behalf of yourself and other deputy ministers to collaborate on the delivery of some of these service items to the safe house organizations or CBOs.

**Mr. Fisher:** — Certainly across the piece I would agree with you that we do have an interdepartmental committee on sexually exploited children which we participate with a number of other human service departments. And the crossover that you

refer to would be dealt with at that committee. But in terms of the challenges that we faced with Oyate, I guess I was speaking more in terms of trying to fix the ongoing operating challenges, and we saw that as primarily a Community Resources issue.

**Mr. Merriman:** — So from what I heard you say is, you have an interdepartmental committee that meets on sexually exploited children. Is that correct?

**Mr. Fisher:** — Yes.

**Mr. Merriman:** — How frequently do you meet?

**Mr. Fisher:** — The interdepartmental committee would meet on a quarterly basis, and the regional intervention committees that are set up in some of the major centres would also meet on a quarterly basis. And those regional intervention committees would involve various human service provider intersectoral representation as well.

**Mr. Merriman:** — Just to go back to clarify on the cabinet issue. So what you're telling me is that the ministers and the Premier would have been aware of and briefed on the Oyate safe problem in your two cabinet briefing documents. Would that be correct?

**Mr. Fisher:** — We provided an overview of the issues, yes.

**Mr. Merriman:** — Could you table those briefing notes for us?

**Mr. Fisher:** — Those were cabinet documents, not briefing notes, so I would have to check on what the procedure is around tabling those with the committee because I don't know that at this point.

**Mr. Merriman:** — Sorry. I thought you had said briefing note.

**Mr. Fisher:** — Cabinet information item.

**Mr. Merriman:** — The reason I asked the question was you had said briefing note. That's why I asked.

**Mr. Fisher:** — I'm sorry. It was not a briefing note. It was a cabinet information item.

**Mr. Merriman:** — Okay. Thank you. Just on another quick question that just came to mind. In the past service agreements between DCRE and Oyate, do we have a conflict-of-interest clause in there for staff? Would that be part of the regular service agreement? And you can get back to me on that if you want to look it up.

**Mr. Fisher:** — If you give me a second, I can provide you an answer.

**Mr. Merriman:** — We can come back to that then. It was just something that popped up there.

What letters were sent out to the ministers, to employees in the wake of September 14 news conference on the Oyate Safe House held by the minister in this building?

**Mr. Fisher:** — Sent out to whom?

**Mr. Merriman:** — Out by the minister to employees or other ministers. I'm sorry, that was out by the minister to employees, other employees outlining these issues.

**Mr. Fisher:** — I believe there was a letter, an email letter that went out to employees in the department from the minister that talked about the fact that the report was going to be released and that talked about the . . . Well I don't have the memo in front of me; I'm going from memory. It talked about the seriousness of the report and that we were going to be working with the report. And I believe it concluded by providing a message to staff that generally speaking the work they were doing was very important, and we have many examples of good work being done in the department. It was a message to staff to tell them that something serious was occurring but to remind them that they did good work and that there was a need to carry on.

**Mr. Merriman:** — Was there one letter or several letters?

**Mr. Fisher:** — I think there was a general email that went to all staff, and then there was a second letter that the minister I believe sent to his colleagues advising them that this report was being released as well.

**Mr. Merriman:** — Could you undertake to get me a copy of both of those documents please? I'll ask the same question: in a timely fashion — define it.

**Mr. Fisher:** — We can have those quite quickly.

**Mr. Merriman:** — Quite quickly? Thank you.

**Mr. Fisher:** — Just to go back to your question about a conflict-of-interest clause, there is a standard clause I'm advised in the contract, on conflict of interest.

**Mr. Merriman:** — In that specific contract.

**Mr. Fisher:** — In all of our contracts.

**Mr. Merriman:** — In all contracts. Then all contracts are similar.

**Mr. Fisher:** — Yes.

**Mr. Merriman:** — Pretty similar. After this report came out, what staff meetings were held in the wake of these reports about the Oyate Safe House?

**Mr. Fisher:** — In response to your question about what staff meetings were held regarding the report, there were . . . Regina is within our southwest region. So there were staff meetings held with the southwest region staff to discuss the report.

Divisionally within our child and family services division, we had a general staff meeting to discuss the report. The child and family services regional managers at their regular meeting, subsequent to the release of the report, that was an agenda item with them as well. We routinely bring our regional directors as a group together to discuss issues, and the Oyate report was on the regional directors' agenda.

And finally I use as another example that the report was

discussed at the intersectoral committee on child sexual abuse that I mentioned to you earlier.

**Mr. Merriman:** — Would you undertake to get me copies of the minutes of those meetings as it relates to the subject we're talking about.

**Mr. Fisher:** — I can certainly do that. The minutes of those meetings, in some of them, the general staff meetings, it would have been more of a presentation about the contents of the report. But certainly any of those meeting where there were formal minutes recorded, I will get you copies.

**Mr. Merriman:** — Well I'm assuming there is discussion back and forth, and any of that that would be recorded, especially observations as to improvements, I would certainly like that. And also a copy of your presentation would be certainly helpful if that's possible, again within a timely fashion.

**Mr. Fisher:** — A copy of the presentation is certainly possible. But again, and I commit to getting you any recorded minutes there were, but I'm just cautioning that at some of the staff meetings it was more of an informational item. So even though I recognize your point that there would be discussions back and forth, there may not have been recorded minutes. But whatever there was I will get to you.

**Mr. Merriman:** — My assumption is, is that there were some reports coming from Oyate to DCRE. And my question will be simply, can you table all those information documents coming from Oyate to you — all dates, minutes, briefing notes — in all meetings held between your department and Oyate Safe House Board of Directors? If you could undertake to do that. And on that one particularly, I would like a time frame if possible please.

**Mr. Fisher:** — Certainly any information of the type that you've requested that we're free to share, we will provide it. I would just make the comment that if there is any information that we need to talk to our freedom of information officer about, we'll certainly endeavour to do that. But whatever we can provide, we will.

**Mr. Merriman:** — If you like, I'll go through our freedom of information Act if we need to.

**Mr. Fisher:** — No, I'm just . . . if there are . . . We will provide the information. If there's confidential items in there, children's names, things like that . . .

**Mr. Merriman:** — I understand that.

**Mr. Fisher:** — We would sever that information prior to . . .

**Mr. Merriman:** — I understand that. I understand there were reports given to you by staff within Oyate Safe House and those are the reports I'm looking for. Any notes, anything to do with the board, any of these type of information packages that went from that direction to you — that's what I'm after. Could you clarify a reasonable time frame on that one for me, please?

**Mr. Fisher:** — I think we used the time frame of a couple of weeks earlier. And so we'll try to provide all of this information

that you're requesting within that same time frame.

**Mr. Merriman:** — Well on behalf of myself — I know my colleagues have some questions — I just want to thank you for your time in coming in and your staff and your responses to the questions. We may have a difference of opinion on some of these, but I do respect your answers and appreciate your time. Thank you.

**Mr. Fisher:** — We hope we can bring resolution to it to everyone's satisfaction.

**The Chair:** — Are there further questions? Mr. Chisholm.

**Mr. Chisholm:** — Yes, I have a question of the auditor. You, during the audit, would have had access I assume to copies of the financial reports that were prepared by Oyate and submitted to DCR [Department of Community Resources]. Would that be correct?

**Ms. Sommerfeld:** — Yes, we did.

**Mr. Chisholm:** — I wonder if you could comment on your assessment of those reports. What was in them? What wasn't in them? How much stuff was lumped together? Just if you could give me some idea of what kind of a report was it, right from day one, that was being given to DCR and reviewed by them.

**The Chair:** — If the Chair could interject and if the official would just state who she is for the record.

**Ms. Sommerfeld:** — I'm Regan Sommerfeld with the Provincial Auditor's office.

The File Hills Qu'Appelle Tribal Council did the accounting for Oyate, and they provided a statement of revenue and expenditures annually. That document was audited by an auditing firm. The statement of revenue and expenses was broken out into six funds. Some of it was provincial revenue; some of it was federal revenue and it was also broken out by expense under that, specific to that particular revenue. The expense codes were generally five or six large groups, salary and benefits being one of them, some of the capital costs in the development fund and others. So large examples of that sort of groupings by what we would call an object code which is the kind of general expense it was.

**Mr. Chisholm:** — I don't know if you would recall or not but I was just wondering if this item of honorariums that came up, if that would have been an itemized item on their statement to DCR or would that have got lumped in with salaries or . . . Would you recall?

**Ms. Sommerfeld:** — My recollection is that it was lumped in with salaries and benefits.

**Mr. Chisholm:** — I think that's all I have in the way of questions.

**The Chair:** — Thank you, Mr. Chisholm. Any other questions? Ms. Draude.

**Ms. Draude:** — Thank you, Mr. Chair, and to the staff, I have a

couple of questions. Deputy Minister, you had indicated that you were going to be looking at the details on the board expenses and honorariums and decide what of it was considered honorarium and what is expenses, and anything that was considered not eligible under the agreement, they would be asked to return the money. Can we get the breakdown on those expenses, so your determination on what is an honorarium and what is expenses?

**Mr. Fisher:** — Well as I said, we're still working on identifying that information but once it's available we can provide that, yes.

**Ms. Draude:** — Thank you. You'd indicated that there was periods of time from 2003 when the kids were in . . . when the operation of Oyate was working well, or successful I believed you used the term. And that there were also times when it wasn't but that you were working to create a successful organization and it was important to the department. Obviously when things weren't going great, there was kids at risk. And regardless of capacity building, the main objective of Oyate was to provide a safe place for these children. What kind of red flags were raised? How important was this to the department when they realized that these kids were at risk and they went about looking at the organization instead of talking about the kids?

**Mr. Fisher:** — So the question is: what type of signals did we get from the organization that there were problems?

**Ms. Draude:** — The question is: if this was a priority, why wasn't this signalled to the point that saying that kids are at risk?

**Mr. Fisher:** — Well I think a reflection of the priority it was, was how quickly we put staff in, in many instances to try to support the staff and executive director at Oyate. For example, providing training sessions to the staff on residential services, on how to deal with some of these difficult children. So I think we did consider it a priority. Were we able to resolve all the issues? Obviously not, but I think the issues that were identified we took real efforts to try to resolve them. Obviously not as successful as we would have liked.

**Ms. Draude:** — The other two that I have is a number of times some of the concerns that were brought to my attention concerned money; that there wasn't enough finances to bring forward professionals and pay them at a rate where you could keep staff there. I believe that there was . . . the total budget was limiting to the amount of money that you could be paying people. Was that ever discussed?

**Mr. Fisher:** — Certainly the budget was discussed with the organization. That discussion began during the initial creation of the program. The budget was reflected in the original request for proposals. It wasn't an exact number but I think it provided the approximate \$300,000 annual budget that would be provided to provide the service that was requested.

When we entered into this . . . You know, we learned a great deal over the three years with Oyate just about how demanding some of the needs of these children were. So there were discussions during the course of operations where Oyate had said that additional resources could be utilized, but during this

period we were also trying to get additional financial detail about how the original funding was being utilized. And it was our position that until we were provided with that detailed information that we wouldn't consider any requests for additional funding.

**Ms. Draude:** — Mr. Deputy Minister, I haven't operated one of these homes, but I do know if you're having a facility open 24 hours a day, 7 days a week, 365 days a year, and you have to have staff in there that are not only able to deal with the problems of children that have challenges, you'd be looking at roughly somebody who had training enough to be valued at 20 or \$25 an hour. Even the math on that would tell you that there was not enough money given to this home to be able to operate it in a way that you could have children looked after.

That's just staffing. And at the same time, we have food and we have the elders and we have the other issues. I would have thought that this would have been an issue that would have been brought forward by your department.

**Mr. Fisher:** — Certainly, the total budget that was utilized was not something that was plucked out of the air. It did reflect experience in some other residential resources in Regina. We have several other residential programs in the city that run in that general range, from approximately say 250,000 to 400,000 to provide a 24-hour residential service. So the budget, I mean we could debate whether the budget was sufficient or not, but we can point to experience of successful organizations that can provide a 24-7 service in that general range.

**Ms. Draude:** — Thank you. I have a number of other questions, but I believe there's a couple of motions my colleagues want to bring forward. Thank you for your time.

**The Chair:** — Thank you, Ms. Draude. We have scheduled about another 15 minutes max for this part of our agenda, so it's up to my colleagues as to whether they want to continue to ask questions. I understand there are three motions that have been prepared for presentation at this meeting as well. Is it your wish to continue with questions to deal with the motions or to deal with the recommendations? Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — I think it would be our wish to interrupt the questioning to introduce the motions and proceed with discussion on the motions and return to questioning after that.

**The Chair:** — All right. Mr. Chisholm, are you presenting the motions?

**Mr. Chisholm:** — Yes. I will be.

**The Chair:** — Okay. Any particular order? I have the motions in front of me, but I don't know which one you're . . . you'll have to decide which one you're presenting first.

**Mr. Chisholm:** — Okay. I should read the motion now? Okay. I move:

That this committee request the former deputy minister of Community Resources, Ms. Wynne Young, appear before the committee as a witness at the next meeting of the Public Accounts Committee.

**The Chair:** — All right. We've heard the motion. Is there discussion of the motion? Mr. Borgerson.

**Mr. Borgerson:** — Mr. Chair, we have just barely received these motions and so I would request at this time that we have a short recess so we have a chance to: number one, read it; and number two, think about it in order to discuss it among ourselves on this side as to the appropriateness of this motion. In my time in Public Accounts we have not called past deputy ministers before the Public Accounts Committee and I don't know what the precedent is for that. So I'd request a few minutes for us to talk about it.

**The Chair:** — Some people may need a body break as well. How much time? Would between 5 and 10 minutes suffice? Ten minutes, all right. I will call a 10-minute recess and at 25 after 11 we will reconvene.

[The committee recessed for a period of time.]

**The Chair:** — Colleagues, we are reconvening our Public Accounts meeting. We had a motion on the table, and I had opened the floor for discussion. The members from the government side asked for a recess which we've granted. They are back. And do you have any comments regarding the motion?

**Ms. Crofford:** — Well which motion are we dealing with first? I can't . . .

**The Chair:** — There is only one on the table right now and that is the motion:

That the committee requests the former deputy minister of Community Resources, Ms. Wynne Young, to appear before the committee as a witness at the next meeting of the Public Accounts Committee.

**Ms. Crofford:** — We've deliberated and we think that's a good idea, and we agree to the former deputy appearing.

**The Chair:** — Is there any other discussion on the motion? Ready for the question? All in favour? That's carried. Mr. Chisholm.

**Mr. Chisholm:** — I move:

That this committee requests the Minister of Community Resources, the Hon. Buckley Belanger, appear before the committee as a witness at the next meeting of the Public Accounts Committee.

**The Chair:** — All right. You've heard the motion. Discussion of the motion. Ms. Crofford.

**Ms. Crofford:** — We are going to disagree with this motion. The deputy minister is well able to provide substantive information, and we wanted to think more about the precedent it sets because this committee has not typically called ministers. So we are not agreeing with this motion at this time.

**The Chair:** — All right. Is there any further . . . Mr. Cheveldayoff.



**Mr. Cheveldayoff:** — Thank you, Mr. Chair. I would say that that's a serious mistake. We are seeing ministers and certainly we've seen the former prime minister, Mr. Chrétien, appear before similar committees to ours. Recently the Prime Minister, Stephen Harper, appeared before a Senate committee. I know that, from my experiences and talking to our colleagues across the country, that ministers do appear from time to time when it's necessary.

And I think members of this committee will agree with me that this isn't the average type of report that we're dealing with here. This is something that is very serious and I would submit that certainly warrants every possible person to appear here that can help us get to the bottom of this situation. I'm glad to hear that members opposite agree with members on this side that the former deputy minister should appear. Certainly there was a time period where we need those answers, and I think only she can provide them.

I would submit that there are also questions that need to be answered that only the minister can provide. This is the forum. This is why we are here. We are here to get to the bottom of the issue, and I certainly believe that the minister could help us do that. And I would ask my colleagues opposite to reconsider that decision.

**The Chair:** — Mr. Borgerson.

**Mr. Borgerson:** — For myself personally, Mr. Chair, you will recall yesterday I had talked about the role of Public Accounts and about how the role of critics, the appearance of critics and of ministers change that role substantially from one of focusing on the performance of departments to focusing on policies and on ministerial performance. So for myself as a member of this Public Accounts Committee, there are a number of issues that have been raised this morning. Certainly the question of ministerial performance has been raised this morning. I do not see that as the role of a Public Accounts Committee.

The well-being of children, of vulnerable children in our society has been raised this morning and by the Children's Advocate. I don't see that, the appearance of the minister in this committee, as the role of this committee either.

I do think that the role of the minister, the questions that I believe that some members would like to ask, are best suited to a venue outside of this committee hearing, particularly the Assembly. And so for those reasons I don't think it's appropriate for the minister to be called on this particular issue.

We are focusing here on Oyate and the issues raised out of Oyate in terms of the well-being. We are focusing on what we can learn from the problems with Oyate so that those young people can be better taken care of in the future. I don't see the appearance of the minister as of any assistance in that at all. Thank you.

**The Chair:** — All right. We've heard some opinions. Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Just to respond to Mr. Borgerson's comments, I think the difference that we've seen here is that there's some serious discrepancies between what the minister

has said in the House, what he has said in question period, what he has said in the rotunda, and the information that we're receiving from the deputy minister. And I think that in itself warrants the necessity of the minister coming before here and having his say. You know, I would think that the minister would seriously consider coming here and wanting to put on the record and have the opportunity in a situation like this to set the record straight, if you like. And I certainly would hope that the minister would be encouraged to do that.

**The Chair:** — Mr. Borgerson.

**Mr. Borgerson:** — In all honesty I have heard attempts to demonstrate some discrepancy on the part of the minister. I've seen attempts at it this morning. But I haven't seen any clear evidence of that sort whatsoever. I think what you just said, Mr. Cheveldayoff, validates what I was just saying. That in fact this is . . . You're talking about ministerial performance, and that is not the role of this committee. That's the role of the Assembly.

**The Chair:** — Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Mr. Chair, we're trying to get clear answers and specific dates, specific times, and the details of meetings and briefings that have taken place. What we have seen from the evidence is that we've seen statements made by the minister in March of this year — statements made in the House, statements made outside of the House in March — and we've heard of briefings that have taken place in February of this year and a real discrepancy.

I would add, Mr. Chair, what makes this difference is the responsibility, the level of responsibility that this department and this minister has to be held to in light of The Child and Family Services Act. I just read that portion for all members:

- (1) . . . the minister shall have . . . the rights and responsibilities of a parent except with respect to adoption proceedings.
- (2) Subject to subsection (3), the minister shall:
  - (a) have . . . the rights and responsibilities of a parent; and
  - (b) be the guardian of the person;

I would say that that makes the minister responsible to a higher level of care. And I would say that this is one of the . . . well certainly one of the most serious things that I've dealt with since becoming a member of this House and a member of this committee. And I see a very strong argument for bringing the minister before this committee.

There has been precedent in other places. There has been . . . We've had the Channel Lake inquiry here in Saskatchewan where many former deputies and former ministers were to appear before it. And I think the gravity of this situation is clearly demonstrated and the minister should appear before this committee.

**The Chair:** — Are there other members that wish to speak to the motion? Seeing none, are we ready for the question? Call

the question. All in favour? I see two. Opposed? I see four. The motion is defeated. Mr. Chisholm.

**Mr. Chisholm:** — I move:

That this committee request the Provincial Auditor to carry out an immediate special investigation into all existing service agreements between child and family service organizations in the province that provide service to children at risk to determine if the terms of the service agreements are being adhered to, if the money being allocated to those organizations is being spent according to the terms of the service agreement, and if the welfare of children in care has been placed at risk because of a failure of either party in the service agreement to fulfill their commitments.

I so move.

**The Chair:** — Ms. Crofford.

**Ms. Crofford:** — I have the most difficulty with this particular resolution for a couple of reasons. We've certainly had situations where sports organizations, for example, have been involved in inappropriate behaviour with youth and in fraudulent behaviour. And yet we have not investigated every sports organization in the province.

We have here a people whose history is one of not having decision making, not receiving education and training, who desperately wish to look after their own children. And to expand this beyond the realm of the people who actually have been identified as not providing an adequate level of service, I think takes it almost to a witch hunt level. I find this very difficult to expand what one person has done wrong to everyone. That would be like somebody found something in your house and then decided it was okay to go into the houses of every member of your caucus. This just would not be acceptable.

Now that being said, our recommendation is to table this and to get some sense, because we don't even really know how many organizations this involves, what this means to the auditor's office. We would like to have the answer to some of those questions. So it's our recommendation today, and again expressing a lot of concern about this type of approach to just assume everyone to be at fault, we would wish to table this.

**The Chair:** — Have you made a motion to table?

**Ms. Crofford:** — I'll make a motion to table.

**The Chair:** — Okay, that's a non-debatable . . . that's a debatable motion. Okay. When you move to table a motion you are actually moving to adjourn debate on that motion. So is there . . . But it's not a motion because we have a motion on the floor so it's a superseding motion, I'm told by the Clerk, so we will allow comment on the motion to table. Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — With the committee's indulgence I'd just like to make the point that, under questioning, Deputy Fisher was asked, you know, what the difference would be, what assurances could he give Mr. Merriman about the changes that

would happen within the department. His answer, one of the things that he pointed to, was the very fact that the auditor was involved; that the auditor and the Children's Advocate have done this study, have brought some focus to it, and will indeed help the department.

**Mr. Trew:** — Mr. Chairman, on a point of order.

**The Chair:** — Yes, on a point of order. I think I know what your point of order is and I believe you're correct. I have had a discussion with the Clerk. If we have a motion to table that's a non-debatable motion and so we have to vote on this motion immediately. So we will call the question. All in favour of the motion for supporting . . . [inaudible interjection] . . . to table, yes. All opposed? The motion to table is carried four to two. So we have, just to summarize, we have agreed with the first motion, we have defeated a second motion, we have tabled the third motion.

Colleagues, we are 15 minutes past the time we had determined we would complete this section of our agenda. There are still several outstanding recommendations which I doubt, given the hour, we'll be able to deal with. Is it everyone's understanding that since we are now calling another witness, that we would deal with those recommendations after we hear from the other witness? Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. We would submit that we would deal with those regulations at a later date. In light of the information that has been asked for and the undertaking of the deputy and the department to provide that information, I think it would be best that we deal with that at a subsequent meeting.

**The Chair:** — Everyone agrees? Mr. Borgerson.

**Mr. Borgerson:** — I mean I think we're quite willing to be co-operative on this but I see no reason why we can't deal with those recommendations now, with the auditor's recommendations.

**The Chair:** — Well the Chair is willing to do as the committee leads but we are behind schedule and we will be addressing this issue again when the former deputy minister comes. So we could, as far as process is concerned, deal with these recommendations at a future date. If we decide that we want to deal with the 20 recommendations at this time, then we will have to alter our agenda for the morning. Mr. Borgerson.

**Mr. Borgerson:** — I'll just respond that recommendation I think no. 20 sums up recommendations 1 to 15, so it isn't as lengthy a process as it seems.

**The Chair:** — We have to deal with all 20, the Clerk informs me. Mr. Chisholm.

**Mr. Chisholm:** — Yes. In light of the amount of information that has been promised to be forthcoming shortly that does relate directly or indirectly, I would strongly suggest that we do not move ahead at this point in time.

**The Chair:** — Do the members of the government side agree with that? I saw a nod. All right, very good. Then I want to

thank the deputy minister and your colleagues for appearing before us. It's been a busy morning; you've been very busy. I have noticed your colleagues have been very busy. There was an attempt to get some information before the end of the meeting. Can you update us on that?

**Mr. Fisher:** — I have not received it, so I will get it as quickly as we can. And if that initial information . . .

**The Chair:** — All right. Thank you for appearing before us, and we will allow you to be on your way. And we will attempt to deal with the second item on our agenda for today, which is chapter 22 of the 2005 report volume 3, Standing Committee on Public Accounts.

#### **Public Hearing: Standing Committee on Public Accounts**

**The Chair:** — Colleagues, we have with us from the Provincial Auditor's office Kim Lowe, who is responsible for chapter 22 of the 2005 report volume 3 which is basically a report card on the work of the auditor and the response by the Public Accounts Committee, and of course a response by the various government departments that the recommendations affect. So I give you the floor, Ms. Lowe.

**Ms. Lowe:** — Thank you, Mr. Chair, and members. Chapter 22 of our 2005 report volume 3 has two main purposes. It responds to a prior request of the Public Accounts Committee regarding monitoring the status of its recommendations, and it highlights the work and accomplishments of the PAC [Public Accounts Committee] since the spring of 2004 when we last reported the status of PAC recommendations.

Since the spring of 2004 the committee has met 24 times to discuss our reports. At the time of this report the committee's first report of the twenty-fifth legislature was drafted. The final copy of the report was presented to the Legislative Assembly on December 1, 2005.

PAC asked our office to monitor compliance with its recommendations and to report on their status. The exhibit in this chapter lists all of PAC's recommendations that were not fully implemented by the government as at the date we last audited the organization or area prior to issuing this report in November 2005.

We note that the committee's reports during the previous five years contain 136 recommendations. Some of these recommendations may take a number of years to implement; however, as of March 2005 the government has fully implemented 91 per cent of the committee's recommendations. Also, the government has partially implemented 80 per cent of the remaining recommendations.

Approximately 10 months have gone by since this chapter has been made public. As a result the exhibit may not reflect the current status of certain PAC recommendations because the government may now have dealt with some of the recommendations that appear in the exhibit.

That concludes my presentation. We would be happy to answer any of the questions you may have.

**The Chair:** — All right. Thank you, Ms. Lowe, for that concise summation of chapter 22. Are there any questions of the auditor's office? Ms. Crofford.

**Ms. Crofford:** — I'll just ask maybe a simple one. If you were to characterize the progress, would you say that it's been primarily in the areas of accountability, frequency of reporting, depth of information — how would you characterize it in a summary kind of way?

**Mr. Wendel:** — The reports are quite broad and they cover a lot of those areas. I don't know if I could summarize it in that way.

**Ms. Crofford:** — What the areas of improvement are.

**Mr. Wendel:** — Yes, and I think they all relate to better transparency, better management of public money, and I think those are the things that are happening.

**Ms. Crofford:** — Okay. Thank you very much.

**The Chair:** — Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. This is always something I wanted to do when I was in high school and university, be able to grade my own work. And I suspect my own ideas would be different than even my colleagues at this table. But I'm glad to see this chapter actually. It's something that's been in the back of my mind about all these recommendations and what happens to them and it's nice to see that they are compiled in this manner.

I guess I'd like to see the next step as well and I see that as being a response or a formal response from the departments as to why that their recommendations aren't implemented. And I guess that's part of our responsibility when departments come back before this committee to talk about why certain recommendations haven't been acted upon for many, many years.

You know, when you go to the exhibit and you see that the first one dates back to 1996, it does cause some concern. And then on page 349 when you see, you know, in the words of the auditor from 1999 that "We recommend that . . . [DCRE] should ensure that community based organizations submit . . . [final] reports to the Department and submit them on time as required," you can't help but be concerned about some of the recommendations not being acted upon as quickly as possible.

You know, I understand that the percentages are quite high, but I guess in our job we're trying to strive for excellence. We're trying to strive for that utopian system that we're looking for. I note the laugh from my colleague and that's why I said the word, for his benefit. But no, I think we have done some good work and I know myself the membership on this committee has, I feel, made me a better member of the House and given me a better understanding. And the work that the auditor does and a compilation like this chapter does help. And that's just a comment that I had. Thank you, Mr. Chair.

**The Chair:** — Mr. Borgerson.

**Mr. Borgerson:** — Well as the token utopian on the committee, I'd like to echo what Mr. Cheveldayoff has said and remind Mr. Cheveldayoff as well, 91 per cent is an A plus, but of course, you know, we can always do better, can't we, Mr. Cheveldayoff?

I'd like to thank the auditor for this as well. And because we didn't have a chance, or I didn't have a chance earlier on to thank the auditor for the Oyate report which I thought was extremely well done, written in the present tense — not past tense but present tense with recommendations for the future — so for that as well. But yes, this is a very useful chapter. I've seen it in previous volumes and find it very interesting in terms of guiding our work in the future. Thank you.

**The Chair:** — Are there any other comments? There are no recommendations in this chapter. You don't have to recommend anything with regard to your own work in this regard and there are no recommendations that we do things differently or that the government handle this issue differently so we won't . . .

As Chair of committee, I would like to not only thank the auditor for their work in providing us with the material that we deal with on a regular basis but also for this summary which we appreciate. And I'd also like to thank all of my colleagues, both on the government and opposition side, for their diligence in making sure that we're up to date.

As you know, there's very little left in this 2005 book. In fact, I think, maybe we're cleaning it up. There's a couple things left, so yes. But I always feel as Chair when we get rid of these and move on to the next one that we're staying current, and we do better work because we are current. So thank you, Ms. Lowe, for this report. Thank you, Mr. Wendel and your office, for the work you do, and colleagues for the fact that this report wouldn't occur without your diligence and hard work.

I believe we are at the time of adjournment for lunch. We will resume our meeting at 1:15 when Finance is on the witness stand. And until that point in time, have a hearty lunch, and we'll see you in an hour and 15 minutes. We stand recessed.

[The committee recessed for a period of time.]

### Public Hearing: Finance

**The Chair:** — Colleagues, I'll call the Public Accounts Committee back to order. Hope you enjoyed your lunch. We have a full agenda for this afternoon. There are three items: first Finance, then we do public plans and annual report assessment which is also part of Finance, and then we conclude with Property Management.

Our first session deals with chapter 5 of the 2005 report volume 3, as well as chapter 5 of the 2006 report volume 1. The auditor's office is going to give us a summary of their findings of both chapters to launch our session this afternoon.

I'd like to welcome the deputy minister to our meeting. It's always a pleasure to have Mr. Matthies here.

And after the report, we'll ask you all to introduce your colleagues, respond if you like, and then we'll open up the

meeting to questions. So we will turn the meeting over to Mr. Montgomery from the Provincial Auditor's office.

**Mr. Montgomery:** — Thank you, Mr. Chair. Committee members, I plan to guide you through the recommendations for the Department of Finance that are included in both chapters on your agenda. I'm going to begin with the chapter in our 2005 report.

In this report we report the results of the audit of the Department of Finance and the entities it controls for the year ended March 31, 2005. We continue to report concerns with the accounting used for the General Revenue Fund financial statements. Also, we continue to be concerned with the use of the GRF [General Revenue Fund] to report on the government's financial performance.

We also continue to recommend that the Public Service Superannuation Board establish rules and procedures to ensure that all retired members who are receiving a pension and who return to work for the government are paid in accordance with the Act. Alternatively, the Board should seek changes to the Act.

In addition the chapter contains one new recommendation for the Department of Finance and three new recommendations for the Public Employees Pension Plan.

Our first new recommendation relates to the Department of Finance on page 127: we recommend that the Department of Finance prepare a complete business continuity plan. Business continuity plans are plans to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of Finance's critical systems or functions. Finance has documented some parts of a business continuity plan, but it does not have a complete plan. Finance management told us they're working to finalize the complete business continuity plan.

The next three recommendations relate to the Public Employees Pension Plan.

The plan needs IT [information technology] policies and procedures to ensure vital information is protected, accurate, complete, authorized, and available when needed. On page 130, we recommend that the Public Employees Pension Plan approve and implement information technology policies and procedures for granting, removing, and monitoring user access.

We also assessed the adequacy of the plan's processes for implementing phase 1 of its new computerized pension administration system. We found that the plan had adequate processes to approve changes to the implementation of the new system but that it did not always follow those procedures. For example the plan did not follow its processes when making changes to project resources and completion of project tasks. On page 134, we recommend that the Public Employees Pension Plan document and approve all future changes to the computerized pension administration system.

We also found that the plan lacked adequate processes to identify and mitigate all risks, all key risks related to the implementation of the new system. It is important to document

management's assessment of the risks and the action plans to reduce these risks to an acceptable level. On page 135, we recommend that the Public Employees Pension Plan document its risk assessments and action plans to reduce the risks to an acceptable level for the computerized pension administration system.

In addition we audited some of the performance information reported by the Department of Finance in its 2005 annual report. We concluded that the performance information we audited was reliable and understandable. This is the first time we've audited performance information in a department's annual report, and we thank the Department of Finance for showing leadership by agreeing to be the first department to have its performance information audited. Both we and the department learned valuable lessons that could help to improve the performance information provided by all departments.

I'll now move on to our 2006 report. In this chapter, we report the results of our audit of the special purpose funds and agencies with December 31, 2005 year-end. We also report the results of our audit of the Public Employees Pension Plan's controls to protect its pension administration system. We recommend that the department ensures it receives accurate reports for claims paid for enhanced benefits of the public employees dental fund. Certain participating employers of the dental fund provide enhanced benefits. Each employer determines the enhanced benefits, if any, that it will provide to its employees and the contribution rate for those enhanced benefits. Accurate reports will allow the department to ensure it collects the correct contributions from employers that provide enhanced benefits.

For the Public Employees Pension Plan, we found the controls to protect its new pension administration system from unauthorized access, unscheduled downtime, and inaccurate processing were adequate, except it needs to prepare, approve, and test a disaster recovery plan. A disaster recovery plan helps to reduce the amount of downtime for IT systems when a disaster occurs.

We note that the plan has documented some procedures related to the continuity of its plans, but there remains some work to do. Thank you, Mr. Chair.

**The Chair:** — Thank you, Mr. Montgomery. And again we give the floor now to you, Deputy Minister Matthies, and if you want to introduce your colleagues and respond you may do so.

**Mr. Matthies:** — Thank you very much, Mr. Chairman. With me this afternoon I have on my right, Mr. Brian Smith. Brian is the assistant deputy minister with the Public Employees Benefits Agency. On my left I have Terry Paton who is the Provincial Comptroller. And behind me to the right is Raelynn Douglas who is a director of our performance management branch.

In terms of . . . just an opening comment if I may. The 2005 report deals at the outset with three concerns that the Provincial Auditor has identified regarding the financial statements of the General Revenue Fund. The committee has previously considered each of those three items. They are qualified items in the auditor's report on the General Revenue Fund; however

the committee has basically endorsed the accounting treatment that is being applied, and so I would make no further comment than those items.

Specific to the other items on the retired pension members comment, I would advise that the department is making best efforts to put forward legislative amendments to address that concern, and we hope to have that remedied in the not-too-distant future.

On the six recommendations that are contained in the two years — the four recommendations made by the auditor in '05 plus the two that are in '06 — I think the assessment of the department is . . . we believe the Provincial Auditor has fairly described the items. We appreciate where he has identified those points that the department has some systems in place, but we accept the recommendations in terms of where we can strengthen and improve the systems that we have. Thank you very much.

**The Chair:** — Thank you, Mr. Matthies. We will open the floor to questions. Mr. Cheveldayoff, the opposition Finance critic.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair, and welcome to Deputy Minister Matthies and his officials. I trust that he's settling into his position as deputy minister quite well and enjoying his role as heading the Department of Finance on the bureaucratic side.

The General Revenue Fund's (GRF) 2005 financial statements are not reliable because Finance used accounting practices that are not in accordance with Canadian generally accepted accounting principles for the public sector.

That's the first statement, the first paragraph on the main points on chapter 5 that the auditor begins with. I guess I have some problems with that statement in how it reflects on the finances of the province and how the government chooses to report on those finances.

The deputy commented that certain approvals have been made at this committee, but I would add that those were certainly on division. And with the government having a majority, you can see why those approvals were made at this committee. I think there's concern there. There's certainly concern from the auditor, and I'd invite comments from the deputy minister regarding that first paragraph.

**Mr. Matthies:** — Thanks, Mr. Chairman. I think the message that I would give back is I think the department is, if I can say, trying to certainly address all of the concerns that were identified by the Provincial Auditor inasmuch as we prepare a summary financial statement. And on the summary financial statement, all of the three points that are qualified by the auditor regarding the General Revenue Fund are a clean opinion, if you will, so that if, depending on the user of the financial statement, if you wanted to take a look at what the summary financial position is we have prepared those financial statements. The auditor has issued a clean audit opinion on those.

The government chooses also to prepare the General Revenue

Fund financial statements as a performance measurement or management tool in terms of how it tracks and accounts for its budget expenditures separate from the Crown sector. And so both tools are available depending on the needs of the user.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. Yes, we're very pleased to see summary financial statements coming from the government. I would add that, you know, my predecessors and people sitting in this committee had called for summary financial statements for many, many years. And there was some resistance. And gradually over time, with the assistance and the recommendation of the auditor, changes were made to the financial accounting practices of the government, and I think changes for the benefit of the province, of the people who choose to follow how these finances are accounted for.

You know, on page 121 the auditor's opinion says that:

the GRF's financial statements included in the Public Accounts 2004-05 Volume 1 are reliable except that transfers to the Fiscal Stabilization Fund, loans [received] from Crown corporations, and pension costs are not properly recorded.

Well that's a large exception. To me that's something like, you know, I'm going to my banker and he's saying well, Mr. Cheveldayoff, your finances are in order; they're excellent — except your credit cards are maxed, your mortgage is three months behind, and your lines of credit are full. You know, it's a big exception. And I ask the deputy, are there any plans to change the way the finances are done to make them more in accordance with the generally accepted accounting principles?

**Mr. Matthies:** — Thank you. Mr. Chairman, I guess I would come back to a couple of points. First of all, within the General Revenue Fund financial statements themselves, there is full disclosure regarding the pension liabilities. The accounting treatment in terms of accruing it onto the financial statements is, as the auditor and as yourself has identified, not looked as an adjustment to the financial statements, but there is full disclosure of the item.

Regarding the Fiscal Stabilization Fund, the public accounts do contain a complete disclosure in accordance with the relevant legislation. And on the summary financial statements, as I said previously, all of those items have been prepared in accordance with generally accepted accounting principles.

But specific to the question, is there any movement underfoot at this time to change the accounting policies that are being applied within the General Revenue Fund financial statements as relates to these particular items, I would indicate that there is not at this time.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. Well I'm disappointed to hear that, and I know that there are certain statements that are made or warnings that are issued. On page 121 the auditor states that for the year ended March 31, 2005, he warns readers "... that the financial statements do not include all [of] the Government's financial activities." Well I guess rather than seeing these types of warnings I would like to see more of a clear and upfront statement about where things are at financially.

And I guess what really troubles me is on the next page, on page 122, it talks about the annual reports that are done for certain departments. And it says that "... some department annual reports is not reliable because it's based on the information reported in the GRF financial statements." Well to me that's a serious error.

Now I recognize that the Department of Finance has showed leadership and has done well in asking departments to come up with annual reports. And we've worked with the auditors and the auditor's suggestion to ensure that those annual reports are done by accounting principles that are acceptable. But when I read a statement like this, that some department annual reports are not reliable because they're based on information that is erroneous ... or not erroneous but more incomplete, does this concern the deputy when he sees statements like this?

**Mr. Matthies:** — Mr. Chairman, I think certainly that the member will recognize that specific to the departments that have been identified on page 122, those are flow-through issues related to the same three main points around the pension liabilities and the loan valuations, etc. So it's a flow-through point.

And again what I would come back to is there has been full disclosure within the public accounts of these items so that a user can make any appropriate adjustment that they may so desire. And again on a summary financial statement basis, which the province also publishes, all of those items have been prepared in accordance with generally accepted accounting principles.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. Further along that line regarding the famous Fiscal Stabilization Fund in the province here, can you just for the committee again talk about the rationale for that fund and if indeed other governments across the country have a similar type of fund that they use?

**Mr. Matthies:** — Thank you, Mr. Chairman. Just in terms of the use of the Fiscal Stabilization Fund and the province uses the Fiscal Stabilization Fund in a ... the primary way I guess is sort of to help stabilize the financial position of the province. And what I might do is sort of comment a little bit around the volatility of our revenue piece as to put some context around the use of the Fiscal Stabilization Fund.

Saskatchewan is an economy that is significantly tied to our natural resources — oil and gas, uranium, potash, etc. And what we see over time is a huge volatility in the resource revenues that flow to the province. So the province chose to set up the Fiscal Stabilization Fund as basically a manner in which, during if I can describe it as good years, money can be set aside for the resulting bad years that always come because we see things operating in cycles. So the Fiscal Stabilization Fund essentially then can serve as that stabilizing tool or if you like perhaps as a reserving mechanism to help smooth out the revenue streams that are associated with a resource economy.

And when we looked at the years for example between 1996 to 2004, in that period of time there were four years where we saw declines in resource income from the prior year and five years where we saw increases. So it sort of underlined the volatility.

We also saw within that period we had cases where we had back-to-back years of resource revenue declines. We would also at different times see a decline to the level of a 30 per cent drop. And then that might be offset . . . in one year we had as high as a 50 per cent gain type of thing.

So against a backdrop of that volatility the province established the Fiscal Stabilization Fund so that we wouldn't have to go through sort of the annual ups and downs of that revenue and then trying to make expenditure and programming pieces and that we could make a more stable approach to it.

One of the other uses of the Fiscal Stabilization Fund has been to hold flow-through dollars from the federal government. So what we have seen in some recent years is the federal government will make a determination that it will advance money to the province for a specific purpose perhaps, and then the province will turn around and then distribute that to third parties.

Sometimes we get timing differences though where we may get it from the federal government for example in March when there's no time to actually get the funds committed to whatever the purpose was. So then we'll deposit those monies in essence or record those monies in the Fiscal Stabilization Fund and then flow it out in the subsequent period.

And you also asked me in terms of whether or not other provinces are using a similar type of fund, and I'm just going to ask Mr. Paton to respond to that.

**Mr. Paton:** — Mr. Chairman, I don't have information on all the provinces. I know that in the past there have been similar types of funds used by various provinces. I can't give you a current status on what's happening.

I am aware that one province that has done this in recent years is Alberta, and I believe what they've done is to dedicate revenues in a year to future capital projects. That's not exactly the same as what we're doing where we're balancing current revenues with future expenses, but they're taking their current revenues and dedicating it to future capital expenses. So very similar but not exactly the same.

**Mr. Cheveldayoff:** — Thank you. Mr. Chair, I guess my concern, and it's well written by the auditor here, the surplus or the deficit on the GRF is one of the key performance indicators for the province. It's how decisions are made. It's oftentimes what's taken to account when major decisions are looked at.

On page 123 the auditor states that the GRF's financial statement is the actual amount of the GRF surplus. It can be changed to another amount chosen by the government. And I guess that the accuracy or the ability of the Fiscal Stabilization Fund to actually mask what is happening in a particular year in the province is a concern to me. And when the auditor says that there's the ability for that amount to be chosen by the government, I think that that raises the concern of everyone who has an interest in this; certainly every accountant in the province I think would have some concern with that.

And it bears out on the numbers. On page 127, “. . . the GRF's budgeted surplus of \$67,000 . . . [was] overstated by \$128

million . . .” Well you know, it wouldn't be the old Maxwell Smart missed it by that much. You know to me, this masking, what purpose does it serve? I think it would be more beneficial to have the actual snapshot of where we're at in a particular year. And then yes, we would have to say that some years we're in a deficit position, some years we're in a surplus position, instead of this facade that we've run 15 consecutive surplus budgets which we know is not the case as demonstrated by the auditor.

Does the deputy have any comments regarding that?

**Mr. Matthies:** — Mr. Chairman, I think what I would go back to again is, you know, I'm not going to . . . I'll just go to the use of the Fiscal Stabilization Fund is really as I previously described, where it was a tool that is used by the department, by government to stabilize the revenue stream that we have because of our volatility. There is full and complete disclosure of all the transactions regarding that fund, and they are done in accordance with the governing legislation of the fund.

And in terms of looking for, you know, the complete GAAP [generally accepted accounting principles] accounted financial statements which I hear you're asking for, I would again advise that the department does prepare the summary financial statements in exactly that fashion. And so depending on, you know, I guess the uses or the needs of the user, all of the information is fairly disclosed. And if you're looking at the summary financial statement, then they are prepared in accordance with generally accepted accounting principles.

The one comment that I might make sort of in addition to that though is, you know, the department does spend a significant effort or a significant amount of time to make sure that principal users of the financial statements in many different regards do have a complete understanding of the financial statements. And so for example some of the different parties that we would meet with include credit rating agencies, bond dealers, and investment brokers, those sorts of institutional-type facilities that make credit decisions regarding the province and advance money to the province. And so we meet with several such agencies throughout the course of a year to make sure that they have full and complete understanding of all of the financial information. And I believe having sat in on a number of those discussions just in the last couple of months that, you know, there is clarity in their understanding. And I'll perhaps leave it at that.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. I'll just correct you on one thing or remind you on one thing. It's not only me that is asking for this; it's also the auditor in his report that is asking for this. And maybe I'll just ask a question to the auditor here. On page 123 it says:

We continue to recommend that the General Revenue Fund's financial statements record . . . [transactions] to and from the Fiscal Stabilization Fund in accordance with . . . generally accepted accounting principles for the public sector.

Mr. Auditor, is that still indeed your opinion in that regard?

**Mr. Wendel:** — Yes, it is.

**Mr. Cheveldayoff:** — Thank you very much. I guess we'll just agree to disagree on that. It certainly is a concern for myself and for many people that I meet with across the province, and I'm also concerned about the way it's been dealt with through the Public Accounts Committee. We've certainly had a recommendation from the auditor that has been defeated time and time again in this Public Accounts Committee, and I guess that's just some frustration that I will have to live with.

Moving along, we see the auditor address the loans receivable portion and talk about how the government accounts for loans to Crown corporations, and again it's outside of the GAAP principles for the public sector. And could the deputy just reiterate the government's position on how they account the loans to Crown corporations and if there's any improvements that are being considered.

**Mr. Matthies:** — Okay. Thank you, Mr. Chairman. This specific discussion item relates specifically and solely to the crop insurance program, and there are no other loan items that are I think at issue between the Provincial Auditor and how the government reports its financial statements.

Specifically on the crop insurance piece, the opinion that has been taken is that we have an actuarially certified insurance program that is designed and intended to break even over time and indeed has demonstrated that in the past. It does go through cyclical surpluses and deficits largely based on the fortunes of farmers and the weather. And the province is relying on the fact that we have an independent actuary certifying the program as being sustainable in the long term, and that's the basis on which the decision to provide the accounting treatment that we have done that's in place.

If there were questions regarding the sustainability of the program, then we would certainly want to take an immediate review of this issue. But at this time we have no such concerns.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. The next item that's raised by the auditor regards the pension liabilities of the province. And again figures are shown where pension expenses are understated by 120 million, surpluses for the year are overstated by 120 million, pension liabilities and accumulated deficit are understated by \$4.1 billion. Certainly this is a large portion of the finances of our province.

And in looking at volume 2 of the auditor's report that was just released recently, I see that the most recent numbers show the unfunded liability going up to \$4.3 billion in a total of liabilities for the province of \$21 billion. Can the deputy just comment on the unfunded liability, any changes that have taken place over the last year and then any accounting changes that he foresees.

**Mr. Matthies:** — Thank you, Mr. Chairman. Specific to the way the province has accounted for its pension programs, what I would maybe first identify is that the accounting for defined benefit pension plans has really essentially remained relatively unchanged over the life of those programs. So this goes back to the 1920s, 1930s when these plans were first initiated. At that time and in all the subsequent time in between, the government has basically accounted for these defined benefit plans on a cash basis — pay as you go, if you will.

The government recognized the fact that there was significant concerns with these defined benefit plans and the fact that there was an accumulating unfunded liability. And so they moved to change the pensions that are offered to its employees back in I believe the . . . [inaudible interjection] . . . 1977, thank you, to move to basically the money purchase plans that we're for the most part operating now. The defined plans continue to exist, but they're what's called closed so that there's no more new members allowed. All new government employees are brought into the money purchase plans, which are paid for and the dollars are put in as the service is earned.

So what we're dealing with is the retired and soon-to-retain remaining members of the defined benefit plans, and the accounting that we are following today is pretty much the same as has been followed on those programs since their inception some 70-odd years ago.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. I guess some of my concern about unfunded pension liabilities, you know, stems from what we've seen happen in the private sector with the Enrons, with GM [General Motors], that the numbers are . . . or the companies think they have a handle on what those liabilities are, then they use a different actuary to try to pin down where those numbers are. And all of a sudden they're in big trouble because they say the former actuary made a mistake, and they're sometimes millions, sometimes hundreds of millions of dollars out.

Do you have the confidence that the numbers that we have here are accurate and that . . . And I guess drawing to the question, do you see any changes happening in the future as far as how this is dealt with? And we've seen a bit of a blip up here to 4.3 . . . Well not a bit. When you're talking into the billions of dollars to 4.3, that's \$100 million more. Do you see . . . Is that the start of a trend?

**Mr. Matthies:** — Thank you, Mr. Chairman. As it relates to the unfunded liabilities — and certainly the member is, you know, right in identifying that we have a substantial unfunded liability here — it's approximately \$4.2 billion. When we look at the expectation into the out years, the expectation is that we will continue to see that unfunded liability increase for the next few years as current members in those closed plans actually retire. And we are projecting or estimating at this time that up until probably the year, I think, 2011 or 2018 — I can't remember the details for sure — but up until one of those outer years we will see the liability continue to increase as the existing members that are still working start to retire. And then we get to a peak and then it starts to go back down the other way.

So certainly the liability will increase. We are aware of that, and it's a function of having existing members in these closed plans and using the pay-as-you-go approach which has been used for 70-odd years on those funds.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. My concern I guess for the rationale is noted by the auditor when he says, “. . . Manitoba is the only other provincial government in Canada that publishes financial statements that do not follow GAAP for the public sector . . . pensions.” That's on page 125.

Why do Manitoba and Saskatchewan choose to be different



than other provinces? Like is this a decision where you weigh should we do it this way, should we do it that way, and we've come on the side of doing it the way we are. Or can you just tell me the rationale behind the decision to, I guess, go it somewhat differently in Manitoba and Saskatchewan than the other provinces?

**Mr. Matthies:** — Mr. Chairman, I won't presume to speak for Manitoba and, you know, for whatever reason they've landed where they are. For the province, there's two things probably to observe. The accounting that we're providing in the General Revenue Fund, the province has not made the decision to change from what has been in place for decades. But what I would come back to again is on the summary financial statements we do follow the generally accepted accounting principles and there is full accrual of the liability. And so what you see in the summary financial statements is as that unfunded liability increases and will continue for the next half dozen years or so, you know, that increase is reflected in the summary financial statements.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. I guess that the auditor chose to point that fact out in his report and that's raised a red flag for me, certainly. Just one other topic I want to talk about when we talk about the sort of global finances of the province, and it just regards the . . . It touches on the Fiscal Stabilization Fund again, but the overall financial situation of the province year by year over the last fifteen years or so.

The auditor has indicated that we've had several, as you mentioned, ebbs and flows. And the information that I see on his report, the 2006 report volume 2, page 7 — I apologize that the member or the deputy may not have that information right in front of him but he probably would have that in his briefings — I see from 1991 to 2006 that we've had nine surpluses and seven deficits. We've been in surplus the last two years, some \$679 million and 844 in 2005. But in '04, '03, and '02 we were in deficit situations. Is that a fair comment on the last 15 years of finances of this province?

**Mr. Matthies:** — Mr. Chairman, I don't have the information that you're reading from in front of me so I guess I'm feeling somewhat at a loss. But I would presume that the . . . I think what I heard you describe was the Provincial Auditor describing the summary financial statement results. Is that what I heard? I see nodding. Well I would presume that the information is accurate then.

**Mr. Cheveldayoff:** — I think we can move along and then provide you with a copy of what I was looking at and maybe just come back to that in a moment.

Moving along in the chapter, one of the concerns that the auditor points out is the business continuity plan for the Department of Finance. And in reading this, it really hits home how important the functions of the Department of Finance would be for certainly everyone from employees to pensions and virtually everyone in the province would be affected by the interruption of services from the Department of Finance. Can the deputy just outline — I'm sure he's well aware of the concerns from the auditor — the plan in place to address the business continuity plan for the Department of Finance.

**Mr. Matthies:** — Certainly the ability to recover from a potential disaster is very important. We recognize that. The department uses different agencies to provide some of our services and we have for some of our systems, I guess, backups in place and have done some testing. But we recognize that the observation of the auditor that we don't have the full meal deal, if I could describe it that way, in place, is a very valid concern and we are moving to act on the recommendation.

**Mr. Cheveldayoff:** — Just for my own interest, would that involve off-site storage of that information outside the province, you know, physically located somewhere quite a distance from here?

**Mr. Matthies:** — Typically in disaster recovery plans there is a requirement for off-site storage. It doesn't necessarily have to be outside of the province but you are looking for physical separation in the event of some calamity that takes your systems off-line or somehow prevents you access to data.

My own experience is that, you know, it depends somewhat on the system. Some systems are less critical and some are more critical. The ones that are less critical typically you can account or you can plan for or allow for even a longer time to get back up and running. Critical systems you typically might want back up and running, it may be a matter of days. And so depending on the system that you're safeguarding you may move to, you know, full backups in Toronto for example or you may move to some other piece but certainly the opportunity to recover on a planned event or a planned timeline is critical.

And so what the auditor is suggesting is that we need to complete our work, document all of the different systems, identify which ones are higher or lower priority, and then make sure that we have the recovery systems in place for each and every one in accordance with the perceived need. And again some would be sooner and some would be later.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. The auditor spends a fair bit of time on that and certainly it's one of the recommendations. It sounds like you have the plan in place to deal with that so we're encouraged by that, and we encourage you to continue on and follow the auditor's recommendations.

There are a couple of other things that I've failed to cover. On page 119 it talks about the SaskPen Properties Ltd. and there's a footnote there that said:

The Government denied us access to this Crown agency: therefore, we could not audit the agency (see Chapter 8 of our 1999 Fall Report-Volume 2 for further discussion on this matter).

I haven't had an opportunity to research the 1999 fall report, but I'm just wondering if the deputy could explain to us SaskPen Properties Ltd. and why the denial of the information.

**Mr. Matthies:** — Mr. Chairman, I will attempt to do so, and I may draw upon some of the expertise of my senior scholars here who have dealt with this issue for many years in the past. What I would identify I guess first is that it's my understanding that this question has been before PAC for quite some time. There have been three separate appearances dating back to the

early '80s and as recently I think as 1996 by the management group around SaskPen Properties.

SaskPen Properties is essentially a real estate mechanism for pension plans to hold and operate real estate properties. The contention I think that has been put before this committee on those three separate occasions was essentially that SaskPen Properties was a private corporation and that all of the information flowing from the results of its investments are reported back in the financial statements of the individual pension plans, and that it would not be appropriate for, or is not appropriate in the management of that entity to be audited by the Provincial Auditor. It is not an entity established by a piece of legislation. It is not a Crown per se. And those I believe are arguments that have been presented here in years gone by.

Having said that, I'm probably nearing the end of the scope of my knowledge on this particular item and if that suffices that would be great. If not, you know, it may be that I can take note of further questions or something.

**Mr. Cheveldayoff:** — I think that suffices at this time. And it's something that maybe I'll do a little research on myself and be able to ask some questions at a further time regarding estimates.

The Department of Finance and the necessary boards have not yet put in place pension plan governance processes for the Judges of the Provincial Court Superannuation Plan and the Public Service Superannuation Plan. That's a statement made by the auditor on page 129, I believe. Has the Department of Finance developed a strategic plan including goals and objectives, a summary of risks and strategies for the Judges of the Provincial Court Superannuation Plan?

**Mr. Matthies:** — Mr. Chairman, I'll ask Brian Smith to respond to this question.

**Mr. Smith:** — Mr. Chairman, we have not completed the governance procedures, etc., for the judges of the Provincial Court plan. We administer seven pension plans. The largest is the public employees plan and sequentially we have completed our work on governance. We're never finished. We have done a lot of work on governance for the public employees plan, municipal employees' plan; in this year, the Liquor Board Superannuation Plan, disability income plan, the Saskatchewan Pension Annuity Fund. And I'm pleased to report that, yes, for the Public Service Superannuation Plan we have governance manuals in place and approved a strategic plan last Friday which was a coincidence, but it was approved last Friday.

We intend now to work on the Judges of the Provincial Court Superannuation Plan in terms of governance and strategic plans as well.

**Mr. Cheveldayoff:** — Thank you to the official. You probably knew that we were going to ask that question. You said we better get that done, you know, before those politicians start asking and making sure everything's okay for the judges and the superannuation board.

Again it's something that has been raised by the auditor and I think it's important for us to keep on top of it. I understand that you said it's a work in progress and that, you know, we are

making some progress there as well.

According to section 27 of the superannuation Act, retired members are allowed to work as temporary, casual, or provisional employees for up to six months without a reduction in their pension. If this goes on for more than six months or if a retiree has been rehired, the pension must be stopped when the member starts work. That summarizes the points that were made by the auditor.

As of the 2005 report volume 3, the board did not know if retired workers are working for the government, and therefore the board could not ensure that all pensions paid completely comply with the law. Have these rules changed recently? Has there been any changes to ensure that retirees returning to work for the government are paid in accordance with the Act?

**Mr. Smith:** — Mr. Chairman, as Mr. Montgomery pointed out in his presentation, the board should either comply with the legislation or pursue an amendment to the Act. And we are pursuing an amendment to the Act for a pension policy reason. And we administer, as I mentioned, eight pension plans. The Public Employees Pension Plan applies to all civil servants and Crown corporation employees. As well, the Public Service Superannuation Plan applies to the same groups of employees.

We have a difference. We have an inequity between the two programs. In the Public Employees Pension Plan, people can retire and collect their pension and work anywhere they want. And we have an inconsistency between the two pension programs. But for the old defined benefit plan, you can retire and have your pension but you cannot be employed for government. So on a pension policy basis, we are pursuing a legislative amendment to allow both plans to be the same. And so we're pursuing that legislative amendment.

**Mr. Cheveldayoff:** — Thank you. To the official, Mr. Chair, will that be something that we'll be seeing in the legislature this fall?

**Mr. Matthies:** — Mr. Chairman, at this point it is our intention at least to have that available in the spring session, subject to everything I guess finally being worked out and agreed. But we are working to have that available in the spring session.

And, Mr. Chairman, I have one other comment, just to respond to the member's earlier comment. Certainly the department takes the recommendations of the auditor and the questions of the members very seriously. And it was a coincidence of timing that the decision was made last Friday. But it doesn't detract from the seriousness that we regard the recommendations and your questions.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. Sometimes things just happen the way they should, I guess.

Some questions regarding the Public Employees Pension Plan. I know from our perspective here, it covers both chapters. So I guess we'll just, Mr. Chair, proceed with the questioning and cover off the recommendations.

**The Chair:** — Mr. Cheveldayoff, perhaps before we move on to the pension, I just wanted to clarify a couple of things in the

area that you have touched on and now is probably the right time to do it.

I know you've now received, I think, that report that Mr. Cheveldayoff referred to. I remember receiving a briefing from the Department of Finance when the province moved to summary financial statements. And I clearly remember in that briefing that we were told if you really want to know the financial situation of the province and whether or not debt and deficits have occurred, look at the net debt line of the summary financial statement. Is it correct that in the last five years we have had three occurrences of an increase in net debt and two occurrences of a decrease in net debt? Is that correct?

**Mr. Matthies:** — Mr. Chairman, I think what I would say . . . and I'm a little bit hesitant to get into some of the terminology pieces because I've become aware that, depending on the nuance of the word, the accountants will interpret it meaning this or that or whatever. But I think the gist of your comment is I believe is, in looking at the chart on page 7 which is the annual surplus or deficit of the summary financial statements, your comment is exactly correct that there are in that period three years where on a summary financial statement basis there was a deficit and two years where there was a surplus.

**The Chair:** — Am I also correct and did I understand the briefing I received that that number is a more accurate reflection of the deficit or debt or surplus situation than just solely looking at the General Revenue Fund for that information?

**Mr. Matthies:** — Mr. Chairman, again I think what I hear you asking is, does this represent a more accurate depiction of the financial position of the province as a whole? And I guess the answer would be the summary financial statements reflect everything that the government is involved with, both the Crown side and the executive government side. And so if that is the gist of the question — when you take all of government operations as a whole, is this a more complete picture? — the answer would be yes. So I'll leave it at that.

**The Chair:** — And then my third question in this line of questioning is, am I correct in understanding that if there are changes to the Fiscal Stabilization Fund, whether funds are added to that fund or withdrawn from that fund, that does not impact the net debt figure in your summary financial statements? Am I correct in that understanding?

**Mr. Matthies:** — Mr. Chairman, I am being cautioned by my colleague here to make sure that we understand we're describing the annual surplus or deficit as opposed to a net debt discussion. I believe now your comment was, does this, does the summary . . . I'm sorry. The Fiscal Stabilization Fund, do transfers there impact on the results on a summary financial basis.

**The Chair:** — Is there a plus or deficit when it comes to net debt?

**Mr. Matthies:** — On a summary financial statement basis, the transactions in or out to the Fiscal Stabilization Fund are basically netted out, if you will, because it represents . . . The financial statements are prepared in accordance with GAAP and so there is no impact on the bottom line of any annual surplus or

deficit.

**The Chair:** — It has a direct impact on the surplus or deficit position of the General Revenue Fund. Am I correct?

**Mr. Matthies:** — That's correct.

**The Chair:** — Okay. Then my final question is then, when the Finance minister brings down the budget which you've prepared, why does the Finance minister refer to the indebtedness of the province and whether there's an increase in debt — deficit in other words — for that year or a surplus? Why does the Finance minister and your department only refer to the General Revenue Fund in saying, as Mr. Cheveldayoff mentioned, where we've had 9 or 10 or 11 consecutive surpluses, when in fact the actual more complete picture for the province shows some years there have been surpluses, some years there have been deficits but there certainly hasn't been a continuous string of surpluses?

And I'll just add to that. You mention that when you speak to financial experts you make it very clear; you use the summary financial statements to show the clear picture. But yet the general public — you know, Joe and Martha Taxpayer in Saskatchewan — seldom hear that number. All they hear is the general revenue numbers which gives them the impression that there have been nothing but surpluses over the last decade or more.

**Mr. Matthies:** — Mr. Chairman, first to clarify, the conversation with the credit rating agencies and the lenders, etc., we tend to incorporate discussions regarding all the financial statements so it wouldn't only be specific to the summary financial statements. We would talk about everything.

In terms of the discussion around the General Revenue Fund, what I might offer is that the General Revenue Fund provides an accounting for the revenues and expenditures of, essentially, executive government. The operations of the Crown sector are excluded from the General Revenue Fund and are essentially . . . including the debt in those agencies, are essentially considered to be self-sustaining, that they wouldn't have to be financed or paid by taxpayers. They wouldn't have to be levied as a charge on taxpayers to pay off those debts. They are sustaining based on the commercial operations of the Crowns.

So the focus on the GRF debt is what would be the debt that would have to be retired and serviced by taxes essentially or other sources of revenue to the province.

**The Chair:** — All right. I think I would disagree that the situation of the Crowns should be excluded from the picture presented to Saskatchewan people when the budget is brought down.

But be that as it may, why is the Fiscal Stabilization Fund impact not effectively described when budgets are brought down? In fact, the withdrawal or addition of funds to that statement, while it has no impact as you said on the summary financial statements, yet is included in the budget as indicating whether or not the province is in a surplus or a deficit position.

**Mr. Matthies:** — Mr. Chairman, I go back to the earlier

conversation where I was trying to sort of describe, you know, the revenue situation of the province is very volatile year to year because of our resource economy. And so the province does fully disclose in its budget documents and in its public accounts documents exactly what's happening with the Fiscal Stabilization Fund; how much money is in, what any transfers in were, what any transfers out were. And it identifies right in the budget document if there is a planned withdrawal or if there is a planned additional amount being recorded to the Fiscal Stabilization Fund. So there is full disclosure on that.

But again, this is a tool that is used by the province to recognize the volatility in the income stream. So for example, if we have a significant downturn in one given year, rather than go through what I might describe as, you know, a significant downsizing exercise on government programs or funding only to potentially see the next year revenues recover, rather than do that, the province tries to take a longer-term perspective — do we think the trends are going to be sustained in an upward or downward direction, where do we project or estimate the revenue picture to be over time — and then not try and make sort of the large knee-jerk reactions to volatility in the income stream. And the way we do that is with the Fiscal Stabilization Fund, where we plan to bring in or put aside dollars in a given year so that we don't have to make the radical program changes.

Now where government sees, you know, that the circumstances might change, certainly government goes through the prioritization process in the budget exercise and may decide that there are reductions to be taken. And we have seen that in years gone by where governments introduce expenditure reduction programs. And then when you see things recover, then government takes a look at what are the needs and its priorities out there and makes adjustments accordingly.

**The Chair:** — Why does Finance feel that that's necessary when, in fact, our balanced budget legislation only requires that we see a balance over four years? Wouldn't it be good for the public and for even people in your department and other departments to be aware of those fluctuations? Wouldn't that be a healthy thing rather than a detrimental fact for people to know?

**Mr. Matthies:** — I think, Mr. Chair, first of all what I would say is there is certainly no hiding of any information. All of the revenues that the province received are fully and fairly disclosed in the financial statements of the province. So that where we see that volatility, it shows up. You know, it shows up clearly in the financial statements of the province.

You know, I'm trying to think of an example that I can use and I guess the best ones I can think of is where we saw transfers from the federal government for infrastructure type of programs in recent years come to us, you know, very late in the year, near the end of March, of some substantial millions of dollars. There was no capacity for the province to work with stakeholders to identify how that money could then flow out to those third parties. And so those dollars were recorded to the Fiscal Stabilization Fund because we had this large, near-end-of-year revenue influx.

And so there is, you know, a mechanism, I guess, where through the appropriation pieces in the budget side, all of those

dollars will be appropriated to the expenditure intended and that will be voted on and reported in the budget and the financial statements of the province. But it offers a mechanism where, when you get these, you know, these volatile things happening, we can actually try and reflect and perhaps get a better matching in some respects of when that expenditure is being made versus the income stream.

Otherwise we show, you know, this surplus that may be due to this federal transfer in one year and a deficit in the other year when we pay it out. This way we try to get, in this example, a better matching to say at least, you know we're using federal dollars and we're using it for these purposes and does it provide any value to the reader to sort of see a surplus in one year and a deficit in the other because of that type of transaction?

**The Chair:** — I just want to make it clear to the deputy minister that I do respect the fact that the information is there. I mean we look at the budget document every year and the public accounts. We see that, you know, the numbers are there.

I guess my concern is — and I'm not asking you to respond to this because it's probably more properly addressed to a minister than to yourself — but it would appear that while the facts are there, the communication is, you know, to put it positively, say, less clear than it should be. If you want to be more negative you could say that it's not always as forthright as should be in that the fact the public could be led to misunderstand the actual fiscal situation of the province. And that's I think part of the reason why the auditor . . . I don't want to speak for the auditor but I would guess that that might be why the auditor has concerns about the way the reporting occurs.

We'll leave that as it be and, Mr. Cheveldayoff, you wanted to move on to the next area?

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. The area I want to address next with a series of questions is the Public Employees Pension Plan. And the auditor spends a fair amount of time in this chapter and in the 2006 chapter as well, talking about the plan and the implementation of a new administration system.

The information says the system was behind schedule and over budget due to a lack of system testing. Phase 1 was implemented in August '05. The proposed date was actually November '04 that it should have been in place. My question I guess deals with why this particular system was chosen when it was not yet complete and just . . . If you could enlighten us into why the government would choose a program without the complete testing of the system.

**Mr. Matthies:** — Mr. Chair, I'm going to ask Mr. Smith to respond to this question.

**Mr. Smith:** — Mr. Chairman, the Public Employees Pension Board, the board that tendered the system . . . And it was tendered to several suppliers and I think that it was a beta version, a brand new version of the system that was eventually selected to be the provider of the administration system. And in the evaluation of all the systems that responded to the tender, it was the leading-edge system that was selected even though it was a new version of that system and it wasn't completely

tested. And I think that the delays in the implementation of the system were in fact, most of the issues were from the software provider. And I think that the . . . We agree with the recommendations of the auditor in terms of changing our processes. We have changed them significantly.

The next item that you will ask questions about is risk management, and we now meet every two weeks to look at the projects that are under way with the Public Employees Pension Plan and look at the risks that are involved on a biweekly basis. And so I think that we've learned a lot with the help of the Provincial Auditor in that experience. And I think that we've changed our process to make sure it doesn't happen again, and so we're managing significantly differently.

**Mr. Cheveldayoff:** — Thank you. Well I appreciate the commitment to do better. I understand mistakes were made, and it sounds like you're on the right track. The information indicates that phase 2 of this system was projected to be online sometime in 2006, this year. Can you enlighten us as to how phase 2 is coming along as well?

**Mr. Smith:** — Mr. Chairman, we intend to implement phase 2 which is Internet access for pension plan members in November 2006 and retirement planning tools at the same time in November 2006.

**Mr. Cheveldayoff:** — November 2006. The goals of this new system were to improve the allocation of earnings to members, allow for members' direct access to account information via the Internet, and increase processing efficiency. Have those goals been met so far? And do you see phase 2 helping with that as well?

**Mr. Smith:** — Absolutely and I think the third phase, Mr. Chairman, that is more investment choice, and so the new system is meeting all of those goals. In the spring of 2007, there will be more investment choice for members. So the income allocation to members is now daily. We value the units in the pension fund daily since April 1, 2006, so much more rapid allocation of income to plan members. The Internet access is coming in November, and more choice will come in the spring of 2007. All of those have been facilitated by the new system.

**Mr. Cheveldayoff:** — Thank you to the official. Mr. Chair, the auditor points out some concerns regarding the IT security policies, procedures that need strengthening. I have a couple of questions in that area. Has PEPP [Public Employees Pension Plan] put in place policies and procedures for granting and removing and monitoring user access?

**Mr. Smith:** — Absolutely, Mr. Chairman. And I believe that the processes were in place. The written documentation was what didn't exist. And so now we have written documentation and significant paper trails about who authorizes an employee to have what access, which managers then also authorize the removal of that access when an employee terminates employment, and so the procedures are well documented now compared to the Provincial Auditor's comments from 2005.

**Mr. Cheveldayoff:** — Just a related question: the information technology department of the government, would you look to their services for some expertise in taking this on and in asking

for their thoughts regarding this?

**Mr. Smith:** — Absolutely, Mr. Chairman. A lot of the procedures that we're putting in place we're adopting with the help of the Information Technology Office, and we're working with them.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair, or to the official. The auditor also points out that there's the need for a policy to handle security breaches in the administrative system. So not only to recognize them and to try to minimize them, but when security breaches do take place, a process that I think is fairly serious, that has to be followed. Can you expand on that as well?

**Mr. Smith:** — Absolutely, Mr. Chairman. I don't think that we've had any security breaches, but we do have processes in place to deal with a security breach if one occurs. Thankfully, we haven't had one.

**Mr. Cheveldayoff:** — Okay. Thank you, to the official. Mr. Chair, to the official, my information shows that the PEPP Board and the steering committee for this project have not received any detailed status reports along this. Is that accurate?

**Mr. Smith:** — That was accurate at the time, Mr. Chairman. As I mentioned the steering committee is now meeting biweekly and has been for quite some time to deal with the progress of each project and the risks that are changing or not changing with each project. So since the time the Provincial Auditor reported, yes we've gone on to have now biweekly meetings to deal with the project status of each of the projects involving the Public Employees Pension Plan.

**Mr. Cheveldayoff:** — Okay, thank you. One final question in this area. Have you established certain goals for this system, certain achievables that have to be met? I know you mentioned certain areas where you see improvements. Have you put specific goals in place of where you want to be with the system? We find that it helps in administration if you are willing. Sometimes it's more difficult to set goals because if you don't reach them you have to answer for that. But can you just explain your process here?

**Mr. Smith:** — It's an interim process we're trying to implement. We implemented the first phase of the project implementing the Internet access, and retirement tools and investment choice are the objectives today. Once those objectives are met, then we will come back and reassess the service levels of providing each of those services.

So I think for now we're trying to implement the other phases of the system, and then we will decide what service levels are appropriate. And we work with the Public Employees Pension Board to determine what service levels the board wants to provide to the members of the pension plan.

**Mr. Cheveldayoff:** — Okay. Good. Thank you to the official for the answers. Mr. Chair, my other questions deal with items just contained in 2006 volume 1 chapter 5. So do we . . .

**The Chair:** — Are there any other questions regarding the volume 3 of 2005, chapter 5? All right. Just for information and

for the record, how many members are there currently in the pension plan?

**Mr. Smith:** — Mr. Chairman, there are 43,000 members of the pension plan; 30,000 members are contributing, and about 13,000 are former members who have left their plan assets, their plan funds, in the plan.

**The Chair:** — And what is the administration cost? What per cent . . .

**Mr. Smith:** — The administration costs for the period ending March 31, 2006, Mr. Chairman, I believe were point two nine per cent.

**The Chair:** — Point two nine per cent.

**Mr. Smith:** — Right. And we expect that that will decrease.

**The Chair:** — You're talking about, like, a quarter of a per cent?

**Mr. Smith:** — Yes.

**The Chair:** — Or you're talking about two point nine per cent?

**Mr. Smith:** — No, point two nine per cent.

**The Chair:** — Okay.

**Mr. Smith:** — So just over one quarter of one per cent.

**The Chair:** — All right. Very good. Thank you for that information. Mr. Cheveldayoff, I think we're ready to move on to chapter 5 of the 2006 volume 1 report.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. Many of the points covered in this chapter I've addressed through questions in a previous chapter. But there's one area that hasn't been covered, and it involves the public employees dental fund.

There is some concern highlighted by the auditor that Finance did not receive accurate reports for claims paid for the enhanced benefits of the plan, that indeed Finance does not know if each participating employer is fully paying for the enhanced benefits claimed by its employees. Can you just take us through this, deputy or the official? How many allocation errors were found, and how did this situation come about?

**Mr. Smith:** — Mr. Chairman, there are in fact several dental plans that we administer, and the basic program is the public employees' dental plan. And we have an order in council that allocates employers to participate in that program. As Mr. Montgomery indicated, there are then additional top-up dental plans.

And as the administrator of all those dental programs, we hire a third party adjudicator — being an insurance company — to actually pay the claims for us. And we concur with the Provincial Auditor's comments. In the last few years, we've seen life insurance company amalgamations, more centralizations in the industry. In January 1, 2005, Canada Life and Great-West Life came together, and they decided to change

systems effective January 1, 2005.

When a person submits a dental claim and if they have the basic program, it gets charged to the basic dental plan. If they have enhanced benefits, it gets charged to the enhanced portion of the program. And what we found in 2005 is that we were not getting sufficient reports to allow us to allocate an individual's claim to the dental plan, the basic dental plan and the enhanced dental program. And since that time we have worked with the insurance company and requested, and they are paying for, an independent audit of their procedures and processes to ensure that we are getting the correct information.

Mr. Chairman, we don't have the actual numbers yet from 2005. The organization that Great-West Life hired to do this audit has not completed their work. We hoped that it would be here last week, and it isn't here yet. We are going to find out how many errors there were made.

In total, the claims that were paid to each individual are correct. The breakdown of which program it was charged to — whether it was the basic dental program or the enhanced dental program — that is incorrect. But the total amount of claims paid were correct. And so we're waiting for the independent audit from an outside organization to confirm to us the information that we should have received in 2005 for allocating to the basic dental program and the enhanced dental program.

So I don't have an answer, Mr. Chairman, in terms of the number yet. We're working on that with the insurance company and an actuarial consulting firm doing the audit.

**Mr. Cheveldayoff:** — Thank you to the official, Mr. Chair. It sounds like the auditor's recommendations are taken very seriously and that work has . . . there is some progress that has been made.

Also specifically, we talked about disaster recovery plans and business continuity plans overall, and then there's the specific concerns regarding that for the Public Employees Pension Plan. Can you just outline the efforts that are being made in that regard.

**Mr. Smith:** — Mr. Chairman, as the deputy minister indicated for the Department of Finance, we take the disaster recovery plan also very seriously. And we are working on a disaster recovery program. We currently have a cold site in Swift Current that is part of our disaster recovery program. We're working on completing the disaster recovery program. And as suggested by the auditor, we'll be examining, testing that disaster recovery program as well.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. I think that completes my questioning at this time.

**The Chair:** — Thank you, Mr. Cheveldayoff. Are there any other questions on chapter 5 of the 2006 volume 1 report, Finance? I see some people shaking their heads.

I think then we can move to the recommendations. I might add that if we get a little bit ahead of schedule, that's not a crime, just like, you know, we don't prosecute anybody if we go over a couple of minutes here and there. So we are actually making

some inquiries as to whether the final group can come a few minutes early if we are ahead of schedule.

So we will now move back to 2005 report volume 3. And there are four recommendations in this chapter by the Provincial Auditor. The first recommendation is on page 127, I believe. I'll give you a minute just to find it if you're looking through your books. Page 127, at the top of the page the first recommendation reads:

We recommend that the Department of Finance prepare a complete business continuity plan.

Is there a motion? Mr. Borgerson.

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

**The Chair:** — The motion is to concur and note progress. Any discussion of the motion? Seeing none, I'll call the question. All in favour? It's carried.

Second recommendation on page 130, recommendation no. 2:

We recommend that the Public Employees Pension Plan approve and implement information technology policies and procedures for granting, removing, and monitoring user access.

Is there a motion? Mr. Borgerson.

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

**The Chair:** — Again a motion to concur and note progress. Discussion of the motion? Seeing none, we'll call the question. All in favour? Or two, three, I think, four . . . That was a close one, but we got that one passed. Thank you.

We'll move to recommendation no. 3 which is on page 134. It reads:

We recommend that the Public Employees Pension Plan document and approve all future changes to the computerized pension administration system.

Is there a motion? Ms. Crofford.

**Ms. Crofford:** — I'll move that we concur and note progress.

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

On recommendation no. 4 on page 135:

We recommend that the Public Employees Pension Plan document its risk assessments and action plans to reduce the risks to an acceptable level for the computerized pension administration system.

Is there a motion? Ms. Crofford.

**Ms. Crofford:** — Again I'll move that we concur and note

progress.

**The Chair:** — Again a motion to concur and note progress. Any discussion of the motion? Seeing none, we'll call the question. All in favour? Again carried unanimously.

I believe that ends the recommendations in that volume. We'll now move to 2006 volume 1, again chapter 5. And there are two recommendations. The first recommendation is on page 74. Again I'll just give you a minute to find it, or less than a minute to find it. Top of page 74 the recommendation reads:

We recommend the Department of Finance ensure it receives accurate reports for claims paid for enhanced benefits of the Public Employees Dental Fund.

Is there a motion? Mr. Borgerson.

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

**The Chair:** — A motion to concur and note progress. Is there any discussion of the motion? Seeing none, call the question. All in favour? Carried unanimously, I believe.

And we will move to the second recommendation which is on page 78. It reads:

We recommend the Public Employees Pension Plan prepare, approve, and test a complete disaster recovery plan.

Is there a motion? Ms. Crofford.

**Ms. Crofford:** — For consistency I'll move that we concur and note progress.

**The Chair:** — We've got our lines down pat. We are going to move to concur and note progress. Discussion of the motion? None. Call the question. All in favour? Again that's carried unanimously.

That completes our deliberations on the two chapter 5's of the two reports under Finance. While we have our Finance officials here, we will move to the next item on the agenda, public plans and annual report assessments, Finance, chapter 11 of the 2005 report volume 3. And the person presenting from the auditor's office is Rosemarie Volk. We'll give Rosemarie Volk an opportunity to find a microphone here. We will have her present a summary of the auditor's findings and then again, Mr. Matthies, we will allow you a chance to respond before we entertain questions. Ms. Volk.

**Ms. Volk:** — Thank you. I guess we're reporting on chapter 11 of our 2005 volume 3 report on our work regarding the 2004-2005 public plans and annual reports for most departments and three Crown agencies that report to Treasury Board.

In 2003 the Department of Finance established guidelines for preparing public plans and annual reports for all departments and Treasury Board Crown corporations. The guideline contains a four-year implementation schedule that recognizes that improved public reporting takes time and resources. For

example, reporting on key risks, costs of activities, capacity and performance targets is not required for several years.

We assessed the public plans and annual reports for departments, three Crown agencies and two cross-government strategies for the year ended March 31, 2005. We found that the departments generally have met the current content requirements of the Department of Finance's reporting guidelines. We note that the annual reports have improved from prior years. The reports now contain more and better performance information. This information enhances the public accountability of these agencies.

We also note that the government currently does not require the Department of Executive Council or the Board of Internal Economy to publish performance plans and annual reports and we think that these agencies should publish performance plans and annual reports to improve their accountability to the public.

**The Chair:** — Thank you, Ms. Volk. We appreciate that summary. Mr. Matthies, would you care to respond?

**Mr. Matthies:** — Thank you, Mr. Chairman. I think we were generally quite pleased with the results of the audit. Certainly the department views the performance reporting system, performance management system, as an integral tool in helping to ensure that public dollars are being spent appropriately and that we are obtaining, if I can describe it, the right lift so that we achieve the economic or social objectives that the province has.

And we also recognize that to some extent there was a bit of a culture piece that we have to instill and so we moved to the phase-in over a period of time. As we learn with this exercise and then in each succeeding year we can sort of go the next step, if you will. So we were very happy with the response of departments in providing improved information over the years and I think we're happy and glad to see that this is going to continue into the future.

**The Chair:** — Thank you, Mr. Matthies. Just following the auditor's report, I wonder if you could comment on the two exceptions to reporting requirements, that of Executive Council and the Board of Internal Economy. I know that at one point under my chairmanship of this committee we were prepared to look at the Board of Internal Economy which of course is responsible for some expenditures of public funds, and there was a decision and a vote made around the table that we not do that. Obviously there are some sensitive issues around the Board of Internal Economy. I suppose there might be sensitive issues around the Executive Council expenditures although it's primarily for salaries and that sort of thing, travel — similar to other departments.

So I was just wondering if Finance has reviewed those two areas of public expenditure and whether there is a possibility of any recommendation in the future that the Public Accounts Committee or some body be in place to provide scrutiny for this public spending.

**Mr. Matthies:** — Mr. Chairman, I think what I would perhaps respond first with, as it relates to the Department of Executive Council, I might suggest that that question might more appropriately be directed elsewhere.

**The Chair:** — Obviously we would if we could, but we can't because they're never here. I accept your comments though. You can't be expected to speak, although it is finance. I mean the money that is spent is money that's allocated through your budget. That would be the one connection.

**Mr. Matthies:** — Well certainly the Department of Finance has put together the reporting guidelines that we would expect would be useful for government in its broadest sense. And I see a nodding of head and an understanding of the issue, and perhaps I can leave it at that.

**The Chair:** — Are there any other questions regarding chapter 11 of the 2005 report? Mr. Chisholm.

**Mr. Chisholm:** — When the financial reports are prepared for the various departments, is generally accepted accounting practices applied in full or in part?

**Mr. Matthies:** — Mr. Chairman, the annual reports that are published by the departments, and in particular as it relates to performance reporting, contain several different pieces. But what we're looking for is an understanding of what are the objectives, what are we trying to accomplish, and then we want the departments to sort of respond in that regard. Where there is a financial reporting aspect, they are prepared in accordance with generally accepted accounting principles, with the exceptions that we noted earlier regarding the pension liabilities and the loan involving the crop insurance component and the qualification by the auditor on the Fiscal Stabilization Fund.

**The Chair:** — It doesn't fall within this chapter I don't believe but when we're talking about reports I believe it's been over three months since we received our last report on public losses. Can the Department of Finance tell the Public Accounts Committee when they will receive the next report?

**Mr. Matthies:** — Mr. Chairman, the Department of Finance undertakes to provide a quarterly reporting of losses and so we would expect to be in a position to present our next report I suspect within a matter of a few weeks.

**The Chair:** — All right. Just for clarification, does Finance have a cut-off date? What actually is the date that the Public Accounts Committee should receive the report? I know that we receive four a year but it's never to my knowledge been made clear as to which is the last date that we could expect to receive that report at every quarter.

**Mr. Matthies:** — Minister, I'll just ask . . . I'm sorry, Mr. Chairman.

**The Chair:** — Minister's fine. I could live with it in my dreams for a while.

**Mr. Matthies:** — Mr. Chairman, I'll ask Mr. Paton to respond to this.

**Mr. Paton:** — Mr. Chairman, as you're aware, the reports are required to be prepared four times a year, each quarter. The quarter that we're talking about now ends September 30, so we're only, you know, four days past the end of the month. We are going to endeavour to get that information to you as soon as



possible. There's no deadline that's been set. It kind of depends on the volume and how much follow-up we might have. But I anticipate that by the end of October we'll have the next report to you. So that's within 30 days of the end of the quarter.

**The Chair:** — Would that be future expectations for the committee, is that within 30 days of the end of the quarter we would expect a report and if we don't receive one within that time frame then we should be concerned?

**Mr. Paton:** — Our internal goal, I guess, has been to try to get it to you within six weeks. Again, it depends on how much information we have available and how much work we have to do with it. If it's available sooner, we'll definitely endeavour to do that but we've kind of targeted at a six-week period after the end of the quarter to try and get it to your office.

**The Chair:** — The last report — correct me if I'm wrong — didn't that come forward at the end of June? Am I correct?

**Mr. Paton:** — No, we submitted another report to you, I think was around August 20, I believe.

**The Chair:** — I'm in error then. All right. Okay. Thank you very much. As Chair I thought I should know when to check my mailbox. Hopefully there'll be nothing substantial in the report but we never know.

I believe that brings us to the conclusion of our deliberations of chapter 11. There are no recommendations in this chapter and so we need not entertain any motions. And that brings us to the conclusion of the areas that are under Finance. We will be dealing with Property Management, and I believe they can come at 3:15.

So what we will do is, obviously we will excuse Finance officials and thank you for appearing before the committee. We got through a considerable amount of material and received a lot of information for which we are appreciative and we thank you for that.

Before we recess for a body break, it was decided yesterday that we would in fact invite the CCAF to come and report to this committee their findings in reviewing the work of public accounts committees across Canada and of course they have some international experience as well.

Perhaps before we take our break . . . Thank you. Yes, you're certainly dismissed and we're glad you were here. Before we take our body break, are there times . . . What times do you foresee as committee members would be the best day of the week during the fall sitting that we could hold Public Accounts meetings? Would it be your pleasure to have one per week if possible? Or perhaps after the first week when we have a throne speech, that that sometimes is a little difficult. The Clerk needs to contact CCAF and we would like to . . . the expression was from one of the members that we should try to just plug them into our regular time slot. But I'm not sure we have determined what our regular time slot will be for the upcoming session.

So I would entertain some discussion. We don't have to make the decision today, but entertain some discussion so we can have some idea of what might work out the best and that way,

our Clerk can begin to make the contacts. As I said, the sooner we nail this down with them, the more likely we are to get our way.

Someone have any comments as to what your preferences might be? I think it's great when we have both the government side and the opposition here. Joanne, you and I could do this but then we got to go back and check with a lot of the people. And maybe a little initial discussion would be good. Ms. Crofford.

**Ms. Crofford:** — Well again, I'm hoping that even with the possible changes this year, that we would stick as closely as possible to our previous schedule because the previous schedule was already established. We know it works. There are other committees that were meeting Thursday afternoon, but I presume they would then meet Thursday morning. But again, I don't know how the week would compress so . . .

**The Chair:** — The Clerk has some idea of what might work for us. Ms. Woods.

**Ms. Woods:** — I think if the new rules go through, I think there was a suggestion that the House will be sitting in the morning on Thursdays. So that had been one of the days when the committees had often met.

So I would suspect the mornings available for meetings of Public Accounts would be Tuesday or Wednesday. But I know, in the past, Tuesday has often been difficult with members going through cabinet. So perhaps Wednesday might work better.

**Ms. Crofford:** — That would be my thought — that Wednesday is the most likely, Wednesday morning. So now that we've decided that, we'll have to fight to keep it.

**The Chair:** — That's right. If we could have a consistent meeting time, that would certainly make the work of the Chair and the Vice-Chair easier. We have had to do some scrambling on occasion, but if we can have a consistent meeting time, that certainly works the best.

I would assume that our caucus, the opposition caucus, would continue to have meetings at 10 o'clock. I believe that's continuing. And I would assume that your caucus is still meeting at around noon on the Wednesday. Is that correct, Mr. Trew? You're the Chair.

**Mr. Trew:** — Indeed.

**The Chair:** — So then we had been meeting, I think it was, from 10:30 to 11:45. Is that again a possible time frame that can accommodate both caucuses? It sometimes cuts the opposition members a little short, but at least they're able to attend the beginning of our caucus which is usually when the, you know, the . . . you know, if they have any issues, if they know they have to leave, we can bring those issues up to the front of a caucus agenda so that they can be dealt with before those members have to leave.

**Mr. Trew:** — Mr. Chairman, can we just advance that 15 minutes at both ends?

**The Chair:** — 10:45 to 12 noon?

**Mr. Trew:** — No, no, no, no, advance it the other way.

**The Chair:** — Oh bring it . . . Well that doesn't really give the opposition caucus much time to barely get . . . You know they've only been in caucus for 15 minutes which . . . I'm a little reticent to do that.

**Mr. Trew:** — Well let me then simply express that there's been a couple of times — it's rare, but there have been times — when I've been jammed, and that doesn't sit well at all. I take my responsibility as Chair of caucus to be there and start the meetings on time whenever possible.

**The Chair:** — Does your caucus start at noon?

**Mr. Trew:** — Well at 11:30 on Wednesday, yes.

**The Chair:** — Your caucus is at 11:30 on Wednesday?

**Mr. Trew:** — Yes.

**The Chair:** — So then now we have another problem then because we . . .

**Mr. Trew:** — Mr. Chairman, can we . . . Like there's a new schedule. I think things are in a state of flux right now. Let's put it that way. I'm not trying to be obtuse, and I know you certainly aren't either. Let us, you and the Co-Chair, work. I'll have my input, and we'll see if we can't find some time on Wednesday — that seems to be the preference — if we can't make it work somehow.

**The Chair:** — Well it looks like it could be challenging, but I think it's good that we've had this discussion because we all recognize that we're going to have to perhaps put a little effort forward. Otherwise we're going to have difficulty meeting under the new arrangements.

Ms. Crofford, you look like you want to . . .

**Ms. Crofford:** — I just was going to observe that this falls into the category of between a rock and a hard place.

**The Chair:** — Well which side is rocking and which side is hard? Thank you, colleagues. We have about 20 minutes for a recess, and we will be back here at a quarter past three to deal with Property Management. We're recessed.

[The committee recessed for a period of time.]

### Public Hearing: Saskatchewan Property Management

**The Chair:** — Colleagues, I think most of us are here, and maybe a couple of folks wandering in, in the next minute or two. But I believe we will undertake the final item on our agenda this afternoon — Property Management, chapter 4 of the 2006 report volume 1.

We are happy to have the deputy minister and officials here from SPM [Saskatchewan Property Management]. We welcome you to our proceedings. And we'll ask you to introduce your

colleagues, deputy minister, in just a couple of minutes.

But first of all we will ask an official — I guess, is it Kelly Deis from the Provincial Auditor's office? — to give a quick summation of their findings in this chapter. Mr. Deis.

**Mr. Deis:** — Thank you. Mr. Chair, members, and government officials, I'm pleased to present chapter 4, Property Management of volume 1 of our 2006 report. The chapter begins on page 59 of that report. This chapter reports on Property Management's processes to purchase supplies.

The Purchasing Act, 2004 requires Property Management to obtain supplies centrally for provincial government departments, boards, commissions, and Crown corporations. We refer to these as user agencies. To meet user agency needs, Property Management needs to purchase the right goods and services on time and economically. Each year, Property Management purchases or helps purchase over \$100 million of supplies and services. Property Management purchases supplies such as furniture, lavatory equipment, computers, fuel, asphalt, vehicles, and tires.

The objective of the audit was to assess the adequacy of Property Management's processes at October 31, 2005, to purchase supplies valued at over \$25,000. The audit did not include the purchase of services.

On page 62, our audit criteria described the key processes that we expect Property Management to use to purchase supplies valued at over \$25,000. They are:

define the need and specifications for required supplies

obtain [quotations] fairly

select suppliers for required goods

monitor performance of the purchasing process

We concluded that at October 31, 2005 . . . Property Management had adequate processes to purchase supplies over \$25,000 except for monitoring the performance of the purchasing process.

On pages 66 and 67, we make two recommendations about monitoring performance of the purchasing process for the committee's consideration.

In the first recommendation:

We recommend . . . Property Management get prompt feedback from user agencies to monitor the quality of supplies and the performance of suppliers.

In the second recommendation:

We recommend . . . Property Management monitor compliance with the *Purchasing Act, 2004* whether it purchases the supplies directly or delegates the purchase to public agencies.

And that concludes my presentation and we'd be pleased to

respond to any questions.

**The Chair:** — Well thank you, Mr. Deis. Again welcome Deb McDonald, deputy minister. If you want to introduce your colleagues and respond, then we'll open the floor for questions.

**Ms. McDonald:** — Thank you. Thank you for inviting Sask Property Management to your committee meeting today. I would like to introduce my officials. I have with me Mr. Donald Koop, assistant deputy minister of commercial services, and Rob Isbister, director of purchasing branch.

I would like to take this opportunity to express my thanks to the staff of the Provincial Auditor's office for the comments that were provided for our department. The review of SPM's purchasing branch was the first review of our department since returning to department status last April. More recently members of SPM staff have been working with the Provincial Auditor on our department audit. We have a positive working relationship and welcome the comments of the Provincial Auditor's office and their recommendations.

We are here today to answer questions on the Provincial Auditor's report that was tabled last May. The objective of this audit was to assess SPM's process for purchasing supplies in excess of \$25,000. It is important to emphasize that our overriding objective in this area is to purchase items in a fair, open, and competitive manner. Our processes support businesses that compete for government tenders, but our practices also benefit our client departments by seeking best value.

I am pleased to state to the committee that overall the Provincial Auditor concluded that SPM has adequate processes to purchase supplies at over \$25,000. However the auditor identified some areas of improvement in our overall monitoring of the purchasing process. SPM is working with our client to address these points. We welcome any questions that committee members may have. Thank you again.

**The Chair:** — Thank you very much, deputy minister. Just before I open the floor to questions, just a question for the auditor. Is there a particular reason why the number of \$25,000 and up was chosen? Is that an industry or a government standard, or is it a number you picked arbitrarily?

**Mr. Deis:** — No, as we state in the chapter, there's an agreement between the federal government and the provinces and territories that there has to be fair and open competition at values above \$25,000 so that's why we chose that.

**The Chair:** — All right. Thank you for that clarification. We're open for questions. Mr. Chisholm.

**Mr. Chisholm:** — Thank you, Mr. Chairman. It appears from the auditor's report that the feedback that he's mentioning is both ways. I'm just wondering if you could go through the feedback. What procedures have been put into place on the suppliers' side and then also on the users' side since the report, or where we're at on that.

**Ms. McDonald:** — As part of the department's performance plan, SPM completes surveys of both our customers and our

suppliers on a biannual basis. In March 2006, the department completed its most recent biannual survey of our clients. SPM's supplier survey is scheduled to be completed in early 2007. SPM will also be working with other departments to implement processes to gather appropriate feedback.

**Mr. Chisholm:** — Currently SPM obtains user agency approval of draft tenders by phone according to the report. Has the auditor identified any problems that have risen due to approval being given over the phone? Or do you have any comments on that?

**Mr. Isbister:** — I believe when the auditor discussed . . . one of the things that they were looking for, that we had more clear documentation in our tender files, that the client had approved the final tender document before it hit the street.

Since our audit occurred, we've now implemented procedures where we ensure that we have notations or the proper documentation in the files for any approval received by the clients. So for any tender over 25,000, we would have a documented approval whether that was received via phone or email or in a formal written . . . [inaudible] . . . from the department.

**Mr. Chisholm:** — Thank you. Can you identify any situations that have occurred in the past where this lack of written approval process has caused any problems like . . .

**Mr. Isbister:** — Nothing directly that would relate to that comes to mind. That was again I think more of an administrative process that we ensure that the tender process is properly documented. It has been our practice that we've been doing that. I think in most of the cases for anything of significance, we are getting our client approval. It's just making sure that it was properly documented.

**Mr. Chisholm:** — Thank you. We understand there's been some interest in Saskatchewan's participation in the BC [British Columbia]-Alberta Trade, Investment, and Labour Mobility Agreement. I'm wondering has SPM been directed to investigate changes that might be required particularly in procurement should the province proceed?

**Mr. Isbister:** — In terms of the purchasing component, the Agreement on Internal Trade which Mr. Deis referred to earlier deals with the thresholds that all the provinces follow. And for goods, that's \$25,000. For services it's \$100,000. And construction it's also \$100,000.

Under the Alberta trade and labour mobility agreement — I think they refer to TILMA [Trade, Investment, and Labour Mobility Agreement] as the abbreviation for it — the thresholds are lower than the provinces will be implementing. I don't recall off the top of my head the time frames of when they'll be implemented. I believe it's about two years into the future. For goods, thresholds I think will drop to \$10,000, and for services it would drop to \$75,000 under that agreement.

For our province, we currently tender, advertise most tenders that are over \$5,000. So we're already advertising for goods at a threshold that is lower than what will be required under the Alberta-BC agreement.

**Mr. Chisholm:** — Thank you.

**The Chair:** — Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. The deputy has responded to the question about feedback in the formal process. Could you just outline, do you have informal processes as well where you constantly talk to your suppliers and users and try to just keep on top of exactly how you can better serve both of those areas?

**Ms. McDonald:** — We're constantly in contact. We have a group of . . . I think the staff down there is 24, Rob? And our buyers and our purchasers are constantly in contact with both suppliers and with departments that they serve.

**Mr. Cheveldayoff:** — Thank you. For most areas do you have any trouble getting multiple bids? Do you find yourself having to sole source a lot? Or for most areas do you find that there's no trouble soliciting competing bids?

**Mr. Isbister:** — For the most part we would receive multiple bids on most of the tenders that we're receiving. I guess sometimes there . . . I'm trying to think off the top of my head. For instance the highway salt, I believe like there's two suppliers basically that provide the salt that the department used. There's other cases where there's one or two suppliers and that concerns us. And you know, our goal is to have as many suppliers locally and across the country that are competing on our tenders. It just provides us better value for what we're getting departments.

There are situations where we do only get one bid. In the technology sector, depending what might be specified in terms of the requirements for software, once you're into one platform of software — and I'm thinking of the Department of Finance's system is an Oracle-based software — there are cost prohibitions sometimes to moving down another route. So as you expand or look at other applications that might go on, you may be limited to your one application and to the vendors that are bidding that particular application.

On the good side of that, there's often resellers that may be bidding. So you do get bids from multiple resellers in terms of that even though you're looking for one particular product.

**Mr. Cheveldayoff:** — Okay. Thank you. Could you just tell me a little bit about your criteria? Obviously price is a major criteria. Can you talk a little bit about other criteria and a little bit about your philosophy as far as do you try to make sure that suppliers geographically around the province, you know, have an equal opportunity or try to, you know, spread the business around where the price is comparable?

**Mr. Isbister:** — I'll step back, I guess, in terms of our basic process of advertising our tenders. When we go out in most cases, we don't provide a preference for provincial or location as a general requirement for our tenders. We will advertise the tender on . . . we use our website called SaskTenders, and they're open to any supplier to pull off the tender document for free and to respond to those tender documents.

In terms of the criteria, when you get into that deeper, it really

depends on what you're procuring for the departments. They may have a requirement for local service. So I'm thinking of our photocopier tender. We have requirements throughout the province. They separate the North from kind of the other locations, the major cities, as to the turnaround time that they would need for service if there's a problem with a photocopier. And so that would be the general approach that people would factor into.

As the good gets more complicated, those requirements may get more complicated in terms of what they're looking for in the evaluation of the tender. On most tenders, price, delivery, and local service would be the main factors that would be in there. The weight of those would be very dependent on what is being bought.

**Mr. Cheveldayoff:** — Okay. Thank you. Mr. Chair, that completes my questioning.

**The Chair:** — Just a couple of questions, again to get some information on the record. I believe the auditor identifies purchases of over \$100 million of supplies and services. Is that the total purchase of supplies and services? Is that the complete number, or is that just the number of supplies and services over \$25,000?

**Ms. McDonald:** — That would be just over the \$25,000 because departments have the ability to do purchases on their own. That would be the amount of purchases we do on behalf of other departments and our own department.

**The Chair:** — So what percentage of SPM's total purchases would include purchases over \$25,000?

**Mr. Isbister:** — Sorry. In terms of the average when you asked the \$100 million, I'll look at it in our three-year number that we roll into our annual performance plan. Over the last three years we've procured about \$363 million worth of goods and services over those things that would have been done through the purchasing branch.

And then, I'm sorry, the second part of your question was, how much of that was under \$25,000?

**The Chair:** — Right.

**Mr. Isbister:** — Or over? I don't . . .

**The Chair:** — I'm trying to get the global figure and then the breakdown of total purchases that are more than \$25,000 — which is what the auditor looked at — and what would the total of all other purchases be.

**Mr. Isbister:** — I'm recalling an estimate off the top of my head. For under \$25,000 I think we had estimated between 10 to \$13 million a year. It will vary, but that was our estimate of what the value of the procurements were that were under \$25,000.

**The Chair:** — So a large portion of your purchases are \$25,000 or more.

**Mr. Isbister:** — To the dollar value, absolutely. Yes.

**The Chair:** — A question for the auditor is, why did you just look at goods and not services? It says services are not included. So I would think — help me with the definition — but legal services wouldn't have been included. What other services wouldn't have been included in your audit?

**Mr. Deis:** — We wouldn't have included services for computers or accounting services or actuarial services, so any services like that you could think of. In terms of particulars, maybe the department could answer more directly about the specific services that are contracted.

**The Chair:** — Was there a reason why you wouldn't have looked at services as well as the area that you did review?

**Mr. Deis:** — Any time you're doing an audit and setting an objective, you have to look at what your audit universe is and you have to make decisions. At this time we decided just to look at the supply side. It's easy to understand. It's possible that we might come back in the future and look at the service side.

**The Chair:** — To the deputy minister then, are you required under these federal regulations to follow the same procedures for purchases of services over \$25,000?

**Ms. McDonald:** — Yes.

**The Chair:** — All right. And I think . . . Oh one other question that I have just out of curiosity. Does the fact that there's a northern administration district impact how you can tender for supplies and services north of that line? Does that impact SPM and your purchases?

**Mr. Isbister:** — No, in terms of northern district or northern procurement policy, it really doesn't affect how we tender. Most of those tenders would be done in an open manner. The only provision that the Agreement on Internal Trade . . . There are a number of them but one of them that does provide is related directly to Aboriginal groups which is something that the department currently has under review.

**The Chair:** — And then another question would be, of the roughly rounded off to \$100 million of purchases annually, what percentage of those purchases would occur within the province and what percentage would occur outside of the province?

**Mr. Isbister:** — Our average for the last three years has been 77 per cent has been credited back to either a Saskatchewan direct supplier or to their reseller. For an instance of computers, they may be sold through the local reseller here even though the pricing may be provided directly by the manufacturer.

**The Chair:** — Does SPM have a policy on preferential treatment to Saskatchewan suppliers?

**Mr. Isbister:** — When The Purchasing Act, 2004 was introduced in June 2005, I believe was the month that it was proclaimed, we also introduced . . . and the legislation provides for to give preference to Saskatchewan suppliers for purchases under the AIT thresholds which is the Agreement on Internal Trade. And so for under \$25,000 we can. It is used periodically in cases where the bids are very close.

**The Chair:** — So what is the criteria? How do you decide? A bid that's close to you might be different than a bid that's close to me. How do you define what a close bid would be?

**Mr. Isbister:** — The criteria I believe — and I'm going from the top of my head — I believe it's within 5 per cent. And also another requirement is that we have at least two bids from Saskatchewan suppliers, so that way we know we are getting competitive prices for when we're wanting to use the preference. And the third thing is we have to tell the suppliers upfront in the tender document that that preference could be provided.

**The Chair:** — Okay. Very good. Deputy Minister, you promised that you would have the answers to the questions and so far you're batting fairly well here. Are there any other questions by any of the other members? We're going to have to start a fine procedure. I heard music again here somewhere. In our caucus we have a \$5 fine for that. I don't know if anybody's ever collected yet but the threat is always there. Are there any other questions of the deputy minister and her officials before we go to the recommendations?

Seeing none, I know you all have your books open to pages 66 and 67 where the two recommendations are. I will read them. And the first one on page 66 states:

We recommend Saskatchewan Property Management get prompt feedback from user agencies to monitor the quality of supplies and the performance of suppliers.

Is there a motion? Ms. Crofford.

**Ms. Crofford:** — I'll move that we concur and note considerable progress.

**The Chair:** — All right. The motion . . .

**Ms. Crofford:** — . . . you're getting bored with my other motions.

**The Chair:** — The motion is to concur and note progress. Is there any discussion of the motion? Seeing none, we'll call the question. All in favour? That's passed I believe unanimously.

The second recommendation is the only paragraph on page 67. It reads:

We recommend Saskatchewan Property Management monitor compliance with the *Purchasing Act, 2004* whether it purchases the supplies directly or delegates the purchase to public agencies.

Is there a motion? Ms. Crofford.

**Ms. Crofford:** — I'll move that we concur and note progress.

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

I want to thank you, Ms. McDonald, and your officials for appearing before the Public Accounts Committee. At the end of

our day I think we're still reasonably alert and hopefully we didn't let anything slip past us that we shouldn't have. Thank you for your co-operation and in coming a little bit early. We appreciate that as well.

As Chair of the committee I want to extend to each one of you a very happy Thanksgiving, a safe and happy weekend. And we will see you likely next month when I understand the House will be coming back. Until that time, we are adjourned.

[The committee adjourned at 15:38.]