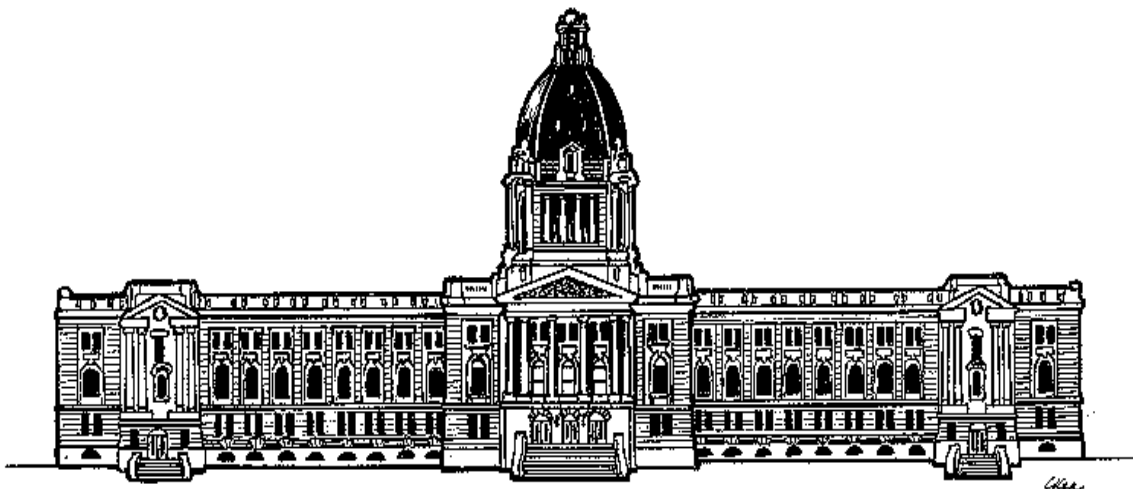




# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS  
2007**

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Rosetown-Elrose

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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, everyone. We'll call the Public Accounts Committee to order and welcome each one of you here. This is the first gathering we've had in 2007. For those who may be watching on television and wondering when this occurs, it actually happens to be on Friday morning, February 23, 2007. Some may be watching us live on the Internet.

I'd like to welcome my colleagues here and also welcome officials, including the Provincial Auditor and others from his office. We have officials here from the comptroller's office of the Department of Finance. And our agenda is comprised of three items of which I will get to the first one in just a moment.

However, we do have some substitutions that I would like to make you aware of. Substituting for Andy Iwanchuk is Doreen Hamilton. Welcome, Doreen. And substituting for Ken Cheveldayoff is Dan D'Autremont. Welcome, Dan. And substituting for Kim Trew is Ron Harper. So we welcome you, Ron, to our committee this morning.

I would also like to take this opportunity to introduce an intern. Justine Gilbert is my intern. And oftentimes there are government departments that come before us and they have the opportunity to introduce their interns. So it's a real pleasure for me to introduce Justine, who is working on several projects for me. And with your permission, she may take two or three pictures around the table if the battery in my little digital camera holds up. It has been known to fail.

#### **Public Hearing: Workers' Compensation Board**

**The Chair:** — Having said that, we will get to item 1 on the agenda which is the Workers' Compensation Board. I reviewed the chapter. It's very few pages. I'm not sure if it will require an entire hour. If not, we will . . . Don't feel you have to fill the time. But if there is certainly material that needs to be dealt with we have until 10:30 to do that.

I'd like to welcome John Solomon and Peter Federko from the Workers' Compensation Board. They've met before this committee in the past. And also I would like to welcome Bashar Ahmad from the Provincial Auditor's office who I think will give us a brief summary of the auditor's report which is found in volume 1 of the 2006 vintage. And Bashar, we turn the floor over to you.

**Mr. Ahmad:** — Thank you, Mr. Chairman. And good morning, members. Chapter 6 of our 2006 report volume 1 begins on page 83 and describes the result of our audit of the Workers' Compensation Board — that is WCB — and its pension plan for the year ended December 31, 2005.

To complete our audit we worked with WCB's appointed auditor, Deloitte & Touche, chartered accountant. In this chapter we make two recommendations. The first recommendation requires the WCB to establish processes to accurately determine and record its investing income. The WCB adopted a new accounting policy for recording investment income and investments. The WCB made this change to follow Canadian generally accepted accounting principles.

We made that recommendation because the WCB did not provide written guidance to its staff on how to determine and record investment income under the revised accounting policy. As a result, staff determined the investment income incorrectly for the interim financial statement. Accordingly the board received incorrect monthly financial reports from January to September 2005. Those financial reports recorded accumulated investment income of 43 million when the correct investment income should have been approximately 33 million. The incorrect financial information could result in incorrect or improper financial decisions.

The second recommendation requires the WCB to include written explanations of all significant differences between the planned and actual results in its interim financial reports. We made this recommendation because while the board requires management to provide written explanations of significant differences between the actual and planned result, the interim financial report did not include such explanations. The interim report showed actual investment income of 43 million while the planned investment income for the same period was 33 million.

We are pleased to report that the WCB has fully addressed both of these recommendations. That concludes my report.

**The Chair:** — I thank you very much. We appreciate that report, Mr. Ahmad. Mr. Solomon, if you and Peter would like to respond we give you opportunity to do that before we open up the floor to questions.

**Mr. Solomon:** — Thank you very much, Mr. Chairman, and committee members. With your permission I'd like to say a few words just to give you an overview as to what's been going on at the board over the last little while since our last appearance before the committee if that's okay. About eight minutes or thereabouts.

**The Chair:** — Certainly.

**Mr. Solomon:** — Well thank you very much for inviting us to attend the Public Accounts Committee. We're always pleased to attend and answer questions related to the Workers' Compensation Board. I'd like to start by just talking about accountability for a few moments.

Accountability always sparks a spirited debate in the administrative tribunal fraternity. It's because accountability expectations and the arm's-length status of tribunals sometimes pull in opposite directions.

When it comes to accountability to the legislature, to this committee, to our stakeholders, and to our clients, the WCB sets and meets very high standards. Besides this committee, we appear when requested before the Committee of Finance and the Committee of the Whole. Our stakeholders have many opportunities to understand the workers' compensation system and all the activities that go with administering the Act.

For example we host an annual event called Compensation Institute which we provide you a pamphlet for. It features expert speakers and workshops and a very lively bear-pit session with the Chair and with the chief executive officer. This

year the 10th annual Comp Institute is in Saskatoon at the Bessborough on March 19 to 21. We are the only Workers' Compensation Board in North America to undertake such an event, and registration is free.

We hold our annual general meeting in both Regina and Saskatoon. This year our 13th AGM [annual general meeting] is at the Hilton Garden in Saskatoon on May 15 and in Regina at the Hotel Saskatchewan on May 16. Until three years ago we were the only Workers' Compensation Board in North America to have an annual meeting and we're still the only one that has two. Three years ago Alberta joined the fraternity and last year Nova Scotia now hold an annual meeting.

In addition to those events, we hold fall or autumn rate-setting consultations with our stakeholders from the sectors covered by compensation. These 24 meetings take approximately two weeks, where we discuss our progress during the year and our proposed rates for the following year.

The challenges that faced all workers' compensation boards in the first years of this decade are now behind us. You may recall the falling investment revenues, the increasing rates for employers, and so on. But now most stakeholder groups coming out to the rate consultations are greeted with the good news that their premiums are lower than the previous year.

The Saskatchewan WCB is a quasi-judicial tribunal with a high public profile. Of the 50 or so tribunals in the province the WCB is the largest, and being established in 1929 is likely the oldest. As an administrative tribunal, the WCB keeps company with the Human Rights Commission, Labour Relations Board, the Highway Traffic Board, the Farm Land Security Board, and the Saskatchewan Municipal Board. There are many federal tribunals as well — the Canadian International Trade Tribunal, the Immigration Refugee Board, and the Canadian Transportation Agency, to name three.

My purpose in listing these examples is to illustrate that legislators everywhere have, over the decades, seen the need to create a variety of tribunals. Legislators delegate powers to tribunals to make decisions about legal rights, entitlements, and obligations. It's the exercise of this adjudicative function that places tribunals within the larger justice system.

There's general acceptance that administrative tribunals, no matter what the level of government, play a key role in providing Canadian citizens with a fair and efficient civil justice system. As one former attorney general put it, tribunals are the front line of our justice system, indeed the only point of contact that many citizens will ever have with our justice system, whereas Canada's Chief Justice has said administrative tribunals have a critical role to play in maintaining the rule of law.

What is an administrative tribunal? Well that question is answered best by saying what a tribunal is not. A tribunal is not a court like Queen's Bench or Provincial Court. Tribunals are designed to be more accessible and less costly than courts. It's not a government line department. Tribunals are also distinct from other arm's-length public bodies such as Crown corporations or community boards.

Put in plain words, tribunals straddle a line between government and the courts and deliver what has been coined nimble justice. Tribunals like the WCB need to be fair, impartial, timely decision makers, and we must be accessible and responsive to the needs of the parties.

The ability to challenge a tribunal decision is also very fundamental. The capability to put things right must be built in to the system. At the Saskatchewan WCB, we do put things right through appeals to our appeals department and appeals to the board members at the final level.

Annually our appeals committee receives over 1,000 appeals, and the board members in '05 had 310 appeals. And last year, '06 it was declined down to 232 appeals in '06. Typically four in ten of the appeals that come before the board members have merit.

Apart from appeals we also put things right through the work of our independent fair practices office. Nearly 400 inquiries have been lodged with the FPO or fair practice officer each year since its installation back in '03.

When I began with the board I know that the WCB is a very large tribunal. Our staff adjudicated about 40,000 claims in '06 and administered 33,000 employer accounts. Over one-third of those 40,000 claims will be a time loss claim for the injured worker.

Our average premium to the employer is usually the second or third lowest in the country. Our 2007 average premium stays at \$1.84 per \$100 of payroll, the same as in '06. That's well under our peak average premium of \$2.05 per \$100 of payroll back in '04. Two-thirds of our insured employers enter this year with their WCB premium rate either frozen or lower than last year.

In our annual report to stakeholders, we highlight several outcomes to illustrate performance excellence by the Saskatchewan Workers' Compensation Board. The latest comparative results which are from '05 are compiled by our national organization, the Association of Workers' Compensation Boards of Canada. For some results we surpassed the other Canadian boards. On others we ranked either second or third best among Canada's compensation boards.

Some examples. We have the lowest average composite duration of claims. We have the second lowest administration cost per time loss claim. We have the third lowest administration cost per \$100 of assessable payroll. And we have the lowest average number of calendar days from registration of a claim to first payment. And we also have the lowest average calendar day from injury to first payment to the worker.

We moved from third to second with respect to our market return investments in '05. We are at — I'm sorry, '04. We are at 10.7 per cent; '05 we're at 13.7 per cent; and we haven't the comparable with '06 with the other jurisdictions as yet, but our return for '06 was 14.6 per cent; which in our view is quite stellar and very helpful in terms of funding future liabilities with respect to injured workers.

Before closing I have one more accomplishment to mention. In

2002 the goal was set to reduce the provincial injury rate from 4.95 per cent, which was the second highest in the country, down to 4 per cent, a 20 per cent reduction over five years. I'm pleased to announce today that in 2006, only four years after we set this target, we're down to 4.05 per cent. And I think if we had about 17 fewer injuries, we'd achieved a target a year in advance of 4.00. We're one year ahead of schedule and we have a target for the end of this year of 3.85 per cent.

The credit goes not only to the board. We have some modest role to play but primarily it's the employer and the workers working in partnership to deal with workplace injuries, as well as WorkSafe Saskatchewan. Of course each work injury is one too many and we've set our sights on a new injury target which I've just indicated and by the year 2010 we're aiming for a 3.50 injury rate.

I'm pleased to tell the committee today that we have addressed chapter 6, which is what we'll now address, of the auditor's report. In that report the auditor said that the WCB "needs to improve its rules and procedures used to prepare accurate interim reports." As chapter 6 says, the monthly financial reports supplied to the board members contained "incorrect investment income" from January to September 2005.

The Provincial Auditor made two recommendations which we've heard; that is to establish processes to accurately determine and record our investment income on a monthly basis, and to include written explanations of all significant differences, i.e., a variance report between planned and actual results in its interim financial reports which are monthly.

These auditor recommendations are most welcome. We've acted quickly and took the necessary corrective steps to ensure that the board members received monthly reports that accurately show our investment gains and losses. And we've also incorporated in the monthly statements or monthly reports variance reports with respect to projections and achievables. So these reports, the financial reports and in particular investment reports, contain explanations for any significant difference between our forecasts and our actual realized numbers.

Thank you very much for your tolerance and your patience. Any questions, we would be happy to answer.

**The Chair:** — Thank you very much, John, for that eight-minute report. We will open the floor for questions. I have a couple in mind. I'm not sure how related mine are to the auditor's report so I am, as Chair, very hesitant to raise them but I can't help but ask. How can you have two annual meetings? That one I thought that a bit interesting. Do you want to say anything further there?

**Mr. Solomon:** — Yes. This was designed because of our geography. We don't have one large city like Winnipeg in Manitoba or . . . even Alberta has two. They do a webcast, a one-hour webcast, for their annual meeting. The board prior to my arrival had established that we'd do the two, one in Regina and one in Saskatoon. We alternate each year. Saskatoon first one year and then Regina first the next year.

But it's an opportunity, I think, to again respond to some of the concerns that were made over the years about us being a closed

shop; we're not open. So at the annual meeting we have a report from the Chair, we have a report from the chief executive officer. Our financial VP [vice-president], our HR [human resources] VP, and our operations VP give reports. And we open up for questions and go with a Q & A [question and answer] for as long as people want to answer questions. So it's an opportunity to really look at our year results for the previous year and even ask us any questions that may be coming up since then.

It's just an effort again to be transparent and accountable, and we find it actually a very healthy exercise from the board's perspective because we can then get a drift as to, you know, what sort of issues are out there that we may not be aware of.

**The Chair:** — But really it would instead of two annual meetings it would be one annual meeting . . .

**Mr. Solomon:** — It's one annual meeting . . .

**The Chair:** — And two locations.

**Mr. Solomon:** — Over two days and two locations but the same information and . . .

**The Chair:** — I assumed that, but I wasn't sure and I thought I'd . . .

**Mr. Solomon:** — I'm sorry. I wasn't clear.

**The Chair:** — The second question that I have is just . . . And I'm not looking for a long answer, depending on the answer. But there's been The Workers' Compensation Act committee of review that apparently has just brought a report forward. Does any of the content of that review relate to any of the issues that the Provincial Auditor has brought forward or anything to do with your accounting system that our committee should be aware of?

**Mr. Solomon:** — No.

**The Chair:** — Okay. So that's pretty much off the table then.

**Mr. Solomon:** — I know the minister has a copy of it, and we've had a copy of it as of last Friday. I've read the report from cover to cover, and there's no mention with respect to the auditing functions or matters that the Provincial Auditor might be aware of.

**The Chair:** — Okay, very good. I have another couple of questions but I will open up the floor to other members first. So, Mr. Chisholm.

**Mr. Chisholm:** — Thank you, Mr. Chair. I have one question regarding the workmen's compensation pension plan itself. Although it's not included specifically in this report, it is in the auditor's report. There was a recommendation in the 2006 report that ". . . policies and procedures to ensure . . . all investments held by the Plan comply with the law and its investment objectives." And I guess my question is, has there been progress on that recommendation, and what would be the status of that situation?

**Mr. Solomon:** — Thank you. I'll ask Peter Federko, our chief executive officer, to respond. He chairs that committee.

**Mr. Chisholm:** — Thank you.

**Mr. Federko:** — The Workers' Compensation Board pension plan was previously known as the superannuation plan, and two years ago the legislation was changed such that responsibility for administration of the pension plan now resides with the board of the Workers' Compensation Board as opposed to a separate superannuation board.

The legislation also calls for the establishment of a retirement committee of which I am the Chair and has representatives from members of the pension plan, from the retiree group, from the unionized staff group, and the non-unionized staff group, as well as a member at large which happens to be a nominee from the board itself.

Upon appointment of the retirement committee, we immediately undertook actions to address many of the issues that the Provincial Auditor had raised with respect to the superannuation board, and the investment policy being one of them. Since the recommendation was made we've done several things.

We've had a review of the investment policy which governed the investments held by the superannuation board. We've just concluded what we call an asset liability study that was conducted by a independent actuary who looked at the adequacy of our investment policy in providing sufficient funds to meet the obligations of the pension plan, moving forward. In other words we want to be sure that there's sufficient surplus and we're investing that wisely to continue to meet the obligations of the pension plan.

We've received that report. We're meeting here on February 28 at which the actuary is attending to explain his asset liability study to the members, to the retirement committee. That will follow another review of the investment policy and recommendations to the board for any changes to that investment policy to ensure that not only are we compliant with the laws as the Provincial Auditor has suggested, but that we are investing our funds such that we can protect the surplus that's in that plan.

**Mr. Chisholm:** — Thank you. I guess perhaps more specifically then, the auditor was concerned that all investments within the plan comply with the law and comply with your investment objectives. And I'm not sure I heard the answer to that as to if that is in fact the case.

**Mr. Federko:** — The second part of your question has to do with compliance with the policy itself. There again are steps being taken similar to what have been taken at the Workers' Compensation Board injury fund to ensure that the investment managers themselves are complying with the investment policies. And again as the retirement committee addresses the investment policy itself, it'll be looking at all of the rules and procedures in place to ensure that there is compliance with the policy itself.

**Mr. Chisholm:** — Thank you. I came across what I thought

was perhaps a little bit an interesting stat. Looking at the present rates, and this may just be a little silly, but it seems like the fourth highest or most dangerous job would be a union delegate. When I go through the rates, the average rate in the province is 1.84, \$1.84, and the rate for being a union delegate would be \$6. Now first of all I was a little surprised that there would be a designation for that particular occupation you know. And secondly I, just wondering why the rate would be as high as it is in that particular area.

**Mr. Federko:** — Okay. That particular rate is dissimilar from the other rates that are established for industry codes. And while it's titled union delegates, it really applies to delegates who are going on work-related but not directly work-related business. So if there are appointees, for example, to committees of different industry groups and they are attending as a delegate of a conference, they're not specifically working within their industry while they're at those conferences. However, they may want to have workers' compensation coverage.

For purposes of those delegates, they can apply to the Workers' Compensation Board and pay simply a flat rate of \$6 to cover them for the period of time that they're acting in that delegate capacity. If they have other jobs, you know, working in steel mills or whatever, they, while they're working in that capacity, would be covered by the industry rate applicable to the steel manufacturer if that in fact that was the case.

So it's really an anomaly. It is not based on claims costs as the other industry rates are. It's simply a flat rate that we've determined would be accurate enough as a minimum assessable amount to cover any liability that may come as a result of individuals acting in the capacity of delegates as opposed to workers.

**Mr. Chisholm:** — Thank you. One more question. Yes, sorry. Sure.

**The Chair:** — Can I just follow up then and ask, is that premium then paid by the union and the employee or just by the union?

**Mr. Federko:** — Just by the union.

**The Chair:** — Okay, go ahead. Mr. Chisholm.

**Mr. Chisholm:** — I should probably know more about workmen's compensation, but I don't. Maybe you can fill me in. In a large operation where there's a number of different occupations from clerical to let's say the most dangerous, how do they determine . . . Is it determined based on what the people are doing or what the industry, what industry they're in, or some combination?

**Mr. Federko:** — It's based on the industry that they're in. So you may have bookkeepers working in manufacturing; they will be charged the manufacturing rate. Bookkeepers working in banks will pay the bankers' rate. So it's on the basis of industry as opposed to occupation.

**Mr. Chisholm:** — I guess just a follow-up to that: is that the way it works throughout the country or is that something unique to the province?

**Mr. Federko:** — No, that is standard industry practice, frankly, throughout the world. There are a few jurisdictions who have looked at and offer in selected categories classification by occupation, but it's done primarily on the basis of industrial undertaking.

**Mr. Chisholm:** — Okay, thank you.

**The Chair:** — So again if I could follow up, would I be correct to say though that suppose you're in, let's say you're in IPSCO and you have a clerical component to your workforce, but if your performance as a company is one that has a good accident-free record, there are rewards or there are incentives — lower rates, you know — for that company versus other industrial companies that would be similar. Am I correct in understanding? I guess what I'm trying to say is, you can to some extent determine what your rate will be by your record. Am I correct there?

**Mr. Federko:** — Yes. There are two levels, I guess, that a company pays rates at. The first is the industry level so everyone in that industry pays that premium rate based on the performance of the industry itself. Within the industry we then do comparisons among the employers of that industry. And if an employer in that industry has performance that is better than the peers of the industry, they will receive a rebate, a discount on their premium rate. If it's worse, they'll receive a penalty or surcharge and pay more than the average for the industry.

**The Chair:** — I suppose if two companies, one had twice as many clerical workers or — maybe that's not even a good example, I'm not sure — but people that were in less, a lower-risk environment, it could be reflected in lower premiums as opposed to a company in the same industry that had more people in a high-risk area.

**Mr. Federko:** — That's true.

**The Chair:** — Okay. Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you, Mr. Chairman, Mr. Solomon, Mr. Federko. Mr. Solomon, you went through a list of accomplishments for WCB, and I didn't get an opportunity to write them all down so you may have given this information and I might have missed it.

You talked about the length of time from a claim to the first payment. I'm wondering if you could give us an indication of what the average length of time a payment is made to a client of WCB.

**Mr. Solomon:** — Thank you, Mr. D'Autremont. The average number of calendar days from registration of a claim to first payment, we're at 13.43 days. That's registration to time of first payment because we don't pay until we're informed that there's an injury by both the worker or the employer or the health care provider.

Regarding the average calendar days from injury to first payment, it's at 18.69 days. So from registration, we do it within two weeks basically, you know, 14 days — 13.43. And from the injury, the average is 18.69. So when you look at this number, there's about a five-day discrepancy.

In the legislation, the employers have five days to notify the Workers' Compensation Board that an injury took place, five days after they've been notified or were aware of the injury by the worker. So that's where that five days comes in.

**Mr. D'Autremont:** — And from the time that a payment is made, what's the length of time before the client would recover and would no longer need payments? What's your average for WCB? Obviously some are more severe, some are less severe, but what would the average be?

**Mr. Solomon:** — Well the lowest . . . We call it the average composite duration of claims. In '04, it was 42.67 days and actually in '06, it was down to a little over 33 days. So in essence, the average duration that we'd be paying earnings replacement and other compensation is about 33 days. At 33, we're probably one of the lowest in the country, if not the lowest.

**Mr. D'Autremont:** — So what would account for a change of — depending on how you calculate math — a third to 25 per cent over two years, a reduction in the length of time that a client would be on WCB services?

**Mr. Solomon:** — A number of factors that Mr. Federko can probably give you the great detail.

But in general, the sooner we're aware of the injury and the sooner the worker is provided with health care, it is diagnostics and then a treatment plan and a return-to-work plan and a voc rehab plan. The sooner all that's done, all the research shows, the sooner the worker recovers and gets back to work. So generally, that's what happens. But do you have some more comments, Peter?

**Mr. Federko:** — There are many things that would impact durations. But the things within Saskatchewan that we believe have had an impact are the things that Mr. Solomon has mentioned.

In addition to that, we have worked diligently with our caregiver community to ensure that we receive timely reports relative to medical restrictions. So then we can work with the employer and the worker to look for modified work opportunities and get that worker back to work as quickly as possible.

So liaising with education, with the caregiver community, revision of forms that we would receive, making it easier for caregivers to report medical restrictions, working with our vocational rehabilitation people to ensure that an individual vocational plan is on file for all of those seriously injured workers. And then we like to think that the introduction of our team-based case management in 2001 and decentralization of some of, more of our services to Saskatoon has assisted in simply better service which has in turn resulted in quicker return to work on the part of injured workers.

For your information, if I might add, if you wanted to refer to page 20 of our stakeholder report, there's actually a schedule that goes by industry class that shows the injury rates as well as average duration for each of those industry groups for the past five years. So that may be of interest to you.

**Mr. D'Autremont:** — Okay. Thank you very much. Mr. Solomon mentioned research that showed the sooner that the worker starts to receive treatment, the shorter the duration. I wonder if the committee could have a copy of that research.

**Mr. Solomon:** — We could find something, sure.

**Mr. D'Autremont:** — Okay. Thank you very much. You mentioned I believe it was 200-and-some appeals last year.

**Mr. Solomon:** — 232.

**Mr. D'Autremont:** — 232. Is that total appeals or are there different levels of appeals that you're indicating?

**Mr. Solomon:** — We have two levels of appeal. We have the internal appeals committee, and they receive appeals. For example you get your claims entitlement specialist, where somebody may file a claim, and they decide whether it's compensable or not. If it's not compensable, they can appeal to the appeals committee internally. They look at the file, and they make decisions based on the pure policy procedures and process within the board. If that appeal fails, it then can go to the board.

And so out of that 1,000 that they get at the appeals committee level, last year we got about 232. And out of the 232, we had almost half of them had either partial acceptance or full acceptance. There was actually a very high rate.

But what happens in that interim period is that there may be new medical information that comes to the file. Usually there's new medical information or some other new information that's relevant that would assist the worker in their appeal in making it successful.

**Mr. D'Autremont:** — So there was 1,000 appeals internally?

**Mr. Solomon:** — Yes.

**Mr. D'Autremont:** — And approximately . . . well exactly 232 proceeded from that point to appeal to the board. Is that the case?

**Mr. Solomon:** — That's correct.

**Mr. D'Autremont:** — Okay. You talked about new medical evidence. Who can provide that new medical evidence?

**Mr. Solomon:** — It may not be new. It just may be an additional report that was not on the file when the appeals committee looked at it. So for example they got a doctor's report from the general practitioner, the health care provider, at the appeals committee level, and of course the policy says it's, you know, even the GP's [general practitioner] report says it's not work related. By the time it gets to the board and for them to review it, there may be a specialist report or an MRI [magnetic resonance imaging] done that shows that there was some work-related injury or some other kind of medical information. Sometimes there's an assessment done by our assessment teams, the physio rehab centres. And that information is then provided after the appeals committee decision.

Normally what happens once a decision is taken by the appeals committee, there is between four months and six months, depending on the season, before the board actually gets to review it. For example if they fail on the committee level, they'll file an appeal. So from the time we receive a letter asking for the board to consider the appeal till we actually have the hearing, it sometimes takes between, well three to six months, again depending on the schedule. So in that interim period there can be additional information provided to the board which would allow the appeal.

Also the board members are not handcuffed totally by policy of the board. There's a section of the Act which says if there's weight for and against the worker, the benefit of doubt shall fall to the worker. So we can exercise that component even though it may not be compliant with policy.

**Mr. D'Autremont:** — Now when there's access to either new or additional medical evidence, are there doctors? Do the doctor is present to present that or how is that presented to the board?

**Mr. Solomon:** — Just with written reports. We have the authority to collect their notes as well as their formal reports. We have an inquiry model, I mentioned earlier, as an administrative tribunal.

Our inquiry model is different from the courts in the following way. When you go to a court, you have an advocate, usually a lawyer, who presents evidence. And the court can decide what evidence they'll hear. But that's what they make their decision on, is just the evidence that's allowed at the hearing.

At our inquiry model it's more informal. You can come as an injured worker. You can come with a worker's advocate from the Department of Labour. You can come with a lawyer or a business agent or whomever. But the inquiry model is more informal in the sense that we can ask questions. We look at the information on file. We look at the testimony that they've provided, both them and their advocates, at the hearing. And if we require additional information, like another medical opinion on something, we can collect that additional information after the hearing in order for the board members to make the most fair and comprehensive decision that we can.

So that informality gives us a lot of leeway. Whereas in court, you know, it's the evidence there. And if evidence comes out later, it's too late or they can even disallow evidence. We look at everything that's pertinent to the claim.

**Mr. D'Autremont:** — So is there any additional weight given if there is a medical practitioner present to present the information, or is all of the evidence presented weighted equally?

**Mr. Solomon:** — We base our decision on the merits and justice of the appeal. So it depends again . . . Sometimes we can look at one report, and the board members would adjudicate on that basis. But it has to be very clear. There has to be . . . We write our decisions up. So the decisions have to be written, and they have to explain why we've taken that decision. And the decision has to be logical, it has to be fair and reasonable, it has to be compliant with the legislation.



Our total responsibility as a board — a three-member board — is to administer The Workers' Compensation Act and in that Act it outlines parameters and opportunities for employers or workers who come to appeal to allow them the fairest possible opportunity to present information. I can't really say what we weigh more but obviously a medical opinion that says it's work related has a lot of weight, very much weight, significant weight.

**Mr. D'Autremont:** — But let's say you have medical evidence that says it's work related. That evidence is presented to you by a medical practitioner or it's presented to you in a written letter, let's say.

**Mr. Solomon:** — It's in writing.

**Mr. D'Autremont:** — It's in writing signed by a medical practitioner.

**Mr. Solomon:** — Correct.

**Mr. D'Autremont:** — If you had competing interests, a medical practitioner sitting before you in evidence says it's not work related and a letter by another medical practitioner that says it's work related, the fact that one is simply in written form and the other is there in person, does that contribute to a weighting in favour of one over the other.

**Mr. Solomon:** — If the information is equal — one in support, one in opposition — the legislation says the benefit of doubt shall always fall to the appellant, whether it's the employer or the worker.

Just as an example, we adjudicated an appeal yesterday. There were two medical opinions in favour and one opposed so, you know, we're looking. We haven't decided yet but we'd be looking at the two versus the one. That's not even equal; that's obviously in favour of the decision.

**Mr. D'Autremont:** — Okay, thank you. Does WCB's rehab program, its medical work with the clients that have been injured, does that all take place in Saskatchewan?

**Mr. Federko:** — Not necessarily. We have for several years had arrangements with some health care facilities primarily in Alberta to get expedited diagnoses, particularly on the MRI front. So there are still a smaller proportion since we've been able to make arrangements with the Saskatchewan regions, but there are still a small proportion of workers requiring MRIs primarily who may go out of province to receive those more quickly.

**Mr. D'Autremont:** — How many clients would you send out of province then?

**Mr. Federko:** — I don't have the numbers in front of me but it would be in the neighbourhood of 200 or so.

**Mr. D'Autremont:** — So this is the clients that would go out of province are going out strictly for diagnostic services or would they also go out for other services as well?

**Mr. Federko:** — There would be less than a dozen who may go

for actual treatment, but primarily they would be going for diagnostics.

**Mr. D'Autremont:** — How does WCB determine which client would go out of province and which would be dealt with internally in the province?

**Mr. Federko:** — It's based on the direction of the primary caregiver. So if the treating physician says this MRI or this procedure is required immediately and we can't make the arrangements with the health regions in the province, then we will ask the physician if they choose for an out-of-province referral and if they say yes, then we will make those arrangements.

**Mr. D'Autremont:** — Does the medical practitioner reviewing the case, dealing with the case have to make a determination . . . You say immediately. Do they have to declare that an emergency or they just believe that it needs to be done as quickly as possible? Are there any qualifying criteria here?

**Mr. Federko:** — We don't set their parameters for determining priority of their cases. If they believe that further damage might be done without immediate treatment or if there is strong desire on the worker's part, for example, which is . . . more times than not it's at the worker's request to the physician to have expedited diagnostic or treatment that the treating physician actually makes the referral. But honestly we don't know what parameters they use to establish the priority of their patients.

**Mr. D'Autremont:** — So a client could request of his GP or specialist that he be sent out of province for diagnostic services and that would be acceptable and WCB would pay the costs associated with that.

**Mr. Federko:** — Procedurally first the physician would say, this individual needs an MRI immediately and we would seek to accommodate that need provincially. If that's not possible we will find out what the waiting period might be in Saskatchewan. We'll advise the treating physician and if the physician says that's too long, this individual ought to have that diagnostic sooner, please make the arrangements out of province, we then would make those arrangements and pay the costs accordingly.

**Mr. D'Autremont:** — What if the medical practitioner says this client needs an MRI? You keep including the word immediately and that is raising a red flag for me that somehow that's a criteria. What's the definition of immediately? Is it today? Is it this week? Is it this month? This year?

**Mr. Federko:** — We seek to deal with all of our diagnostic and treatment needs on a priority basis, but as everyone knows, health care around the world is facing challenges in terms of meeting the demands of the general population.

What we first seek to do is to find out what the required procedure, what the waiting time for the required procedure is within our jurisdiction, within Saskatchewan, and communicate that back to the physician. I guess what I mean by immediately, if the physician believes or if the employer and worker are more anxious to expedite a treatment or return to work than what that waiting time would allow, we would make the referral to out of province. So it's only if the time within which we can get that

treatment provincially is unacceptable to the worker, the employer, or the caregiver that we would actually make the referral. I guess that's what I mean by immediately. More immediate than what the current time frames would allow.

**Mr. D'Autremont:** — Okay. So it's really up to then the client, the client's employer, and the client's medical practitioner to make the determination as to the time frame that they feel is required for proper treatment.

**Mr. Federko:** — Yes.

**Mr. D'Autremont:** — Does WCB reject any of those requests that might come forward from a medical practitioner to have their client . . . diagnostic services or medical services in the case of the dozen or so that are requesting out-of-province service?

**Mr. Federko:** — I wouldn't know for certain, but conceivably there would be cases where, you know, if we had competing medical information, for example, if it's a serious . . . And generally that when we're talking about treatment, it's where the treatments may be available more abundantly in certain jurisdictions than we have here. But we may question on the basis of competing medical, whether there is as much urgency as the physician may suggest that there is with respect to the treatments. But I'd suggest that that's very seldom the case. We seek to accommodate the needs of the worker at the physician's request whenever we can.

**Mr. D'Autremont:** — Could you give me some examples of areas where you say there may be competing interests or you would question the medical urgency of that medical necessity?

**Mr. Federko:** — If, for example, we might have two specialists' reports — let's deal with a back injury — where one specialist is suggesting that immediate fusion of the back is required in order to immobilize the spine to prevent further nerve damage and we have another one who says, no, simply putting them in a back brace will cause the same degree of immobility, for the difference in the period of time between incurring costs to send them out of province as opposed to having the procedure done locally, we would then check back with the referring physician to ensure that there is in fact that degree of urgency required before we would go ahead and make the referral. If however it's insisted upon, according to our legislation we must provide the medical that is required and would do so accordingly.

**Mr. D'Autremont:** — Okay thank you. Would there be additional costs to WCB for providing out-of-province services, or is there actually a cost savings benefit to WCB?

**Mr. Federko:** — The costs associated with out-of-province versus in-province are approximately the same to the extent that we can receive X. So that's worth procedurally. With respect to being able to get the procedure quicker, there is a potential savings from a cost perspective, not to mention the well-being of the individual. By having that procedure done more quickly, they can return to work more quickly. There's less primary care that's required or acute care that's required to treat the symptoms of the injury as opposed to the injury itself. So certainly, whether it's expedited provincially or expedited

out-of-province, there is a potential cost saving by simply getting quicker return to work.

**Mr. D'Autremont:** — You mentioned expediting it provincially. How would WCB go about expediting an injury diagnosis and/or recovery internally, provincially?

**Mr. Federko:** — We have agreements with the Regina Qu'Appelle and Saskatoon Health Regions to buy their MRI services on an after-hours basis. So to the extent that they have technicians available and the MRI is not being used for the general waiting list, we have access to that MRI again after regular office hours.

**Mr. D'Autremont:** — Would these be the same technicians who would be operating it, let's say, during the normal part of the day where it would be working for them for health services? These would be the same technicians?

**Mr. Federko:** — Yes possibly.

**Mr. D'Autremont:** — So you would pay the Regina Health District. As an example, you would pay the Regina Health District to access the Regina Health District MRIs after they would normally have ceased to operate for the day. Do you directly pay for . . . I guess you'd contract with them, and they would pay whomever they would hire, which would normally be their employees. Is that the case?

**Mr. Federko:** — We contract directly with the district itself. So built into the agreement is a premium that we pay for the MRI procedure that would take into account the additional overheads, including overtime, that might be incurred by running that machine beyond the regular working hours.

**Mr. D'Autremont:** — Do you have any information on how that would impact on the work hours of those employees? Would it diminish their availability to the health services perhaps the next day? Or you know, I don't know just how their shift system works in the sense that, are they limited to a certain number of hours per week of work, or would it have an impact down the road for the health services itself?

**Mr. Federko:** — We couldn't say. We leave those decisions to the districts to manage. Their employee issues are issues that they ought to manage. What the agreements do provide for though again is a . . . refusal's probably too strong a word, but the request by the district to not provide the expedited access because of resourcing issues or other issues that they might have, including emergencies that might come in from the general public.

**Mr. D'Autremont:** — So basically WCB can buy expedited access for their clients through this manner.

**Mr. Federko:** — Yes.

**Mr. D'Autremont:** — Which is unusual in equal access for all in Saskatchewan for health care.

**A Member:** — Just an editorial comment.

**Mr. D'Autremont:** — Editorial comment there. I have another

issue as well which relates to an old WCB file with what was known as the disenfranchised widows, widows whose spouses had been killed on the job and had since remarried and had lost their WCB compensations. Are there any further actions taken on this, or is this file closed?

**Mr. Federko:** — The legislation which provided the lump sum payment to the disenfranchised widows had a sunset clause on it, which I believe was 2004. So there is no legislative vehicle to provide any additional payments to any disenfranchised widows beyond the sunset clause of the legislation.

There is one matter I believe that was in the courts that has been resolved. Now whether . . . And it had to do with the surviving dependent of a disenfranchised widow who was seeking additional benefits under the legislation. They have lost their court challenges. If that individual decides to try and ramp it up to a higher level of appeal, there may be that one case that is still lingering from the disenfranchised widow issue. But beyond that, all matters have been resolved.

**Mr. D'Autremont:** — Okay. Thank you. What was the total amount of funds disbursed by WCB; do you recollect?

**Mr. Federko:** — We had created a reserve amount. I'm going from memory here, and I can get you specific information of around \$21 million to deal with the disenfranchised widow issue. And I believe we actually incurred around 19 million of that 21.

**Mr. D'Autremont:** — How many, and if you don't have this information you can provide it later, but I'm just wondering how many individuals actually qualified under this criteria.

**Mr. Federko:** — I would have to get you that information. I don't know it offhand.

**Mr. D'Autremont:** — Okay. I think that's all the questions I have.

**The Chair:** — Thank you, Mr. D'Autremont. And before we get to the recommendations, I do have a couple of questions. One arises out of a question from Mr. D'Autremont.

In the case where a claimant's application is rejected and it goes through the appeal process and is subsequently accepted, would the compensation then include an interest component because of the delay in the benefits and the cost to the individual? Or is it just the, just a delay in the same amount they would have received had the claim been accepted in the first place?

**Mr. Solomon:** — We would cover all costs that would have been incurred on the claim. In some instances if we've taken longer than — I forget the exact date, Peter — we do provide some interest component.

**Mr. Federko:** — At the appeal department levels. At the internal level if our decisions exceed 90 days, then we will pay interest on any benefits that result from a positive appeal decision.

**The Chair:** — Okay. And a second question on claims. I recently had two constituents approach me. They were on stress

leave from their place of employment and apparently did not qualify for workers' compensation. And they were trying to impress upon me the fact that if you have, you know, a physical . . . you know, sort of a . . . as opposed to mental disability or psychological problem opposed to, you know, a wrenched back, that Workers' Compensation had a different approach. And they said it was very difficult in a stress-related illness to receive compensation. And even though they were on stress leave and weren't working, Workers' Compensation would not hear their case.

Is this a common problem? And is there something here that needs to be addressed? Or do you worry about fraudulence in these types of cases? Is there a problem here?

**Mr. Solomon:** — From a policy perspective which the board is responsible for, we do have a stress-related or psychological injury policy. The stress policy I believe is under review by the administration to come to the board for approval.

In essence we do provide compensation currently for stress that's related directly to the job. We do not include stress as a result of industrial relations however. The stress or the psychological claim has to show that the majority of the injury is work related. For example you may have a worker who's got some personal problems and you can from your own experiences . . . everybody has a host of personal challenges and how much stress that was contributing to the injury.

So it's a very complex thing, and we do use psychologists and other professional medical individuals to give us overviews as to, you know, what portion of that stress is actually work related as opposed to industrial relations work related and personal stress.

**The Chair:** — In this case, you know, my opinion was that there is no fraud involved. I think that, you know, this is a legitimate case of stress. And whether they qualify, I'm not sure, but seemed to be a concern.

But I was wondering, do you have a category of fraudulent requests? Is that a problem for Workers' Compensation? Given the fact we only have two minutes left before we're supposed to be completed, I don't expect a long answer, but just can you tell me just in brief terms how you deal with fraudulent applications.

**Mr. Solomon:** — We have an audit committee which I Chair. The audit committee has the internal manager, internal audit manager, report to us, who's responsible for investigating fraudulent claims. We have a toll-free number for reporting potential fraud. We check into these things. We get about 300 inquiries a year, and out of the 300 we may get, you know, three or four that would proceed to some legal level. And out of that we may get one a year that's actually convicted.

Fraud is very difficult to prove, and as a result, you know, we don't get a lot of them in Saskatchewan. We have three investigators full-time that investigate these particular inquiries.

**The Chair:** — Okay. The recommendations are on page 85. But just above that, there's an interesting observation by the auditor. In the middle paragraph, it says:

The Board requires management to explain in writing differences between the actual and planned results. Although the reported investment income was nearly \$13 million higher than planned, management did not provide a written explanation for this difference.

I'm concerned by that phrase, "... management did not provide a written explanation for this difference." Apparently a written explanation is required. How would you describe the reason for this? Would it be because you simply weren't aware that a written explanation was required, or would a better answer be that the practice hadn't been one that had been followed in the past, and you just assumed that it didn't have to be done. Or would you suggest that it was a deliberate act not to provide the written explanation for the difference?

**Mr. Solomon:** — I'll ask Peter to respond in detail, but in general when we get our monthly reports, we would have the budget and the actuals. And up until the changes that were recommended by the auditor, you know, if there were variances, the board members at every monthly meeting would question the variances orally, and they would provide answers orally. So we always had that component in place but not in writing.

And I think the recommendation has been excellent because now we get it in writing, and it saves a lot of time so our meetings become very short. But Peter can maybe ... I'd ask him to respond as to how that 13 or \$10 million investment variance occurred. I think it's very important for the committee to know that.

**Mr. Federko:** — The \$13 million variance that the Provincial Auditor is referring to is simply the difference between what we had projected the investment income to be as opposed to what it actually settled out at. And I have no concerns about there being a deliberate attempt on anyone's part not to provide in writing. I think, as the Chair has suggested, it's more a case of having accepted what was past practice in providing verbal explanations and investment income being calculated under a previous format under the accounting rules as opposed to current, which made it more difficult in the past to reconcile unrealized gains and investment income than is currently possible under the current situation.

So I think it's more a matter of just not adapting to a new environment as opposed to anything deliberate on anyone's part.

**The Chair:** — But that practice has now changed ...

**Mr. Federko:** — Absolutely.

**The Chair:** — Okay. Are we ready for the recommendations, colleagues? All right. On page 85 the first recommendation of the Provincial Auditor reads:

We recommend the Workers' Compensation Board establish processes to accurately determine and record its investment income.

Is there a motion? Mr. Borgerson.

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

compliance.

**The Chair:** — The motion is to concur and note compliance. Is there any discussion on the motion? Seeing none, we call for the question. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — It's carried unanimously. Second recommendation:

We recommend the Workers' Compensation Board include written explanations of all significant differences between planned and actual results in its monthly financial reports.

Is there a motion? Mr. Borgerson.

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

**The Chair:** — Again the motion to concur and note compliance. Any discussion on the motion? Seeing no hands rise, all in favour of the motion?

**Some Hon. Members:** — Agreed.

**The Chair:** — Again that's carried unanimously. That brings us the conclusion of chapter 6, Workers' Compensation. I want to thank you, Mr. Solomon, Mr. Federko, for appearing before our committee and trust that you will have just an excellent weekend. I hope the weather doesn't mess things up for you too much. Thank you for appearing before us.

We will just take — oh, I would say even less than five — let's say a four-minute break, and then we will resume with item 2 on our agenda. Thank you.

[The committee recessed for a period of time.]

**The Chair:** — We will reconvene the Public Accounts Committee. Just before we get into item 2 on the agenda, I just wanted to remind all of my colleagues that we intend to have regularly scheduled Public Accounts meetings when the House is in session. That means our next Public Accounts Committee meeting will occur on March 13 and every subsequent Tuesday, I believe, that is.

The Clerk — our Clerk, Ms. Woods — and the auditor's office and the various departments have made a considerable amount of progress in putting together a agenda. There are still a few departments to hear from, but it looks like it's coming along well. My understanding is that we will continue to meet at 10:30 — which is partway through the Saskatchewan Party caucus — and try to be done by 11:45, which gives us a little over an hour, which is usually enough to take a bite or two out of the auditor's reports that we have before us.

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

**The Chair:** — We will now move to item 2 on the agenda, which is us. We are reviewing the Standing Committee on Public Accounts. So I'm sure this will be the most objective

part of the morning.

I want to introduce Kim Lowe and also thank Kim Lowe because Kim is the person from the Provincial Auditor's office who facilitates this committee and helps make the arrangements for the right people from the Provincial Auditor's office to be here. And we thank you for doing a great job in that regard.

And with that, we will ask you to provide a summary of chapter 24 of the 2006 report volume 3, Standing Committee on Public Accounts. Ms. Lowe.

**Ms. Lowe:** — All right. Thank you, Mr. Chair, and members. Chapter 24 of our 2006 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 fall of 2005 when we last reported the status of PAC recommendations.

Since the fall of 2005, the committee met 11 times to discuss our reports. At the time this report was released, the committee's most recent report to the Assembly setting out its recommendations was its first report of the twenty-fifth legislature. It was presented to the Legislative Assembly on December 1, 2005. That report included over 180 recommendations, including those where PAC concurred with our recommendations.

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, usually March 31, 2006.

We note that the committee's reports — including the first report of the twenty-fifth legislature — during the previous five years contains 299 recommendations. Some of these recommendations may take a number of years to implement. However as of March 2006, the government has fully implemented 66 per cent of the committee's recommendations. Also, the government has partially implemented 79 per cent of the remaining recommendations.

Nearly a year has gone by since we last audited the organization or areas included in the exhibit. As a result, the exhibit may not reflect the current status of the 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 questions that you have.

**The Chair:** — All right. Thank you very much, Ms. Lowe. One thing that wasn't in your report is you didn't say whether we were on budget, under budget, or over budget. I guess we don't have much of a budget and that's probably the reason why. But thank you for that report.

As you will notice, there are a number of ... there's an appendix at the back that shows the recommendations and the status of them; which ones are implemented, partially implemented. Going back, the oldest one is 1996. That's on

page 438 if some of you are looking. The oldest partially implemented recommendation goes back as far as 1996, but most of the recommendations are within the last couple of years.

Committee members, do you have any questions of the Provincial Auditor and this report? Mr. Chisholm.

**Mr. Chisholm:** — Yes. We seen the section at the back of the report seems to be getting a little longer as we go along. You know, there's not double but certainly 50 or 60 per cent more recommendations that have either been not implemented or only partially implemented in a one-year period. I guess my question is, could I get your comments on why these partially and non-implemented recommendations are increasing in numbers; and if you see it as a problem or how do we compare with other jurisdictions that you're familiar with within the country; and just get your comments on that, what seems to me to be a bit of a concern.

**Mr. Wendel:** — As we said in the opening remarks, there was about 299 recommendations from this committee over the last five years. I think what the exhibit shows there's about 110 recommendations here that still haven't been fully acted on. Of that 110 I think about 25 are old and they need a little more attention. The rest are pretty well dated in 2005 from this committee when your committee reported to the House. Saying 2005 and this report is as at March 31, 2006 so that's only about four or five months after the year-end that we're reporting on. And as Kim was saying I think some of these may be implemented now. Because it's been a whole year has gone by so there's been some time delay.

There are a few departments that need to work harder. Like I think of Environment that need to work a little harder to get their recommendations implemented. Community Resources has some older ones but they do have a good plan and they're working towards compliance but they have a ways to go.

So I don't get a sense that it's worse than it has been in the past when I review the recommendations. So I think it's just been some ... the time period. Like recommendations came out December 2005 from this committee. We're reporting at March 31, 2006. There hasn't been enough time really for some of these recommendations to be fully implemented.

And I think there's about 25 recommendations that the last time we looked was in 2005. Like we haven't even looked since March 2005. We sometimes only go back every second year for some of the things because they take a long time to fix. So there'll be some of those too.

**Mr. Chisholm:** — Thank you. I guess part of my question too was if this is like a report card of sorts, how are we comparing with other jurisdictions within our country?

**Mr. Wendel:** — In fixing up recommendations or complying with recommendations. Is that your question?

**Mr. Chisholm:** — Right.

**Mr. Wendel:** — I would say in the past the government has acted on over 80 per cent of our recommendations and that's

been pretty consistent. And I think the statistics being down to 66 per cent this year, it's probably part of the delay in getting the report from PAC out and not having the time then to fix it. And I think you'll find a difference by the end of next year.

**Mr. Chisholm:** — Okay, thank you. If it's fair there's just a couple specific recommendations and where we're at on those that I'd like to ask a couple of questions about, if that's okay.

On page 59 of this document it refers to, we're also . . . On Métis Addictions Council of Sask follow-up is one of the recommendations that is part of the recommendations, but also refers back to page 57, to 59. On page 59 it says, "Health has determined the amount of money that was misappropriated or not spent for the purposes intended." And "Health told us it is considering recovering the money in two ways . . ."

I just wondered what . . . I don't know that I've ever been informed of how much money was involved and where the status on that is.

**Mr. Wendel:** — Now we did have in our report, when we made this report on the Métis Addictions Council, how much money was involved.

**Mr. Chisholm:** — Oh, okay.

**Mr. Wendel:** — What we had determined, we had asked them to go back and go even in more detail and come up with their own number, because ours is, it's based on an audit and if you get . . . and there was a forensic auditor involved that actually goes through every bill and checks it out in detail and they came up with a number. And I don't have that document with me, that particular report because it's a couple of years ago.

**Mr. Chisholm:** — Okay.

**Mr. Wendel:** — Now as to whether the department's done anything in trying to get restitution, I can't recall. I don't believe there's ever been any charges laid at this time. I don't know where that stands. You'd have to ask the Department of Justice that question.

**The Chair:** — Mr. Chisholm, this chapter on Health will come up, I think, even during the spring session and so we will have a chance to review this again. And hopefully now the auditor has seen this issue flagged and will have those numbers available for us when we deal with that chapter. Mr. Borgerson. Are you finished, Mr. Chisholm, or did you have another question?

**Mr. Chisholm:** — I may have a question later.

**The Chair:** — Okay. Mr. Borgerson.

**Mr. Borgerson:** — Just a couple of questions. One, again my appreciation and I think our appreciation for this particular chapter. In past reports as well it's been very helpful as a report card in terms of the work that we've been doing. How many other jurisdictions in Canada compile the work of their public accounts committees in this fashion?

**Mr. Wendel:** — Mr. Chair, I don't think I can answer that. I think many of them are beginning to move towards tracking

recommendations. I think the legislative auditors are beginning to move towards tracking recommendations. Not all do yet and so I really couldn't say how many have actually got a chapter like this.

**Mr. Borgerson:** — Are any other jurisdictions doing it?

**Mr. Wendel:** — Whether they have a specific chapter or whether they may have a special report, they are tracking them and they are making sure they're advising their public accounts committee where things are, but I'd have to look and see if they've actually got a public report.

**Mr. Borgerson:** — This has already been discussed, but 66 per cent fully implemented, 79 per cent partially. So with the year that's gone by then we're probably, you know, full implementation might be somewhere up in the 75 to 80 per cent range. I mean it's not fair maybe to ask you to project it but . . .

**Mr. Wendel:** — I'm expecting that we'll get back to the 80 per cent that we've had over the last number of years. This is just the one year it seems to have fallen low.

**Mr. Borgerson:** — Yes.

**Mr. Wendel:** — The only explanation I can think of is because the recommendations hadn't been out long enough to act.

**Mr. Borgerson:** — Anyway, thank you. This is very good.

**The Chair:** — Colleagues, if I could bring to your attention on page 435 of chapter 24, the bottom of the page it says our ". . . Committee has not yet completed its review of the following reports of the work of . . . [the Provincial Auditor's] Office." There is some change. I can tell you what the current standing is as I understand it. The first line, 2005 report volume 3, there's three chapters outstanding — that is now two chapters outstanding.

One of those chapters is actually the Board of Internal Economy, and it does trouble me that Executive Council asked that our committee not review that chapter. And as I understand it — you can correct me, Mr. Auditor — but my understanding is that the Board of Internal Economy does not have your office in to review this chapter either, so in fact other than what the Board of Internal Economy may do without the auditor is the extent to which that chapter is reviewed. That's the way I understand that.

The second line, 2006 report volume 1, one chapter outstanding, we've actually completed that chapter. We still have 2006 report volume 2 to deal with. And we still have not completed the special investigation report on Oyate. And then of course now we have a whole new volume of chapters to deal with. Just so that members of the committee know where we stand.

Are there any other questions or comments? Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you, Mr. Chairman. Well it's my understanding that there are new generally accepted accounting practices being recommended and put forward. If that is the case, what impact will that have on the Provincial Auditor's

reporting and on the scrutiny committees of both Public Accounts and Crown and Central Agencies?

**Mr. Wendel:** — One of our jobs is to make sure that the reports you get do comply with the generally accepted accounting principles. If they don't, I'll bring that to your attention through these reports. If that particular organization also has to appear before Crown and Central Agencies Committee, we appear at that venue, and we bring our concerns forward at that time too if we have concerns for their accounting principles.

But there are a lot of changing accounting principles. It's going to be a great deal of work for a number of government agencies. And they're moving to something called fair value which is a whole different valuation system than you're used to with financial statements which are cost-based. So there will be a lot more disclosure, a lot more work to be done. And so you'll probably have some questions when you have those financial statements before you.

**Mr. D'Autremont:** — So there are significant changes coming . . .

**Mr. Wendel:** — Yes.

**Mr. D'Autremont:** — Down in relationship to reporting and accountability.

**Mr. Wendel:** — Yes. Beginning January 1, 2006 there's a big change. So even the quarterly reports you're going to be getting from the Crown corporations will have to have dealt with some of those things for the financial instruments part.

**Mr. D'Autremont:** — Okay.

**The Chair:** — All right. Are there any other questions or comments in chapter 24? There are no recommendations in chapter 24. Mr. Harper.

**Mr. Harper:** — Just a follow-up question to Mr. D'Autremont's question. Would the new accounting practices have a tendency to display value-for-dollar-spent perspective rather than just a cash-for-goods-received?

**Mr. Wendel:** — No, I don't think the generally accepted accounting principles will go that way. But one of the things the government's done for the last few years — we've been asking them to do this — is to put out what results they're planning to achieve and then what they actually achieved, what it costs to achieve that, and what they plan to spend. And from that you're going to get to make that judgment of whether something's worthwhile. You'll be able to have that debate and say, well . . . Because everybody's going to have a different view as to whether something's worthwhile or not. But that's the information that you have to have, though.

**The Chair:** — Are there any other questions on this chapter? As you will notice, the strategy here is we had the auditor report on the Standing Committee on Public Accounts prior to moving to the final item on the agenda where we get to review his business and financial plan. So perhaps that's why he's fairly generous and not too critical of what we've done over the past little while. A strategic move on our part here.

### Public Hearing: Business and Financial Plan of the Provincial Auditor

**The Chair:** — If there are no further questions, then we will move to item 3 on the agenda which in fact is the business and financial plan of the Provincial Auditor. We will ask the auditor and whichever officials he designates to move down to the hallowed ground of the witnesses.

And, colleagues, we'll be dealing with this report. I don't know if you have it. I think we have extra copies here if you need them. It's called the *Business and Financial Plan for the Year Ended March 31, 2008* as presented to our committee by the Office of the Provincial Auditor. This is a rather important and I wouldn't say unique function of our committee, but we are one of a few public accounts committees that actually does review the business plan and the budget of the auditor.

At the conclusion of this exercise we will deal with three motions, the final one of which, if we approve the business plan and budget, will be a recommendation to the Speaker that he proceed with the approval of that budget and business plan.

So we welcome you, Mr. Wendel, to our committee in your role as witnesses, and if you would like to introduce your smiling colleagues we would appreciate that, and then we will ask you to report on your business and financial plan to us. Mr. Wendel.

**Mr. Wendel:** — Thank you, Mr. Chair. On my right is Brian Atkinson, the assistant provincial auditor; Angèle Borys, principal, support services; and behind me Sandy Walker who looks after administration; and Heather Tomlin also looks after administration. They're the people that really know what's in here so . . .

I have a brief formal presentation that I'll just present and then I'll open it up to your questions. We gave this plan to the Legislative Assembly in November and we prepare and table a comprehensive plan to build support for our work and it allows — by making it available early before we appear before this committee — it allows other members to talk to you about any concerns they may have with our office, and then you can certainly bring those forward to us.

I want to review the contents of the business and financial plan just in general terms and then I'll provide details of our resource request. In summary our business and financial plan sets out what we plan to do and what it will cost to carry out that plan. We discuss the forces and trends that affect a work plan and where we plan to focus our efforts. We explain our key risks and our risk management processes. We set out the indicators that we use to measure our success. For comparison, we also set out our financial proposal for this year, next year, and the previous three years.

We also talk about our employees. The knowledge, skills, and abilities of our employees affect what we can do for this committee. At any time we have about 57 employees organized into five groups. About 30 of our employees are professional accountants, and about 15 to 20 at any time are training to become professional accountants. As a point of interest, the results of the national exam to qualify as a chartered accountant were published on November 24. We had four employees to

challenge the national exam. All of them were successful, and we're certainly very proud of them. And for the first time they're all women this time.

One of the things that we do is train professionals for public service. Many of the employees who leave our office work for other agencies of the public sector. For the 12 months ended October 31, 2006, seven employees left our office. We will replace these employees by hiring from the two Saskatchewan universities. Our employees are on average about 38 years old, and nearly 60 per cent of our employees are female.

In the supporting schedules and reports part of our plan, beginning on page 27, we provide detailed financial information and work plans for several years. This section also contains our strategic plan for 2005 to 2009.

In the other information part of our plan, beginning on page 67, we provide answers to questions asked by other legislative committees.

In appendix 1, beginning on page 75, we provide the recommended estimates for our office. Under The Provincial Auditor Act we are to present the estimates in the format that this committee recommends. This provision is intended to ensure that the estimates format for the entire legislative branch of government is consistent. This year we used the same format as 2006-2007.

Before I discuss our actual request for resources, I want to make the following remarks. Legislators need relevant and reliable information to assist our request for resources. We have prepared our business and financial plan using the public reporting principles developed by the CCAF [Canadian Comprehensive Auditing Foundation]. These principles are current best practice in Canada. The government also uses these principles for government departments.

Legislators need to know if we are delivering the products and services they need. Our operating plan sets out what we are trying to achieve in the way of products and services, and our targets to monitor and report on what we actually achieve. We encourage legislators to review the operating plan and provide us advice on how we might improve on what we are doing. This committee's mandate states that it works closely with the Provincial Auditor to achieve the maximum accountability of the government to the Assembly.

Legislators also need to know whether a request for resources is reasonable to carry out our operating plan. On page 29 of our business and financial plan is a report from the auditor the committee appointed to audit our office. The auditor gives you assurance that our request for resources is reasonable to carry out our operating plan.

Now I'll talk about our request for resources. Pages 5, 6, and 7 are a summary of that request. As in previous years we are requesting two appropriations. The first appropriation is for auditing government agencies during the 2008 fiscal year. It is based on what we know about the number of government agencies, state of their records, and existing professional standards at October 31, 2006.

For our first appropriation we are requesting \$6.124 million for the year ended March 31, 2008. This request is \$429,000 more than last year's request or about a 7.5 per cent increase. We explain on pages 5 and 6 the factors that increase our costs for 2008.

Three factors caused the 7.5 per cent increase from last year. First, salary increases that the government gave to all public servants make up 3.5 per cent of that increase. Second, the government decision to have us audit SAHO [Saskatchewan Association of Health Organizations] directly makes up 2 per cent of the increase. Yes?

**The Chair:** — Just for clarification, Mr. Wendel. When you say that increase in salaries account for 3.5 per cent of the increase or of the . . . you're talking about half of the increase, right?

**Mr. Wendel:** — Out of the seven and a half per cent.

**The Chair:** — Yes. It's 50 per cent of that seven and a half per cent.

**Mr. Wendel:** — Almost 50 per cent, yes.

**The Chair:** — It's not 3.5 per cent of that increase, it's about 50 per cent of that increase.

**Mr. Wendel:** — No, 3.5 per cent. Yes. I'm sorry. I guess I wasn't clear. It's 3.5 per cent.

**The Chair:** — Of the total, of the total budget.

**Mr. Wendel:** — Of the total 7.5.

**The Chair:** — Right.

**Mr. Wendel:** — Yes.

**The Chair:** — No.

**Mr. Wendel:** — No.

**The Chair:** — No, I don't . . .

**Mr. Wendel:** — It's a seven and a half per cent increase . . .

**The Chair:** — If there's a seven and a half per cent increase, half of that would be for salaries. Is that correct? Fifty per cent.

**Mr. Wendel:** — Yes.

**The Chair:** — Which is about 3.5 per cent of your entire budget. Is that correct? I just want to make sure I have that right.

**Mr. Wendel:** — That's correct.

**The Chair:** — Okay. Because there's quite a difference.

**Mr. Wendel:** — My mind wasn't going there. I'm sorry. And the third standard, the third reason for the increase is the new audit standards. The law requires us to follow those standards.



The new standards and the new SAHO work result in a need to increase our full-time positions from 59 positions from 57. For 2008 we plan to continue to still have 57 employees but to hire contractors to provide the human resources needed for the other two positions, and that allows us to respond to peaks and valleys in our work.

For the last 11 years we had gradually reduced our planned workforce from 63 to 57 positions. This trend is no longer sustainable because of the new auditing standards. I expect the trend to more rigorous audit standards requiring more work to continue. These new standards are caused by the collapse of major companies such as Enron and WorldCom.

The new standards have also caused a shortage of professional accountants and people training to become professional accountants, market forces and increasing salaries for these people. I want to point out that we are experiencing the same problems as private sector auditors that audit government agencies. These problems have caused private sector auditors to increase the fees they charge government agencies. We note in our business and financial plan that the audit fees paid by six of the largest Crown corporations increased by 14 per cent from 2005 to 2006.

However we cannot reliably estimate the impact on 2008 salaries, benefits, and the scope of our work. Consequently we have not asked for additional resources for audit standards that are not yet in force. We also have not asked for future increased salary costs except for the government-announced general salary increase of 2.6 per cent on July 1, 2007.

We will use our contingency appropriation if any new audit standards cause us a shortfall in 2008. We will also use our contingency appropriation if the government gives a general salary increase to public servants beyond 2.6 per cent in July 1, 2007.

Our second appropriation is the contingency appropriation. The purpose of this appropriation is to provide our office with resources to respond to unplanned work, pressure to improve the timeliness of our work, and unplanned salary and benefit increases. In the past we have kept net financial assets and received a contingency appropriation equal to about one month's salary and benefit expenses to respond to these matters.

We are requesting a contingency appropriation of \$392,000 for 2008. For 2007 our contingency appropriation request was \$359,000. These amounts are about one month's salary and benefit expenses. If we use the contingency appropriation during 2008, we will make a full report as to why we used the appropriation and the amount that we used, in our 2008 annual report.

We expect that we will use our entire 2007 regular appropriation and \$275,000 of our 2007 contingency appropriation. As I explained to this committee last year, we planned to use our contingency appropriation if we incurred a shortfall. We needed to use the contingency appropriation for unforeseen expenses such as the special investigations that we did at Oyate, SaskPower, and the audit of SAHO. This work was not included in our regular appropriation request.

We also had to respond to salary increases that the government gave to public servants that we did not include in our 2007 budget. We will make a full explanation for the use of the 2007 contingency appropriation in our 2007 annual report on operations. That report should be available to you in June 2007.

In closing, for the last 11 years legislative committees have supported our office's request for resources and recommended the amounts that we requested to carry out our work plan. The committees' support has allowed us to discharge our duties to the Assembly.

And that ends my presentation, and I'd be pleased to try and answer any questions that you have.

**The Chair:** — Thank you, Mr. Wendel. And again just for the committee's clarification, do I understand correctly that on this contingency fund, any unused amounts go back to the General Revenue Fund at the end of the fiscal year, there's no carry-over, you make a new request at the beginning of the new fiscal year? So what that would mean is that about \$70,000 — I'm just rounding off — of the contingency fund that you were allocated in the budget last year will be returned to the GRF [General Revenue Fund]. Is that correct?

**Mr. Wendel:** — That's correct.

**The Chair:** — All right.

**Mr. Wendel:** — It'll be probably returned about May or June.

**The Chair:** — Okay. Right. Colleagues, this is our one chance to review the entire business plan and priorities of the Provincial Auditor. So in that regard, the breadth of our discussion is very wide as long as it pertains to the auditor's office. Specifically, we have to deal with three votes at the conclusion of our meeting dealing with the general budget which is approximately \$6 million and the contingency fund which is almost \$400,000. And then the final motion is to forward this recommendation to the Speaker. So therefore, I open the floor for questions from any of the members. Mr. Chisholm.

**Mr. Chisholm:** — Thank you. Yes, I have a question and I think I know the answer, but I think maybe it would deserve an explanation. The statement of revenue and expenditure of actual figures and estimate figures on page 30 and the corresponding statement of revenue and expenses on page 34, the only difference between the two is in relation to the annual surplus or deficit and how it's recorded. But I just thought it might be, for clarification, we can explain why those numbers are different specifically on the administration line on each of those statements?

**Mr. Wendel:** — So the first statement on page 30 is the statement of revenue and expenditure. So on a statement of revenue and expenditure, if we buy any capital assets, they're an expense of that year, and that's how the estimates are presented. The statement on page 34 is on the full accrual basis of accounting, where you capitalize your assets and you amortize them over time, so the only thing to get charged to expenses is the amortization of the asset rather than the cost of the asset when you buy it. And that would be the difference in

the surplus.

**Mr. Chisholm:** — Thank you.

**The Chair:** — In other words, you have two sets of books. I was just being facetious, Mr. Auditor.

**Mr. Chisholm:** — Mr. Chair, on page 41, there's some numbers indicating the increased costs of auditing new departments and on page 42, some of the decreases as a result of different government agencies being wound up or departments that are no longer operating, whatever. I guess my question is, are there departments, are there Crown corporations that require auditing expenditures in which there's really very little activity or not much is happening, and yet we still incur a minimum level of auditing that costs a certain amount of money? I'm just wondering if I could get your comment on that.

**Mr. Wendel:** — There are a few organizations at SaskTel where they have a number of companies set up, and they're slowly, as you can see, reducing them. Like, instead of having that cost, they're getting rid of these, winding up these companies.

But some of them are small, like the CIC [Crown Investments Corporation of Saskatchewan] Swine Genetics Holdings as you see on page 42. They were necessary because the government was in partnership with — I forget the name — Hypor. I think it was a Dutch outfit. And they had to have these limited liability companies to protect their liabilities to make sure there was no way they could come back at the Crown directly. So they set up these companies. Now when they sold Hypor — they sold their interest in Hypor — they were able to wind up these companies.

But there are some small companies like that, but you still have to go through some minimum amount of work. I think the only one where there's a great number of subsidiaries would be SaskTel, and they are slowly working on trying to reduce them.

**Mr. Chisholm:** — Okay. Thank you. One question too on the . . . There's an additional anticipated cost of \$36,200 for the Department of Advanced Education and Employment in that audit. Now that would be as a result of a change in adding employment basically to Advanced Education and coming up with a new category. We've been involved in education and in employment and immigration for a long time. I'm wondering is there actually additional costs of auditing when we just divide things and put them into different departments. Is there more requirements involved?

**Mr. Wendel:** — Each time the government creates an agency, I have to audit that agency separately. I have to follow professional standards for that agency. I can't just . . . Like they had part of what was being done in Learning is now in the Department of Advanced Education. Part of what's in Community Resources is now in this department — the employment incentive part. So now they've created another organization, and they have to audit separately, and this is the impact on my office.

**Mr. Chisholm:** — So if I'm looking at these numbers correctly, then there's a \$36,000 increase and an \$11,600 decrease on the

other side. So there is a net increase of a substantial amount of money because a department . . . that the same functions are being occurring for the same number of people . . . and yet by dividing them up differently, we see administration costs rise rather considerably.

Am I understanding that right? When you used to have Learning, there's going to be a saving in Learning because Learning is now basically K to 12 [kindergarten to grade 12]. We have an increase in Advanced Education and Employment, but we always had Advanced Education; it just used to be in Learning. And we've always had . . . So I just wondered if you could comment on that.

**Mr. Wendel:** — Well that's in fact what happens. If there's another organization, I'm required to go and audit that organization to a minimum standard to make sure that they have proper practices to safeguard money, they have proper financial reports, and they're complying with the law on their own, okay. Before they were part of a bigger group. I would just do that with the one group. Now there's two groups that I have to audit, and that's the impact.

That wouldn't be . . . There might be some minor reductions in Learning, but there is still an impact, as there might be some minor reductions in Community Resources that had part of the employment program. So some of the tests we might have done on the employment program in Community Resources, we'd do here. So that wouldn't be a duplication. But there's a whole administration I have to look at and start right from the top saying, well how does the deputy minister control this? How have they delegated that down to this person? How have they made sure that these people are doing their job? Are they receiving the right reports up to manage? That's the impact on me.

**The Chair:** — So if the Chair could interject, would this be a good illustration of why those costs go up? Let's suppose we have company A that is a fairly substantial company, and it costs \$10,000 to audit. But it decides for commercial reasons to divide itself into two companies, B and C, which now don't cost \$5,000 each to audit but cost \$8,000 each to audit because you still have to go through some of the same functions even though they are smaller companies. Would that be a good illustration?

**Mr. Wendel:** — Yes it would.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — Mr. Chair, I just . . . In relation to that, this is not just a one-time cost. As a result this would be an anticipated, annual additional cost of splitting something into two.

**Mr. Wendel:** — This is my estimated cost for this particular year, for 2008. If something changes next year that it doesn't cost that, I'll bring in a budget that's below that. Or if their administration practices aren't that good, I'll bring in a budget next year that's larger than that. But those will appear on the schedules that are on pages 36 and 37, the ongoing ones.

**The Chair:** — Mr. Borgerson.

**Mr. Borgerson:** — First of all I'd like to thank the auditor. On page 65 . . . You know how we struggle in this committee often to try to remember what CCAF stands for. It's nice to finally have it in print in front of us — CCAF, Canadian Comprehensive Auditing Foundation. I'm amazed that with all the publication they do, they never ever indicate what the acronym stands for.

You've indicated an increase of fifty-seven, two, fifty-nine with those two extra positions being contracted out, the reasons again for contracting as opposed to bringing them on as regular staff?

**Mr. Wendel:** — We have some large peaks in our workload in the spring when we're trying to get through all the Crown corporations work, get ready for the spring report, so we staff up during the spring.

**Mr. Borgerson:** — Okay.

**Mr. Wendel:** — We don't have as large a workload during the summer, so we may not have work for full-time people during that period. So it just allows us to do that.

**Mr. Borgerson:** — So this isn't two staff. It's two equivalents.

**Mr. Wendel:** — Two equivalents, that's right.

**Mr. Borgerson:** — Page 36, as you lay out the actual and plan costs per department, would it be fair to say that your planned costs, that you budget for sort of proportionally to the size of the department?

**Mr. Wendel:** — That would be a fair statement, the larger they are. But we still have to do a minimum amount of work even on the small ones.

**Mr. Borgerson:** — Yes and that's not, of course, counting in the special investigations that might . . .

**Mr. Wendel:** — No it doesn't count that in it. I don't plan for those in the 2008 planned costs. You'll find some of them in the actual costs, like if that actually incurred some cost. But in the planned . . . because I have no way of knowing what will happen or until we get into the year.

**Mr. Borgerson:** — And then lastly — and, Mr. Wendel, I always come around to this topic whenever I have a chance — does your staff find it more difficult and costly and time consuming to address areas that involve human services, human-service-type departments as opposed to Highways or departments that base their reports on much more statistical information?

And the reason I ask this is I was just reading yesterday about concern within the STF, the Saskatchewan Teachers' Federation, about the shift that's occurring towards more outcome-based or assessment-based activities in the schools, knowing that the more money and resources you put into outcome-based, you have to pull from somewhere within the department because they don't have the extra resources. So the logical thing is to pull, for example, from curriculum, a focus on curriculum such as SchoolPlus and move that money and

resources over towards assessment. And so it raises questions then.

Of course, accountability and assessment are very important. But as the STF and members of the legislature grapple with those kinds of issues, I wonder if those kinds of discussions occur within your department as well.

**Mr. Wendel:** — Well I think we recognize it's far more difficult to measure your outcomes in the human services organizations. But organizations are doing some work in that area. Learning certainly has. And we talked to them and audited some of those indicators last year and provided an audit opinion on whether or not they have reasonable practices to come up with the numbers they're putting out. And we found that they did. And so I think they've got a large challenge. Our challenge at our office is making sure they've got systems to accurately measure what they're planning to report.

Now we've never gone to the attribution part where, is that outcome really a good measure of progress. That's probably . . . Well I'll be retired before we get to there. And there may be the person you pick next time will have that kind of a background. And it is what some of the auditors are beginning to look at. This is . . . But we're not there. So we're looking at systems and practices.

**Mr. Borgerson:** — Yes, it becomes very difficult to work out that balance between focusing on the student as opposed to the student outcome. Of course there is a relationship between the two. But if you're focusing, you know, let's say 100 per cent on the outcomes, you may in fact be missing the most important part of education, for example, that there is.

**Mr. Wendel:** — Well there's certainly arguments to that, and I know that there is a move though towards measuring outcomes.

**Mr. Borgerson:** — Is the fair value strategy that you mentioned earlier, does it move in that direction at all?

**Mr. Wendel:** — No. I think what they're trying to do is make sure that . . . Organizations have investments, and they're carried at cost or amortized cost where they bring in the gains and losses over time or only on realization. Now they're going to have to bring in those gains and losses before they actually realize them. That causes me some concern. Like I'm quite conservative, and as an auditor I guess that's the way you are.

But it results in taking in profits that you may not ever realize. Like the following year you may do . . . you know if you've been on the stock market, like you really don't have a gain until you've sold them. But that's what's going to be required, to be logging those profits and losses. So that's going to be some big changes to the way things are reported.

**Mr. Borgerson:** — Another and, I guess, a bit more of a philosophical issue that we have to deal with as legislators is with every chapter that we get from you there is usually mentioned there somewhere of risk management and risk management strategies. And so it has always raised the question in my mind of course if you're going to have zero per cent risk in any department, you're going to have to expend an infinite amount of dollars.

So that tricky little balance which I think you alluded to earlier of legislators on this committee having the information to decide where that balance should be or for departments to have that knowledge so they can decide how much they have to invest into risk management strategies before it becomes ridiculous.

**Mr. Wendel:** — You can't control everything to the dollar. I mean it's not possible. We have risks that we have to take too. So it's just like on our audit. There's always the audit risk that you'll miss something important. But you only do so much work as required by minimum standards, and if it gets by, it gets by.

But agencies need to know what risks they're leaving open, like assess them and say, okay we've gone this far. It costs too much money to go any further, and they've done a cost-benefit analysis. They know where that's at. Well then they have to live with that risk and always remember that it's there. They can't just forget about it after you've assessed it once. You have to always remember that it's there.

**Mr. Borgerson:** — And you as an auditor are satisfied if the department comes back and says, yes we wanted to go further with our risk management, but we felt that in fact it was not sustainable to go that way as long as . . .

**Mr. Wendel:** — I would expect that they would have some written evidence to that effect. They won't just be telling me that. They'd have to convince me that it's true.

**Mr. Borgerson:** — And you're very easy to convince.

**Mr. Wendel:** — Yes.

**Mr. Borgerson:** — Thank you.

**The Chair:** — I'm surprised that Lon didn't ask you if you had a disaster recovery plan. So I'll ask you. Do you have a disaster recovery plan?

**Mr. Wendel:** — Yes and it's tested.

**The Chair:** — And how much does it cost? We'll put the shoe on the other foot.

**Mr. Atkinson:** — How much did it cost for us to . . .

**The Chair:** — To have a satisfactory disaster recovery plan. I assume that means some kind of backup systems for your records and that, and off-site storage and all that sort of thing, and I don't know. I just want to know how much you spent on it.

**Mr. Atkinson:** — Well we don't spend a lot of money on it but we do, yes, have equipment and software that is stored off-site and we incur those costs. If we looked at the cost of the testing of our business continuity plan is what we call it, because it doesn't just deal with disasters in our IT [information technology] area, it also deals with disasters in our human resource areas. We test it at a minimum once a year. We find out some amazing things when we go through and do those tests, things that we never thought of and we make adjustments

to those.

Overall the cost is minimal and on the other side the cost of not having that plan could be quite expensive to us, so the costs are quite minimal. The cost of doing disaster scenarios, the cost of, you know, involving a certain amount of staff for a part of the day in the carrying out the exercises, the cost of having equipment and software off-site — all of those costs are quite minimal. I don't have a dollar figure. I could get one for you, but I'm sure it doesn't . . .

**The Chair:** — It'll be in next year's report.

**Mr. Atkinson:** — You would like that to be in next year's report?

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you. As well I would like to talk a bit about risk management, and I believe that at absolute zero all motion ceases, and risk is therefore managed at that point. I'm not sure we want to get to that point.

You have listed on pages 16, 17, and 18 those items that you consider to be the risk that your office needs to manage, things like our stakeholders do not support our goals and objectives. And I can understand that would certainly be a risk for the Provincial Auditor's office. The one that I'm concerned about of those that you have listed would be the fourth one on your list, and the Standing Committees on Public Accounts and Crown and Central Agencies are unable to fulfill their responsibilities. My concern there is dealing with the timeliness of the reviews of the reports that come before both of these committees. What kind of risk does that present and how significant is that risk?

**Mr. Wendel:** — Well for what we're trying to achieve, which is to foster better management of government resources, I really need the support of legislators to get government agencies to make the changes. And you people are an important part of the whole process to make sure there's good management in government agencies.

So if the committees aren't functioning or aren't meeting, a lot of the pressure comes off government employees to act. So if it's a committee recommendation, it gets a lot of attention or having to come to this committee and answer for what you've done or haven't done, it brings more attention to good management of public money. So that's the risk, and it's important that these committees operate and operate well.

**Mr. D'Autremont:** — So in what factor does the risk increase as the timeliness of reporting and review take place? How does that risk increase as that breaks down?

**Mr. Wendel:** — Well I think the risk goes up to poorer management of public resources. If the committee isn't meeting and it doesn't meet for a couple of years, then things aren't dealt with. It isn't as important then to government employees to make sure that these things are corrected.

**Mr. D'Autremont:** — So where would you estimate that the acceptable risk level is in that? Is the report is prepared within

six months of the fiscal year-end and reviewed six months later? It's reported a year after the year-end and reviewed a year after that, so it's two years? How does the risk change with the time frame?

**Mr. Wendel:** — I don't think I've got any specific dates, but I find that this committee operates well, that the reports are considered in a timely way. Recommendations are made. There's a report provided back to the House in a timely way on the recommendations, and then there's a follow up.

The Crown corporations central agency committee, on the other hand, has been not as prompt considering reports. I have some reports going back to 2004 that still need to be dealt with. And I think it's important to deal with those recommendations because, while the government agencies may deal with it, it makes a big difference if the committee support it. And if they don't support it, it's good for us to know too.

I mean, there are some times they come forward here and we're up there and they make a case, and you don't support what I've got to say. Well that's fine. I mean, I've had my day to have my say, and they've had their day, and you people have said, well that's not important to us. Well okay. It's dealt with so . . . Yes.

**Mr. D'Autremont:** — So you would assess then . . . You say there's some outstanding 2004 reports still through the Crown and Central Agencies Committee. And this is 2007, so we're roughly three years down the road from that point. The risk is increasing, and when does it become an unacceptable risk?

**Mr. Wendel:** — I think it's getting to the point where I was thinking of writing to the Speaker to see whether he could do something with that particular committee to speed up the review of those, but I haven't done that yet. They have begun now to start looking at the recommendations again and so . . .

I think that with the change in the committee structure — what was it? — two or three years ago, they've got a lot on their plate now, that Crown and Central Agencies Committee. They've now got to deal with estimates. They now have to deal with Bills. So they have a lot on their plate, and they still have to deal with all of the other work that they used to have.

Now when the legislation was changed asking for CIC Crowns to go before Crown and Central Agencies Committee, that's all they did, was the Crown corporations, and they had time to deal with it. And this committee said, we'll let them deal with it. But maybe it's time to think about bringing it back here because we used to deal with the Crowns here. But I mean that's a policy decision that'll have to be decided by legislators and . . . But I think the Crown and Central Agencies Committee's got a lot of work on their hands with all of the other work they have to do.

**The Chair:** — If the Chair could interrupt, having been an observer of what's happening, I would like to offer thanks to this committee for trying to stay current. Both sides — both the government members and opposition members — have co-operated in moving our agenda along. As Chair, I've tried to push that, but if you don't have the co-operation of the members, that doesn't happen. And I have noticed that the Crown and Central Agencies Committee have not been as fortunate.

My observation . . . And this is just to put it on the record. I can't do anything about it unless others decide to move in the same direction, but maybe by putting it on the record it would help. There is a division of interest and purpose within the Crown and Central Agencies Committee that I think encumbers it, in that it is both a scrutiny committee, as you pointed out, but it is also a committee that carries legislation forward. Those roles are very different. And I think that committee has had trouble grasping with the, you know, with the diversity of roles that it plays, and they have not been as diligent as they should be on the scrutiny side, partly I suppose because the opposition doesn't chair the committee. I'd like to say that.

But I think there just seems to be a blurred vision I think because of that and perhaps, you know, perhaps in the future some of those responsibilities will fall back to this committee. We'd increase our workload and perhaps we wouldn't be as timely as we are at the current time given that that all has to be considered. But I think if there is a weakness in the new committee structure — which in general terms I applaud; I think it's a better structure — I think that is the one weak link.

Mr. D'Autremont, I'm sorry to interrupt you but those are the chairman's observations.

**Mr. D'Autremont:** — Well thank you. I'm not sure I agree 100 per cent with your observations on that, but I do agree with some parts of them. Well since I do sit on the Crown and Central Agencies Committee, I think that the vision of what the committee is to do is understood. It's getting the co-operation to accomplish it that seems to be the problem. And that's an issue for another committee to deal with.

Are there any other of the risk management outlines that you have presented here, concerns that are of particular concern to you?

**Mr. Wendel:** — Not specifically, no. One of the things that other legislative auditors are doing is doing surveys of elected members to see what they, whether they're happy with the services we're providing. That's something we tried probably 15 years ago and it didn't go over well. So I'm not sure whether I should go to that to help me manage this risk that we're being relevant.

So the way we determine relevance now is, well we make recommendations and bring them forward to the committee. We get a chance to talk to you and I get a feel for what's going on from that. But I've never done a formal survey. Now that might be something useful, but before I do that I think I'd like to get some advice from legislators before I do that. But some of the offices are doing that and that's how they're reporting on their relevance. And we haven't gone that far yet. We did once, and it wasn't received well.

**Mr. D'Autremont:** — Okay. That's my questions. Thank you.

**The Chair:** — Are there any other questions with regard to the auditor's business plan and budget . . . financial plan, that's what it's called. I knew I was . . . Mr. Chisholm.

**Mr. Chisholm:** — Just one quick one. When you said it wasn't received well, maybe you could just explain. Did people not

like filling it out, or did you not like the results?

**Mr. Wendel:** — No, it was the people didn't like filling it out I think was the bulk of it.

**The Chair:** — All right. I sense that perhaps we are coming to a conclusion of questions. Do I read the committee correctly there? In that case then we will deal with the motions. I believe, Mr. Borgerson, do you have a copy of the motions?

**Mr. Borgerson:** — Yes, I have.

**The Chair:** — Are you prepared to bring the first motion to the floor of the committee?

**Mr. Borgerson:** — I am. So I will move:

That the 2007-2008 estimates of the Office of the Provincial Auditor — vote 28, subvote [PA01] Provincial Auditor — be approved as submitted in the amount of \$5,968,000.

**The Chair:** — The motion has been put. Is there any discussion? Shall we pause for a while and let them be nervous at the other end of the table? I think we're ready for the question. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — It's agreed unanimously. I will call for the second motion.

**Mr. Borgerson:** — I will move:

That the 2007-2008 estimates of the Office of the Provincial Auditor — vote 28, subvote [PA02], unforeseen expenses — be approved as submitted in the amount of \$392,000.

**The Chair:** — All right. The second motion has been put for unforeseen expenses. Is there any discussion on the motion? Seeing none, we'll call the question. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Again it's carried unanimously. And, Mr. Borgerson, if you will provide us with the third motion.

**Mr. Borgerson:** — And third motion, I will move:

That the estimates as approved be forwarded to the Speaker as Chair of the Board of Internal Economy pursuant to section 10.2(4) of The Provincial Auditor Act.

**The Chair:** — All right, just to . . . clarification perhaps from the Clerk. In my copy it says 10.1. Is it 10.1 or 10.2?

**Mr. Borgerson:** — 10.1. Did I say . . .

**The Chair:** — You said 10.2.

**Mr. Borgerson:** — Sorry, no — 10.1

**The Chair:** — Okay, so 10.1. I'm sure the money will get to the right place even if it is a discrepancy there. All right, is there any discussion to the motion that's been put? You just had to put it in a different drawer, that's all. Seeing none, we'll call the question. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Again that's agreed to unanimously. Thank you, Mr. Wendel, and your colleagues for appearing before the committee as witnesses. It looks like we may be in business together for another year. And we look forward to again your co-operation and your assistance. We appreciate the work that you do in helping us as legislators scrutinize the work of the government. So thank you for appearing before us.

Thank you, colleagues. We have actually completed our agenda ahead of schedule which is kind of nice. We will therefore adjourn the meeting. Mr. Wendel, did you have a closing comment?

**Mr. Wendel:** — I'd like to thank the committee for its continued support. I appreciate that very much.

**The Chair:** — You're more than welcome and we thank you for that expression. I declare the meeting adjourned.

[The committee adjourned at 11:41.]