



# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS  
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Mr. Lon Borgerson  
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Mr. Michael Chisholm  
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Regina Coronation Park

[The committee met at 10:30.]

**The Chair:** — Good morning ladies and gentlemen. I will call the Public Accounts Committee meeting to order . . . [inaudible interjection] . . . Well I'm trying to get everyone's attention. I see a lot of important people here from various departments of government, and we have a limited amount of time and a lot of material to go through, so I want to start promptly. And thank you all for being here on time; that helps us a lot.

We have two chapters that we're dealing with this morning. The first one is public accountability systems, which is chapter 9 of the 2005 report volume 3. We've allotted a half an hour for that. And I believe the department — I'm not sure if it's Finance that's in charge or if it's Executive Council that's in charge — but we have a presentation this morning on public accountability systems that will take a few minutes, and then we'll open up time for questions.

Then by 11:00 we'd like to be on Finance, chapter 15 of the 2006 report volume 3. We do not have Fred Wendel with us this morning. He is out of province. You know it's a bit unusual not to have the Provincial Auditor sitting there at my left hand, but we will be ably assisted by Mike Heffernan, the deputy provincial auditor.

And before we introduce the witnesses and get on with the proceedings, we will have a quick recount of chapter 9 from the 2005 report, Mr. Heffernan.

#### **Public Hearing: Public Accountability Systems**

**Mr. Heffernan:** — Thank you, Mr. Chair. I have Rosemarie Volk with me as well. Rosemarie was involved with this study.

I see that the government's presentation is going to cover some of the points that I was going to cover, so I think I'll make my presentation a little bit more brief.

We've been encouraging the government to work towards its public accountability system since 2000 and even before. We thought it would be useful, or at least interesting anyway, to compare Saskatchewan with other jurisdictions, and so we did a survey. We had other legislative auditors across Canada complete the survey. We thought that was the best way to get an objective view of the accountability systems in other jurisdictions, and also it was easier to deal with just one office, an Auditor General, rather than deal with maybe two or three agencies in each jurisdiction. So we did it that way.

We found that Saskatchewan compares well with most Canadian jurisdictions, and in some respects, Saskatchewan is the leader. And I think I'll leave the government to tell us how they're a leader.

I do have to make one point. And that is that when we did the survey, some of the jurisdictions were concerned that we'd be making public detailed information on their accountability systems, so we promised them that we wouldn't publish detailed information. So I really won't be able to answer any questions on specific results from other jurisdictions. That concludes my remarks.

**The Chair:** — Well thank you very much, Mr. Heffernan. This morning we have Dan Perrins, deputy minister to the Premier with us, as well as Ron Styles, president and CEO [chief executive officer] of Crown Investments Corporation, and Doug Matthies, deputy minister of the Department of Finance. I see, Mr. Perrins, that you are sitting front and centre, and so I'm not sure how you want to handle the introductions, but we will give the floor to you.

**Mr. Perrins:** — Thank you, Mr. Chair. Blair Swystun will do the presentation for CIC [Crown Investments Corporation of Saskatchewan], and Doug will do the presentation on behalf of executive government. And behind me, as you know, Mr. Styles and Raelynn Douglas from the Department of Finance, and Brian Smith from Finance, and John McLean and Bonita Cairns from Executive Council.

Really with just the introductions, Mr. Chair, I'd turn it over to Doug who'll do the presentation with respect to executive government first and then Blair who will do one with respect to CIC.

**Mr. Matthies:** — Thanks very much, Dan. Mr. Chairman, we have the slide show up on the wall behind you, and I'm going to just check that we've circulated copies to all members. I'm seeing them nod, so everybody has copies. Perfect.

All right, I'll go through this reasonably quickly. The accountability framework that we use right now in the provincial government was approved in 1999 by cabinet. Since then we have made continual improvements, I think, over the years trying to increase the strength of our public reporting.

Today, if you sort of look at where we are today, the departments right now table a detailed performance plan. It sets out all their vision, goals, objectives, performance measures, and key actions for the coming year. Those plans are released in the spring session at or around budget time. What will be significant and new, I guess, in terms of this year's tabling, is that Executive Council will also be presenting a performance plan this session.

The departments then follow-up at the end of the fiscal year with an annual report that sets out what their accomplishments were. It also talks about financial results and then variances from the plan. And I think the key message is that we have moved over time to report much more than financial information, but we're also talking about what are the things that we were trying to accomplish and how did we succeed. Or if not, why not?

On a summary basis we also prepare a summary performance plan that is released with the budget, and it sort of brings together the common themes that the government has laid out through its Throne Speech. And we basically try and keep this at a fairly high level and also tend to focus on where this plan fits in with the budget documents. So if there are new initiatives that the government wants to go to, then we're highlighting these. And then all of the detail would remain within a department-owned plan.

So if I were to sort of hold up an example, you know, this is our

provincial budget book from last year, and it includes the summary report as well. So we table it right with the budget documents as well. And then all the detail again is laid out in the department pieces.

We do an update to this document once a year at the mid-year. We do not at this time provide an update to that summary plan at year-end. Rather what we do is we leave it to departments to talk about all of the different initiatives and accomplishments and challenges that they may have seen through their year-end annual reports.

In terms of key observations from the Provincial Auditor, I've just highlighted the four main bullets here that he's talked about. Saskatchewan is recognized as a leader across Canada in sort of four key areas that were highlighted here.

Formally adopting the Canadian Comprehensive Auditing Foundation principles for performance plans and annual reports — that's a standard or a benchmark to be working towards. Publishing key sector plans and reports for most cross-government strategies — we are, I think, the only province that does that. Publishing information on recipients of public money — we provide probably more detail than most other jurisdictions do in terms of the level of detail we provide there. And then we have the formal review of all of the annual reports by the committees of the House.

The areas that the Provincial Auditor flagged in terms of where he, I think, would like to see us continue to do more work, he has raised the question with us about a government-wide annual report. And he's also raised the question about should we be establishing performance targets.

We do performance measures right now on all of the plans, and he's asking us the question about should we be looking at a performance target to go with that. He's also asked us to look at whether we should report on the key risks and mitigation strategies that departments utilize and the question, is Saskatchewan well served by an accountability legislation or are we comfortable with where we are. So, you know, Mike may or others may comment on my paraphrasing of the messages, but I think that sort of brings it into a summary focus.

In terms of where we're going in the financial reporting and the performance plans for the province, we will continue our approach which is looking at what are sort of the incremental pieces that we can do year over year. And so we are looking at enhancements to our plans in some of the following areas.

We actually have right now about 400 different performance measures across government. And what we want to take a look at is . . . As we have developed those over time, we think it's appropriate to sort of pause now and say have we picked the right ones. And I think that's an important precursor to any effort that might get you to a discussion about do you want to set performance targets because, if you're not measuring the right things, then the targets aren't going to help you. And similarly, we need to make sure that we're confident that the measures we are tracking are those things that we have the ability to control and influence.

The second item there is trend analysis for performance

measures. We think it's very important that governments should be tracking over time what these changes are, that we don't sort of take an annual focus — what is the snapshot today? We think the long term provides a much better picture of are you really making progress in your issues or not. And so we are incorporating in the '07-08 reporting this trend piece, so all departments will be reporting trend pieces in their performance plans for the next year.

And we've also had discussion with the Provincial Auditor about incorporating a management discussion and analysis in our public accounts document, which is really the annual report for all of government that will come out at the end of June typically. So those are areas where we're going to make improvements this year.

On the risk assessment and mitigation issue that was flagged by the auditor, right now all of the departments provide in their environmental scans and the budget process a write-up in terms of, you know, their risks and mitigation strategies. What we have done with our performance plan approach is we typically pilot. When we sort of go into new areas we look at, can we pilot to make sure we get it right before we make all departments go down the path?

So in '07-08, five departments will be pilot reporting around risk assessment and mitigation strategies. And that's Highways, Environment, Industry and Resources, Sask Liquor and Gaming, and Sask Watershed Authority.

This is just one example in terms of what we talk about when we talk about this notion of what are the long-term trends. And so I've just picked an easy one because it's from my own department, and it is the measure of government data as a percent of GDP [gross domestic product]. And so the significance again is the long-term trend that you want to focus on.

If I might, if I were to sort of look at this graph, in about 2002 I think thereabouts, you know, there was a slight blip up and then it sort of came back down. You know, I think what becomes important then is what's the long-term piece rather than the year-over-year piece. So this is just one example, but again this would apply to all of the different measures that we would be doing in all of the government's financial reporting.

The last item that I will speak to is this question of, are we meeting the needs of the Assembly? And that I think comes back to the question that the auditor has raised with us about, should Saskatchewan be looking at accountability legislation? And the auditor identifies right in his report that Saskatchewan and five other provinces rely on a policy-based approach. Gives us the flexibility to grow and evolve our reporting as we have the capacity and as we identify the directions that we think is important to move in.

These reports are scrutinized by the committees of the government with reports back to the Assembly. So I think the conclusion is that the system we've adopted here in Saskatchewan is working. We've demonstrated continual improvement over time.

I think the other thing that I would observe is the committee has

demonstrated its openness to receive external advice. And my example of that was last fall when Geoff Dubrow from the Canadian Comprehensive Auditing Foundation made a presentation to this committee and suggested, I think, at that time that, you know, the committee, you know, can take it upon itself to make advice to the Assembly in terms of further places to move our reporting pieces to.

So I think with that, Mr. Chairman, I'll just sort of . . . that concludes the overview from the Finance side, and I'll maybe just swap chairs with Blair now.

**The Chair:** — Thank you, Mr. Matthies. Mr. Swystun.

**Mr. Swystun:** — Thank you, Mr. Chair. The CIC presentation has been distributed as a separate package to the members. And my remarks will be very brief here. It's essentially just to provide you with a report on the status of performance reporting in the CIC Crown sector.

There are nine principles laid out in the Canadian Comprehensive Auditing Foundation reporting principles. This slide just summarizes what those reporting principles are.

CIC has had a policy in place since 2000 laying out expectations for CIC Crown Corporations with respect to performance reporting. The policy was put in place in 2000 and implemented in a three-year period thereafter.

These next two slides just provide a summary of what the CIC policy guidelines specify. And in broad terms, it indicates that CIC Crown corporations are responsible to disclose strategic planning and performance management information at a standard that would be consistent with publicly traded companies. So that's the benchmark that we've used in the commercial Crown corporation sector.

We've looked at private sector reporting standards for publicly traded companies. And the guidelines that we used at the time were the Toronto Stock Exchange guidelines. And the objective was to come up with a set of reporting standards that would be at least as good as or better than the standards for publicly traded companies. So those standards also require reporting on performance in the Crown sector and linking the performance back to strategic plans and strategic goals.

And the second slide on guidelines for disclosing long-term plans discusses the linkages back to strategic plans in the Crown sector. The approach we use for performance management is a widely accepted performance management system in the corporate world, referred to as the balanced scorecard. It's a system that was developed by a couple of Harvard Business School professors that looks at performance more broadly than traditional financial performance, and includes other types of performance measures — the notion being that in order to judge success, it's important to look at a broad range of indicators.

As I indicated, the standard that we used or adopted when the CIC policy was set in 2000 was a set of private sector standards. And the way that we monitor how we're doing with respect to the benchmarks that we've used as the guidelines, every couple of years or so we have the Conference Board of Canada, as a

highly credible independent organization, come in and do a bit of a report card on how our Crown corporations are doing with respect to the benchmarks that I've identified here.

Now coincident with the auditor's report on this topic and the Crowns in 2005 which . . . Actually we looked at the 2003 annual reports of four major Crowns and CIC because those were the ones that were available at the time the auditor was doing his work. We also had the Conference Board of Canada come in and do this biennial review.

So what we did in 2004 was we asked the Conference Board of Canada to look at the annual reports that were coming out at that time and to actually see how they stacked up against the Comprehensive Auditing Foundation reporting principles. So we used that as an opportunity to take the auditor's recommendations to heart and to see if we could identify areas where the Crowns could improve their reporting practices relative to this other benchmark that the Provincial Auditor has identified.

The balanced scorecard looks at four broad types of performance: financial, which is a traditional focus of reporting for many organizations, and in particular in the corporate world. But it also looks at other areas of performance that are key to organizational success — customer innovation and growth. And because Crown corporations are different than private sector companies, we've made a bit of a modification to the use of the balanced scorecard.

For Crown corporations, we actually have a public policy component to balanced scorecard reporting because Crown corporations are obviously different than private sector companies. And in all cases the balanced scorecard reporting must be aligned with a broad Crown sector strategic plan that exists and provides umbrella guidance to our Crown corporations with respect to objective setting and performance expectations that the government has for them.

Other benchmarks that are used with respect to these private sector standards that I mentioned are some benchmarks that are out there with respect to corporate governance practices. And these are also reported on in our Crown corporation annual reports.

In addition to that type of reporting, there are a number of other things that our Crown corporations do that we think are complementary to sound performance reporting to the Assembly. And we've just listed what some of those are here.

Any time a Crown corporation undertakes a significant transaction that's outside the normal course of business, is material, or is sensitive and likely to be of interest to legislators, there is a report that is filed with the Crown and Central Agencies Committee that discloses what the nature and purpose of the transaction was. We are now releasing pay lists in Crown corporations similar to the detailed listings that have existed in the public accounts for a number of years. Interim financial reports are done on a quarterly basis. And we have some accountability guidelines that exist in the Crown sector with respect to code of conduct or code of ethics, whistle-blowing policies, and related kinds of practices. And that's the extent of the CIC presentation, Mr. Chair.

**The Chair:** — Thank you very much. I believe then that we can now move on to questions. There's no more presentations, I assume. The Chair tries to guard time for the members to ask the witnesses questions, and the only comment I would make is I would like to thank you for the presentations you've made and I followed along with a great deal of interest.

If there was one area . . . And of course being from opposition you have to look for areas of weakness. The area of weakness that I observed was a lack of emphasis on looking forward. It was a lot of looking backwards, one-year plans, but not as much long-term planning or mid-term planning as perhaps some other governments in Canada would use. Particularly it would help the public, the taxpayers, our educational institutions, and health care bodies to make their plans and know with some certainty what's coming down the road.

With that observation, I will open up the floor to questions. Mr. Chisholm.

**Mr. Chisholm:** — Thank you, Mr. Chairman. My first question relates to the accountability legislation that is in place at the time of the auditor's report — Alberta, British Columbia, Newfoundland and Labrador, and Quebec — and not in place in Saskatchewan. You mentioned that we have perhaps gone another route that allows more flexibility. I'm just wondering if you could comment on that and if, as you see it, if we did have accountability legislation in place, how that would possibly limit the flexibility that you mentioned.

**Mr. Matthies:** — Just in responding to that, what I would observe is that I can't say that I'm an expert on the other provincial legislation pieces, but it's my sense at least that in some cases the legislative pieces were introduced in other provinces more on a reactionary basis to a problem that was identified in those jurisdictions.

In Saskatchewan we have tried to be more proactive. And I would have to acknowledge that some of that has been with the prodding of the Provincial Auditor to move us along and the other processes. But we have tried to take a proactive approach and look about where do we think we can go, what do we think is manageable, and in some cases we've had to develop the skill set and the capacity within departments to do some of the reporting.

And immediately some of the examples there would be when we think of the performance measures across government. We've got about 400 in place right now, but in some cases we actually had to think long and hard about what is the right measure, and then we actually had to start building the system to capture the data to be able to report that. So we weren't in a spot. And had we tried to introduce legislation right upfront that says we want all of this starting next year, we probably would have failed because we had to understand what is it that we can measure that will move us forward along in government plans. And then, you know, we actually had to build the capacity to capture the data to be able to report back in cases.

And the other thing is when we introduced the plan, you know, we started, we've used this pilot approach. So back in '02-03 I think we had piloted with, I think it was five departments to start us off in this reporting area and then we've sort of added as

we've gone.

I've talked about the trend analysis that we're incorporating . . . sorry; the risk analysis that we're adding into the '07-08 requirements. Again five departments are piloting that, so that we make sure we do it right before we sort of set the bar for all departments and then fail. And that's kind of been our approach, you know.

And I think that my observation would be, the auditor has given us I think some degree of praise that we have been able to move it along and that we are leading in many ways across the country — as he highlighted in his report today — although he continues to nudge us to look for, you know, other things that we can do. But I think the track record would suggest we've made very good progress.

**Mr. Chisholm:** — Okay. Thank you. I guess supplementary to that, would you see that we should, that we could be in a situation to have this accountability in legislation in the future? Would that be your recommendation?

**Mr. Matthies:** — I would say, Mr. Chair, that, you know, the auditor has raised the issue with us. I think we would be prepared to have further discussions with him and have a . . . I think we would want to have a look at what is it that the other provinces have put in place.

We're not in a position today to speak from an informed basis on that. He's flagged it with us as something that we might look at. And so, you know, over the course of the next year, we'll probably have more discussions with him in that regard.

**Mr. Chisholm:** — Thank you. Similarly, along the same line, we're talking about, the auditor's report is talking about government-wide reports. It shows that there are three jurisdictions that prepare a specific government-wide report; again Alberta and BC [British Columbia], and this time they're joined by Prince Edward Island. Does this government intend on preparing a government-wide report similar to these? And if so, when?

**Mr. Matthies:** — What I would say is at this time the answer would be no. I identified in the presentation where we want to make some improvements for 2007-08 and into the future. You know, I would make the observation that when we did our summary report, for example in mid-year, I was somewhat surprised that, you know, we really, we put a lot of effort into pulling that document together and I don't think we had one question from anywhere on our summary pieces.

And it's been my observations then that the focus tends to go at the department level. The departments are where all of the activities and functions are. That's where the actions are being taken to move things forward, and so the scrutiny tends to come down to the department level. And so the emphasis as we've developed our accountability framework and reporting has been to make sure that the departments then provide a greater level of detail and that's what gets the scrutiny. So we've emphasized developing that first.

For the '06-07 fiscal year when we publish our public accounts at the end of June, we are going to augment that information

with a management discussion and analysis piece, which again was sort of at the urging of the Provincial Auditor and, you know, we concur with that move in that direction. But I think we need to start there first, provide an explanation of what the financial statements mean, what's happened here, and then you know I guess sort of walking before we run. We may get to that point down the road, but at this point I would just observe that the focus tends to be at the department level. And I'm not sure of the value add on the summary piece yet, but certainly, you know, we're not discounting it as a possible item in the future. But I don't see it in the near term.

**Mr. Chisholm:** — Thank you. I have one question on the CIC reporting standards that were discussed. I would assume that for all Crown corporations, generally accepted accounting principles would be the rule of the day and for all Crown corporations. Is that correct?

**Mr. Swystun:** — Mr. Chairman, that's right. All of our CIC Crown corporations present their financial information according to GAAP [generally accepted accounting principles] and that includes the roll-up of them in the CIC consolidated financial statements.

**Mr. Chisholm:** — Thank you.

**The Chair:** — Ms. Crofford.

**Ms. Crofford:** — I have a quick question. I was reminded of experiences I've had as we've computerized departments and people have decided that there was all this information they wanted. And have you had the experience where the attempt to collect reporting data has actually interfered with customer service delivery because people started overcollecting data? It wasn't all essential to the outcomes they were measuring. It started to become larger than that. It was kind of the information system that ate everything. So an inquiry with a customer would take 20 minutes instead of 5 or 10 minutes because they were trying to capture all this other data about that customer.

**Mr. Perrins:** — Ms. Crofford, Chair, I think that's why in a sense the activity has been intense around when you think there's 400 measures. And the work in individual departments, sometimes it can detract from the actual delivery of the program. I think Mr. Hermanson's point earlier about where the real need to improve is really in terms of outcomes and trying to narrow that, and we're talking initially in terms of getting it better within departments rather than across government.

And I'd just draw members' attention to a recent bestseller that has two very good examples — *Freakonomics*. If you haven't read it, it gives two excellent examples about how we assumed — people that do the sort of work we do — we knew the answers to a particular problem, or two particular problems that he outlines. And longitudinal studies clearly demonstrated that we — they, in this instance — clearly missed the mark. And one was the crime rate where they assumed it was the most influential aspects to the change were number of policemen, different sentences, and innovation in policing. They found that yes, they were factors, but the critical factor had nothing to do with those three factors, it had to do with the abortion rate in the United States. And he gives very good evidence if you've seen

the piece to support it.

The other was outcomes in the Chicago school district, again a longitudinal study. And I think that's your point about over time. It clearly, you know they wanted to . . . They thought busing from a low-income area to a higher-income area, the assumption being better quality schools in the respective neighbourhoods, would impact the outcome for the student who was bused. A lot of activity, a tremendous amount of data collected, but when they actually got to do the outcome with respect to the student, there was no difference.

So I just mention that that it's, you know, the horizontality of issues sometimes when you're looking at summary pieces isn't as straightforward, and a lot of times it's supposed to be about the service to the person and does it affect the person. We're not always as good at assessing that in the short term. So I think that's where the trend analysis is important and patience in the longitudinal piece. Those shouldn't be reasons, though, why you don't try to be more diligent and identify outcomes more clearly, and that we shouldn't be held accountable for those outcomes.

So I think it's . . . As I say it was ironic reading *Freakonomics* because it was in anticipation not just for today but in thinking about it around the auditor's observations.

**The Chair:** — All right. Thank you. There are no recommendations in this chapter. Just one thought though on the accountability Act. Would you . . . the reason that all the attention now is focused on the accountability Act is because of the Federal Accountability Act, which was a result of the sponsorship scandal. Would you say that our accountability measures are similar to what the federal government's were before the accountability Act came into play? And does that leave us somewhat vulnerable?

**Mr. Perrins:** — Well I think when you look through the Federal Accountability Act and the commission that led to it, I think many of the practices that we have in place, and I think the relationship with the auditor as enhances, are key. I think we need to be in a better position to give better advice to government before I'd . . . in my own, this is just my own opinion . . . in terms of advice with respect to an accountability Act. I don't think there's anything untoward with it as an end product at all. I think if you want to make it the most useful piece you can, I think we need to continue some of the work we've been doing and continue to be accountable to forums like this and others.

So I think there's a lot of good content in the accountability Act. I think many of the practices are in place, but could there be improvement? And would it profile it in a way that it did federally? Yes it would. But are we quite ready to get it, to give the best advice on it? I don't think we are quite yet.

**The Chair:** — All right. Thank you very much. We will not recess because I think our other witnesses are some of the same witnesses we have right now. But I want to thank you, Mr. Perrins. I understand you will be leaving. Usually you're across the hall from me; it's kind of nice to have you across the table from me.

### Public Hearing: Finance

**The Chair:** — We will move then to chapter 15 of the 2006 report volume 3. Thank you also, Mr. Heffernan, for presenting on behalf of the Provincial Auditor.

Just find my right paper here. I think we now have Judy Ferguson joining us from the auditor's office. And okay, we also are distributing a document. It's a follow-up to the Public Accounts meeting of October 4, 2006 from Bonnie Durnford, the deputy minister of Advanced Education and Employment. So that is for the members' benefit. That has been tabled with the committee.

As I said, we are moving to chapter 15, 2006 report volume 3 which is entitled Finance. We have again Mr. Matthies, the deputy minister of Finance, with us as well as some of his officials. But before we get to you, Mr. Matthies, we will ask Ms. Ferguson to quickly review chapter 15 and then we will get the response and open the floor for questions. Ms. Ferguson.

**Ms. Ferguson:** — Thank you, Chair. I have with me today Rod Grabarczyk who leads the work on the pension plans that are incorporated into this chapter, along with Leslie Wendel who leads the work on Department of Finance, and Mobashar Ahmad who also works with the pension area.

So you're moving from a chapter that had no recommendations to a chapter with lots of recommendations actually. So what I'm going to do is I'm going to guide you through the recommendations that are included in this chapter. It actually includes the results of the audit of the Department of Finance along with the entities that it controls for the year ended March 31, 2006. First I'm going to just highlight the recommendations that continue from the prior year. And then I'm going to discuss briefly the new recommendations, and there's four new ones for the committee's consideration.

So there's nine recommendations that the committee has previously considered. We continue to make six of these recommendations and the committee has . . . I mean, we continue to recommend all nine of them, but for six of them your committee has previously considered and agreed with the recommendations. For the remaining three, you have actually considered them and you don't agree with our office.

So for the first six, the first one is we continue to recommend Finance prepare a complete business plan, business continuity plan. That's on page 356.

The second is that the Public Service Superannuation Board establish rules and procedures to ensure that all retired members who are receiving a pension and return to work for the government are paid in accordance with the Act. Alternatively, the board should seek changes to the Act. That's on page 361.

Third, the Board of Public Employees Pension Plan document, approve, and implement information technology policies and procedures for granting, removing, and monitoring user access, on page 363.

Fourth, the public employees pension plan improve its annual report, on page 364. And while we've noted improvements in

the governance of most pension plans, we continue to make two related recommendations for two plans: first, that Finance develop and implement a strategic plan for the judges' Provincial Court superannuation plan, on page 366, and second, that the Public Service Superannuation Board develop and implement a strategic plan which is on page 366 also.

So as noted on pages 351 to 355, we continue to report concerns with certain accounting policies used to prepare the General Revenue Fund financial statements. The General Revenue Fund financial statements include significant errors related to the following three areas.

First, transactions between the General Revenue Fund and the Fiscal Stabilization Fund are inappropriately included in the determination of the General Revenue Fund's annual surplus. Second, failure to record in the General Revenue Fund the amount it owes for pension costs and the related liability. And then the third, not valuing loans to the Saskatchewan Crop Insurance Corporation properly.

So we continue to recommend that the government use generally accepted accounting principles in the preparation of the General Revenue Fund financial statements.

On page 359 we report a related recommendation and we recommend that Finance include the General Revenue Fund's total pension costs for the year in its annual estimates.

Then finally on the recurring recommendations as noted on page 369, we continue to recommend that Finance track and monitor all costs incurred on projects. This recommendation is based on our work on the government's implementation of MIDAS [multi-informational database application system]. MIDAS is the government's central financial and human resource computer system.

On pages 367 to 369 we highlight actions that the government has taken to October 2006 on the two related recommendations. We found that the government did approve a contingency plan and that plan was in place, but it did not track the costs incurred by departments in their involvement in the phase three of MIDAS. So as a result the public and legislators don't know the total cost of the MIDAS project.

For the new recommendations, as previously mentioned, we report four new recommendations for this committee's consideration. Two are related to the Public Employees pension plan and two are related directly to the Department of Finance.

With respect to the Public Employees pension plan, we found that, while the plan has documented some parts of a business continuity plan, it does not have a complete plan. Business continuity plans are plans to respond to unforeseen incidences, accidents, and disasters that could affect the normal operations. On page 357 we recommend that the plan prepare a complete business continuity plan. Management told us in May 2006 that they have given their board a draft business continuity plan that identified and ranked the critical services and included steps for restoring those identified services.

Our second recommendation related to the Public Employees pension plan can be found on page 362. Public Employees

pension plan is responsible for safeguarding and investing members' money. Public Employees pension plan retains a custodian to hold investments, collect income, and record transactions. It delegates responsibility for managing the investments to professional investment managers. These managers direct the custodian to buy or sell investments. The Public Employees pension plan must make sure that the custodian accurately accounts for all transactions. Typically this is done by reconciling the custodian's investment holdings to those reported by investment managers.

The plan does not require a conciliation of investments reported by the custodian to the investments reported by the investment managers. As a result, the draft financial statements presented for audit were understated real estate investments by 8 million. The Public Employees pension plan subsequently corrected the financial statements prior to their issuance.

We recommend that the Public Employees pension plan regularly reconcile the investments reported by investment managers to the investments reported by the custodian and investigate significant differences.

On pages 257 and 258 we set out two new recommendations related to Finance. The first recommendation deals with the need for a better agreement with the Information Technology Office, commonly referred to as ITO. The Finance's agreement with ITO sets out the scope, level, and quality of services ITO provides, however the agreement does not yet include adequate provisions for security or the ongoing availability of key information technology systems. A strong agreement with ITO is important as Finance remains responsible for the security of the information that ITO processes.

On page 357 — and it flows over to 358 — we recommend that the Finance confirm in writing the process and policies that ITO uses to address specific information and technology security and disaster recovery requirements and then identify and set up additional processes to Finance as necessary.

The second recommendation relates to Finance's human resource plan. Finance's human resource plan describes its strategic direction but does not yet identify the key risks or project future human resource needs for new or ongoing activities. A robust and complete human resource plan is essential so that Finance has the right people with the right skill sets at the right time.

On page 358 we recommend that Finance revise its human resource plan to set out its human resource priorities and document its future human resource needs and assign responsibilities to staff to implement the plan strategies.

Finally on page 364 we report a loss of public money of \$60,000 from the Saskatchewan Pension Annuity Fund. The loss resulted from the fund providing an incorrect annuity to a retired member of the plan.

This concludes my presentation, and we'd be pleased to respond to any questions. Thank you.

**The Chair:** — Thank you very much, Ms. Ferguson, for that review. Mr. Matthies, if the department would care to respond

and also if you'd like to introduce your colleagues once more just for the record, then we'll move on to questions.

**Mr. Matthies:** — Thank you, Mr. Chairman. With me on my right is Brian Smith, the assistant deputy minister for the Public Employees Benefits Agency. On my left is Raelynn Douglas, the director of the performance management branch. And I think members are all familiar with Terry Paton and Chris Bayda from comptroller's.

In terms of just a quick response to the auditor's comments, we continue, I guess, to see the three items that were highlighted by the auditor, of having been reported in the past but where the committee did not agree with the auditor's recommendations. Those continue, I guess, as they have always been.

We report in the summary financial statements in accordance with the CICA [Canadian Institute of Chartered Accountants] recommendations, and the Provincial Auditor releases a clean audit opinion on the summary financial statements regarding the issues around the stabilization fund and the pension debts, etc.

On the General Revenue Fund however, we adequately disclose all of the information so that there is nothing that is hidden. But there is I guess an ongoing fundamental disagreement in terms of the use of the GRF [General Revenue Fund] versus how the Provincial Auditor would like to see the accounting policies related to it.

In terms of the four new items that were highlighted by the Provincial Auditor, Finance concurs with the recommendations of the auditor and we are moving to implement the changes to address those issues.

And in terms of the other items that were identified by the auditor from previous findings, we have undertaken diligent effort so that the next time I hope not to see those there. And we believe we are making significant progress on those, and it is my desire that they would not be reoccurring. So that's it.

**The Chair:** — Thank you, Mr. Matthies. We'll open the floor for questions. Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. Thank you to Mr. Matthies and his officials for attending Public Accounts this morning. I appreciate the deputy's comments regarding, you know, the significant progress that he would like to make.

But I am troubled by having five outstanding recommendations, four new recommendations to a department that should be leading by example. Your department should be leading the way, not being faced with comments like this that say, "the GRF's financial statements included in the Public Accounts . . . are reliable except for the improper recording of transactions related to transfers to the Fiscal Stabilization Fund, loans receivable from Crown corporations, and amounts owed for pensions."

I think we will all agree — and, you know, I'd be interested in your comments if you don't — that if a publicly traded company in Saskatchewan operated in this fashion, they would have their licence pulled. They would not be able to operate in

Saskatchewan with not showing amounts owed for pensions, about loans recorded in an improper manner, and I just . . . You know, how can you be comfortable to come to this body year after year with this statement just glaring out there? And of course the Department of Finance has the resources to deal with it. We are somewhat less critical of departments that are smaller, and we give them more time to do it. But clearly the Department of Finance has the resources to do it. And again I'm just disappointed to see this statement again, and I see very little progress over the last year in this regard.

**Mr. Matthies:** — Mr. Chair, just by way of response, I think that the comments are really focused around the auditor qualifications on the General Revenue Fund. Again I guess what I would sort of differentiate that the government prepares two sets of financial statements.

We prepare a summary financial statement which is prepared in accordance with generally accepted accounting policies and receives a clean opinion from the auditor. We also prepare the General Revenue Fund statements because that is sort of the fund, if you will, that manages all of the taxpayer-supported activities. So we receive all of the tax revenue, royalty income, etc., transfers from the federal government, into that fund, and that's the fund that we use then to pay for the public goods and services that are provided.

The issue in terms of the pension aspect in particular, the accounting policy that is followed in that fund has been that way for 70-odd years or so since those funds were established. The notes to the General Revenue Fund fully disclose the obligation so it is not excluded from the financial statements of the General Revenue Fund. They are disclosed and the transfers between the Fiscal Stabilization Fund and the General Revenue Fund are fully disclosed, so there's absolute transparency in terms of what is happening.

In terms of the credibility of the financial statements, obviously, you know, the province is very concerned with how external parties will view the performance of the province, and so we annually meet with credit rating agencies, with bond dealers who provide capital to the province to meet our ongoing requirements, and other parties, to make sure that there is I think a clear understanding of what's happening.

The issue around the loans to the Crown corporation deal specifically with Saskatchewan Crop Insurance. It is the opinion of the government that that program is actuarially sound. It is a long-term insurance program, and it has demonstrated itself over time that it operates on a self-sustaining basis.

The observation that I would make specific to this piece — and I think I made the comment last fall — is if there was ever some sort of action or item that occurred that questioned the self-sustaining nature of the insurance program or its long-term viability, then at that time we certainly would be reviewing how we would be accounting for the loan piece.

And I guess my example is when I go back to '92 or '93, the province at that time made a decision to discontinue one of the livestock programs that was run through Crop Insurance. At that time, the province then made an allowance of some 20-odd million dollars to recognize that that program was not going to

continue and the debt was not recoverable and so an allowance was made in the books.

As we have moved forward, you know, we take the same approach. If there is ever a circumstance that would suggest that the program is other than actuarially sound, then we would again take a similar approach and revalue based on the circumstances at the time.

**The Chair:** — Mr. Matthies, though don't you think that the public can be given inaccurate information because of the issue that Mr. Cheveldayoff raised? For instance, when budgets are brought down, even though the summary financial statement shows a loss, the Minister of Finance will tell the people of Saskatchewan that the General Revenue Fund had a surplus — usually very small, you know, just a few million dollars, even I've seen it under \$1 million — and thus lead the people of Saskatchewan to hear that the province is in a surplus position when in fact the summaries say that it's in a deficit position. That's happened.

**Mr. Matthies:** — Mr. Chairman, I think, you know, I'm a chartered accountant myself and so I am obviously bound by, you know, the standards of my profession as well. And the Department of Finance is not advancing the argument that we think the CICA is wrong. What we are doing is we are saying that we are disclosing all of the information in a manner that we think provides for fair presentation, so that all information is available so that readers and users of the financial statements can draw the appropriate conclusions that they may wish to and that there would be no information that is hidden or not fairly presented in terms of, you know, the complete nature of the issue.

The window, I would suggest, in terms of whether there would be a change in the accounting policies that are adopted by the province, would typically be at the start of every four-year cycle. We follow a four-year plan and that's typically when, if the government was going to make a substantive accounting policy change, we would either make it at the start of a four-year cycle in accordance with that plan, or if there was a significant new pronouncement by the chartered accountants that required some intervening adjustment that was significant, then we would look at it.

So I think that's sort of the context of where we are. Certainly people will choose to interpret results in one fashion or another. I think from my side as the professional, what I look to see is make sure that all of the information is available so that people can then interpret what they want. But we also . . . I think maybe I should make this comment, that in the accounting, particularly around the Fiscal Stabilization Fund, which is I think the issue that Mr. Cheveldayoff is fingering, and you're fingering in particular, you know the accounting is really set out in the legislation in The Fiscal Stabilization Fund Act. And it dictates how the transfers from that fund into the GRF are to be treated and how the transactions where the monies are deposited into that fund are to be treated. So we prepare the statements in accordance with the legislation.

**The Chair:** — . . . turn the floor back to Mr. Cheveldayoff, but could you just tell me when the four-year period starts? When is the next . . .

**Mr. Matthies:** — It would be typically after an election cycle. We prepare a four-year plan at the start of every mandate.

**The Chair:** — Okay. Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. And I did have a question similar to yours. And I guess I just will continue to say that I have great concern when I see the financial department, the head of the finances of the government, at loggerheads with the auditor's office and the audit function of government.

And year after year we see a very fundamental difference in the way things should be done in this province. And I think it does, it does confuse people. You know, not everybody has the luxury of examining this information in the depth that we are able to and that taxpayers pay us to. And when I see things like on page 351, it says:

... the GRF's financial statements include significant errors. These errors affect the reported annual surplus. The Government continues to use the GRF's annual surplus as one of its key performance indicators.

And I think that's the point that's made there. That is what is held out by the Finance minister and your department as the key performance indicator. And we'll probably hear it again in the next budget. I'm not a real big betting man but I would say that the likelihood is good that we will hear that it's the 17th or 27th or 37th or you know whatever — I'm making light of it — but it's the 17th annual budget surplus. But then we look at what the auditor says. You go on and you see that over the last 16 years, nine surpluses and seven deficits. That's the information. And I know that that is not well communicated to people out there but it is very clearly . . . The auditor makes an effort to do that.

Mr. Matthies, can you tell us, will there be any changes to what we see as key performance indicators in this budget and how it'll be communicated to the public when the budget comes forward this year, in light of the auditor's strong recommendations?

**Mr. Matthies:** — Mr. Chairman, in terms of the reporting in the budget, if I can sort of speak to it, you know, the budget will come down next week on March 22. We'll leave it to the Minister of Finance to present that information. In terms of the performance plans, all of the departments in government will be providing their performance plans this session. Most come down simultaneously with the budget documents. Some will come slightly after. But all of the information in terms of the activities of the government, the accounting of the dollars, are fully disclosed. And I'm not sure that there's more I can add to that.

**Mr. Cheveldayoff:** — Thank you, Mr. Matthies, Mr. Chair. Well if I can get more specific, I guess one change that we will see is that, now that there are actual dollars in the Fiscal Stabilization Fund, are there going to be appropriate accounting policies to record the transactions between the Fiscal Stabilization Fund and the GRF? Will we see some different accounting practices because of the decision to finally fund the Fiscal Stabilization Fund?

**Mr. Matthies:** — Mr. Chair, there's no accounting policy change that's required in terms of the decision to fund the Fiscal Stabilization Fund. We do disclose currently any transfer between the General Revenue Fund and the Fiscal Stabilization Fund. We have done that since its inception in 2000 and we'll continue to do that. So funding it does not require any accounting changes.

The decision to fund it was made by the government as it felt that that would provide a better transparency to the public in terms of having the extra dollars to manage volatility in our revenue streams or to hold — if I can use that term — monies that we get from the federal government from time to time where they would prepay program contributions to us and then it's spent over the ensuing two, three, or four years. And so we would deposit those into the Fiscal Stabilization Fund and then bring it back to the GRF as those programs are then rolled out in the ensuing years. So there's no actual accounting policy change with the funding.

**Mr. Cheveldayoff:** — Thank you to the official. And through you, Mr. Chair. I think a comment regarding the generally accepted accounting principles is in order at this time. We had asked that question to Mr. Swystun when he was here, and he said, of course the Crown Investments Corporation operate by those principles. And here we see that the auditor says:

We continue to recommend that the General Revenue Fund's financial statements record transfers in accordance with Canadian generally accepted accounting principles for the public sector.

Now we see that that's not the case with your department and how it operates. And it's not entirely your fault because when we go on and we see that in February 2002 this Standing Committee on Public Accounts considered the matter and disagreed with the recommendation. So yes, you know, we as public officials that sit on this committee will have to bear some of the responsibility for that. But I would contend even members opposite were probably maybe looking at this a little different. And if that was brought forward today, it may indeed pass.

Can you outline for us, is there a movement towards the generally accepted accounting principles that again the auditor recommends? Have you considered this, discussed it, and will there be a plan in place?

**Mr. Matthies:** — Yes. Certainly what I would say is that it is always the desire to have an audit report with as few qualifications as possible, because we all strive for that. And I guess what I would point to is on the summary financial statements that are prepared, we do indeed have a clean audit report.

Related to the General Revenue Fund and the difference, the significant difference that you've highlighted is in the transactions with the Fiscal Stabilization Fund. And I guess I would reiterate the comment first that the accounting that applies to those funds is in accordance with the legislation. There is full disclosure. In terms of whether or not there would be a movement to adopt generally accepted accounting, all of the GAAP pieces, and remove these qualifications for the GRF,

I would make a couple observations.

The first one is that if you go back a decade or so ago, I think within the financial statements of the province, I think we had several other audit qualifications at different points in history. And over time we have been able to eliminate those. So now what we have is we have the three that exist today.

In terms of whether or not these will continue into the future, I guess I go back to the discussion that the window for consideration of change typically lies at the start of the four-year plan, and that is subsequent to each provincial election, would be when the government of the day would review the appropriateness of key accounting policies and decide whether or not it wants to make a change or not.

But having said that, I guess I still go back to the point that there is full disclosure in the GRF statements in terms of the material transactions that the member is talking about. And again on a summary financial statement, which we also prepare, it is entirely in accordance with GAAP and has a clean audit opinion.

**Mr. Cheveldayoff:** — Thank you, Mr. Matthies. Moving along, because I see the time is quickly escaping us, regarding the unfunded pension liabilities that are hanging over the province at the present time, has the government made any commitment to record pension costs in the GRF financial statements?

I know when you look at the numbers that the auditor provides for us, we've seen a \$100 million bump. It doesn't look like much when you look at \$4.3 billion, but indeed that's a \$100 million bump in the last year. Can you outline if indeed we will be seeing these in the GRF and if not, why not?

**Mr. Matthies:** — Well again, Mr. Chairman, this relates to the qualification around the unrecorded pension debts again, and Judy Ferguson from the auditor's office sort of connected the two issues here. So they really go hand in hand, and at this point the GRF cash funds the old pension plan payments. And so these two items go hand in hand, and there is not a movement under way at this time to change that accounting policy.

And if I go back again to sort of the use of the GRF, because we've got, you know, some 4.2 billion or so in unfunded pension obligations that will have to be met by future tax dollars, the disclosure in the GRF then basically matches tax receipts that are coming in against those cash payments that are having to be made. But we do fully disclose in the notes what the total obligation would be, and on the summary financial statement basis, it is prepared in accordance with the disclosure requested by the auditor.

**Mr. Cheveldayoff:** — Thank you for that answer. One of the recommendations that the auditor makes is to include the annual pension costs in estimates. And to my knowledge, Finance has disagreed with this recommendation. Can you outline your response to that request from the auditor.

**Mr. Matthies:** — What the estimates include is the projection for payments by the government to meet the obligations to the annuitants each and every year. So what the government expects to have to actually pay to retired individuals is included

in the budget. I believe what the auditor is referring to is sort of any additional accruing benefit to the people that are in the old plans. And so consistent with the pay-as-you-go approach, those amounts will be recognized as they are paid, you know, over years down the road, whether it's, you know, the next 5, 10, 20, 30 years or whatever. They'll be recognized as we incur the actual payment.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. I'm just trying to find the exact line in the information, but the auditor at some point says that in order for the legislature and legislators to do their job, there needs to be more fully accounting of the pension liabilities.

And I know from my perspective as the Finance critic in the province, I find very little information that comes out other than the, sort of the aggregate number regarding the unfunded pension liability. Do you think that there's other ways that your department could help legislative members with a fuller accounting of the unfunded pension liabilities that we're facing?

**Mr. Matthies:** — Mr. Chairman, in the notes to the public accounts document, there are very lengthy notes explaining what the pension obligations are. We set them out based on, you know, the major unfunded plans and what transactions have happened over the course of the year. So all of that information is provided by way of note disclosure in the public accounts document.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. Can you tell us what you foresee happening then with the unfunded liability in the short term? How far out does your department make those projections and what do you see happening with that unfunded liability?

**Mr. Matthies:** — Mr. Chairman, actually in this same volume the Provincial Auditor has provided a chapter providing an analysis that was done in conjunction with Finance regarding the pension obligation. So it's not under discussion today, but I believe it's chapter 13 and there are charts in there that sort of set out how we see the pension obligation changing over time.

And it will continue to build for . . . I forget the date exactly — till about 2012 I believe, somewhere in there. And then after that time the obligation starts to go the other way. Because we'll actually see, you know, the people will have retired and we'll be paying them out and there will no longer be, you know, additional entitlements accruing.

And so the chapter 13 kind of lays out a very good discussion of that information. And I'm not sure when we'll be reviewing it at committee, if at all, because there aren't recommendations on it. But it's an information piece for members.

**The Chair:** — If the Chair could just interject, I have two more people that want on so, Mr. Cheveldayoff, if you have a wrap-up question we'll quickly entertain that and then I have Ms. Crofford and Mr. Trew.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. No, I don't want to monopolize all the time. I will have ample opportunities to question the minister in estimates so I will continue with this

questioning.

Just one quick one on the loans to Crown corporations. We see some concern about a couple of loans. Are there any more recent loans that aren't included in this chapter that would fall under this same category that the auditor has outlined concern about?

**Mr. Matthies:** — No. I think the only one that's been flagged with us is the crop insurance piece and I think I've already spoken to that. We see that as an actuarially sound program and we are just at a disagreement with the auditor on it.

**Mr. Cheveldayoff:** — Thank you, Mr. Matthies, your officials, and Mr. Chair. That's all for now.

**The Chair:** — Ms. Crofford.

**Ms. Crofford:** — First of all I guess I'll just note — and correct me if I'm wrong — that there's a clean audit statement on the summary financial statements. The question I wanted to ask in terms of performance outcomes for the Department of Finance, how important is the debt/GDP ratio and credit rating upgrades as a measure of the department's management of finances?

**Mr. Matthies:** — Your first comment is correct. The summary financial statements do have a clean audit opinion. In terms of the debt/GDP ratio, it is considered in the investment community, if I can describe it that way, as a significant indicator of the financial health or capacity of the jurisdiction so we have included that in our own performance pieces because as we talk with stakeholders they tell us that those are significant measures that they look to. So we don't create these because we feel good ourselves but we sort of talk with third parties and, what are your benchmarks? And then we'll have to measure against that because that's the bar that we will be held up to ultimately anyway. So that's why we track it.

**Ms. Crofford:** — And the same with the credit rating upgrade. That's sort of based on the . . .

**Mr. Matthies:** — The credit rating is significant because as you go into the capital markets there are a number of institutional investors and others who will limit their ability or their desire to loan money to different entities depending on their credit worthiness. For example, you know my own previous experience through pension programs, etc., will be that investors may say, no, nobody below an A rating or something like that or however they choose to categorize it.

So the rating is important in terms of having access to capital to meet the ongoing obligations, and it's also important in terms of the cost of capital because the higher or the stronger your credit rating, the cheaper basically you can access cash to pay for your operations.

**Ms. Crofford:** — So your performance will include at least those two factors.

**Mr. Matthies:** — We do track those.

**Ms. Crofford:** — Thank you.

**Mr. Matthies:** — Absolutely.

**The Chair:** — Mr. Trew, do you have a question?

**Mr. Trew:** — Actually I have one quick thing.

**The Chair:** — Sure.

**Mr. Trew:** — . . . that the time is virtually out and I want to pass, but I want to hear some comments about the four recommendations that we're going to be voting on. And I'm wondering if Mr. Matthies has some comment on that before we get to the vote.

**Mr. Matthies:** — Certainly the department is in favour or would support all of the recommendations by the auditor. In terms of the business continuity plan, I guess just a real quick comment. We've actually hired a consultant to help us bring that to fruition and close that piece off.

In terms of the recommendation around the Information Technology Office and I guess augmenting or updating our agreement with them, we have received a draft that we are now reviewing, and we're just making sure that it addresses those things that are particular to Finance. It's a bit of a standard agreement that ITO [Information Technology Office] will use with all departments. And then our focus now is to make sure that it addresses the unique things to Finance. So we are indeed working on that.

The recommendation regarding the human resource plan, again we are supportive of that. And we have a draft that we are developing that we will be vetting through the Public Service Commission to make sure that we've addressed all of the areas of issue that should be in a good performance or human resources plan.

And the recommendation regarding reconciling the investment manager's record of assets to what the custodian of our investments is with PEBA [Public Employees Benefits Agency] is also an action that we are moving to make sure that we have those pieces in place. So we are supportive of all of those four recommendations.

**Mr. Trew:** — Thank you, Mr. Matthies, Mr. Chair.

**The Chair:** — All right. Colleagues, are we ready to go to the four recommendations? All right. We go to page 357, the top of the page. The first recommendation from the Provincial Auditor reads:

We recommend that the Public Employees Pension Plan prepare a complete business continuity plan.

Is there a motion? Mr. Borgerson.

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

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

The second recommendation on the bottom of the same page:

We recommend that the Department of Finance confirm, in writing, processes and policies that the Information Technology Office uses to address its specific information and technology security and disaster recovery requirements, and then identify and set up additional policies unique to the Department of Finance as necessary.

Is there a motion? Mr. Borgerson.

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

**The Chair:** — Again a motion to concur and note progress. Any discussion on the motion? Again seeing none we'll call the question. All in favour? That's carried unanimously. We'll go to recommendation 3 on the bottom of page 358. The auditor recommends:

... the Department of Finance revise its human resource plan to:

set out human resource priorities that link to its strategic direction

document its future human resource needs (for example, number, type, location of employees, and required competencies) to meet the goals and objectives [and]

assign responsibility to staff to implement planned strategies.

Is there a motion? Mr. Borgerson.

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

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

**Some Hon. Members:** — Agreed.

**The Chair:** — Again carried unanimously. And the final recommendation is on page 362. The Provincial Auditor writes:

We recommend the Public Employees Pension Plan reconcile regularly the investments reported by the investment managers to the investments reported by the custodian, and investigate significant differences.

Is there a motion? Mr. Borgerson.

**Mr. Borgerson:** — Mr. Chair, I'm going to ask Mr. Matthies to give a very quick, general response to that recommendation. So if I could have just a little more detail in terms of the reconciliation of Public Employees pension plan between investment managers and the custodians.

**Mr. Matthies:** — Mr. Chairman, I'm just going to ask Brian Smith to provide more information on this.

**Mr. Smith:** — Mr. Chairman, we're working with the

investment managers of each of the . . . that have assets invested on behalf of the plan. We're working with those managers because in their statement of investment policies and goals of the plan, the investment managers are also to reconcile with the custodian. So the money managers have to reconcile with the custodian. We work with investment consultant who also has to reconcile the information between the custodian and the investment managers. And we're working with the plan's appointed auditor, Meyers Norris Penny, to work on this specific recommendation to evolve over the next year to meet the auditor's needs.

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

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

**Some Hon. Members:** — Agreed.

**The Chair:** — Again carried unanimously. Thank you, colleagues, for just about finishing on time. I know that's important to Mr. Trew. I want to thank you, Mr. Matthies, and the other officials from Finance for being with us. Of course our two regular officials from the comptroller's office whom we often sort of overlook. They're just there watching and contributing as necessary.

Next week we will be dealing with the Department of Learning and we look forward to reconvening one week hence. Thank you very much. I declare the meeting adjourned.

[The committee adjourned at 11:50.]