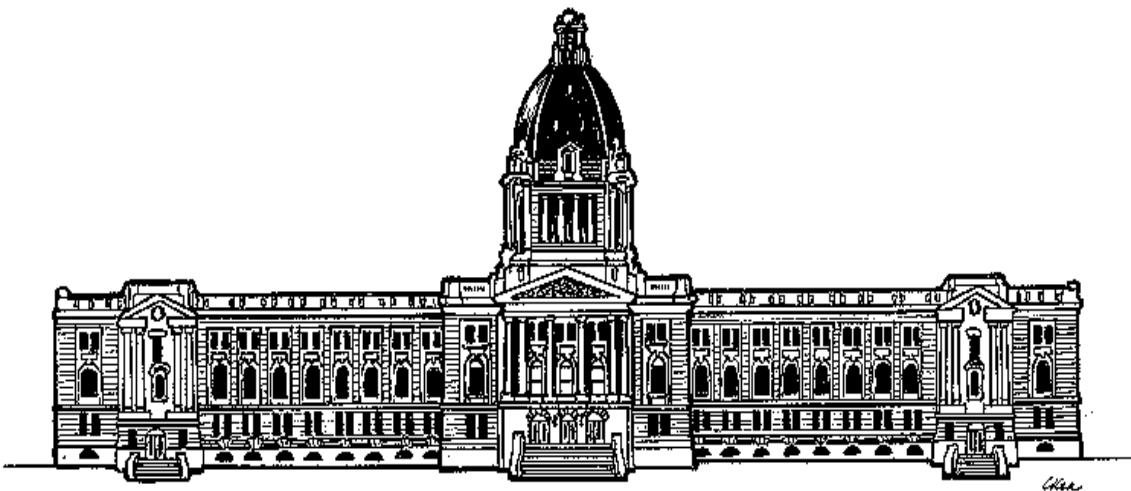




STANDING COMMITTEE ON PUBLIC ACCOUNTS

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2007**

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Rosetown-Elrose

Ms. Joanne Crofford, Deputy Chair
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Mr. Lon Borgerson
Saskatchewan Rivers

Mr. Ken Cheveldayoff
Saskatoon Silver Springs

Mr. Michael Chisholm
Cut Knife-Turtleford

Mr. Andy Iwanchuk
Saskatoon Fairview

Mr. Kim Trew
Regina Coronation Park

[The committee met at 10:30.]

The Chair: — Good morning, everyone. I'd like to welcome each one of you to the Public Accounts Committee meeting this morning. We have a two-item agenda. Our first item will be the chapter on Justice, chapter 16 of the 2006 report volume 3. We hope to deal with that from 10:30 to 11, then Northern Affairs, chapter 18 of the same volume from 11 o'clock to 11:45.

Public Hearing: Justice

The Chair: — I'd like to welcome the Provincial Auditor and some of his staff here as well as the comptroller and his assistant. We have a number of witnesses that will be appearing from both Justice and Northern Affairs.

The procedure will be the normal one where we will ask the auditor — I think presenting is Kelly Deis this morning — to review chapter 16 of the 2006 report. Following that we would invite the assistant deputy minister, Rod Crook, to introduce his colleagues and respond as briefly as you can, within reason. And then we will open up the floor to questions from the members. Therefore, Mr. Deis, I turn the floor over to you.

Mr. Deis: — Thank you and good morning. Our chapter starts on page 371. The first few pages, we describe the department's mandate, its funds and agencies and our audit conclusions.

On page 375, we note that the department needs to improve its processes for the receipt of fines tickets. Improvements in processes are necessary so that the department can properly enforce fines and criminal charges. We expected the department to have cost-effective processes, to know the tickets used by law enforcement agencies, and unused tickets.

On February 18, 2002 this committee agreed with our recommendation. We continue to recommend the department strengthen its procedures to ensure that the department records tickets issued by law enforcement agencies. During its meeting on February 5, 2006 of the Public Accounts Committee, the deputy minister told the committee that the department had developed a policy that effective April 1, 2006 that law enforcement agencies would return all issued, spoiled, or voided tickets. This will allow the department to start to track tickets. This is a good step.

On page 377 we continue to recommend that the department ensure that when repeat offenders appear in court, it informs the sentencing judge of any unpaid fines. In January 1999 this committee recommended that procedures be developed to ensure that when repeat offenders appear in court that the sentencing judge will be informed if previous fines are unpaid. The department carried out a pilot project. The deputy minister reported the results at the April 12, 2005 meeting of PAC [Public Accounts Committee]. The deputy minister told the committee that the limitations of Justice's existing fine system, JAIN [Justice automated information network], if you would, prevent it from efficiently providing this information to the courts.

This system is in the process of being replaced and Justice intends to explore the feasibility of automated tracking of this

information. At the February 6, 2006 meeting of PAC the deputy minister told the committee that Justice expects to implement the new system during 2007.

On page 377 we note that the department needs to strengthen its information technology security. We recommend that the department secure and monitor access to information technology systems and data.

On page 378 we note that the department needs to complete its business continuity plan to help ensure that it can deliver its critical services in the event of a disaster. The department needs to improve its documentation of the procedures for implementing the plan, for central coordination of the plan, and for coordination between the branches. On February 6, 2006 this committee considered this matter and agreed with our recommendation. We continue to recommend that the department complete and implement — in other words have available for use — its business continuity plan.

On page 378 we say the department's human resource plan needs some improvements. We recommend that the department improve its human resource plan by quantifying its human resource needs, providing details of the human resource gap between actual and required resources, and providing measurable indicators and targets.

And on pages 379 to 381 we talk about improvements needed by the Public Guardian and Trustee of Saskatchewan. The guardian's payment system does not prevent the guardian from paying a supplier twice for the same transaction. For some payments, for example overdue or urgent payments, a supplier sometimes hands the guardian a second invoice. When this occurs, there is an increased risk that the guardian will pay the supplier twice.

We recommend that the Public Guardian and Trustee of Saskatchewan fix its payment system to reduce the risk of making duplicate payments. The guardian told us that it is implementing additional controls such as staff awareness, staff education on new rules for processing invoices, and changes to the computer system that will reduce the risk of duplicate payments. And that concludes my remarks.

The Chair: — Thank you, Mr. Deis. And again we'd like to welcome Rod Crook, assistant deputy minister. If you'd like to introduce your colleagues and respond, now is your opportunity.

Mr. Laxdal: — Actually, Keith Laxdal for the department, Mr. Chairman. Yes, to my left is Rod Crook from courts and civil justice; to my right, Gord Sisson from admin services; and at the back we have Jan Turner, community justice; Murray Brown from public prosecutions; Ron Kruzeniski from Public Guardian and Trustee; Deb Barker from court services fine collection area; and Mike Pestill from financial reporting within admin services.

If I may, Mr. Chairman, Doug Moen had asked that I provide the statement he had intended to deliver in response to the recommendations set out in the auditor's 2006 report. And Doug wanted to begin by thanking the auditor and his staff for

their co-operation over the course of the year. The auditor has noted five areas for improvement, and I'll briefly speak to each of these five.

The first deals with the recording, tracking, enforcing, and collection of fines. In our last appearance at this committee, we told you that we had written to all law enforcement agencies advising them of a formal department policy requiring all issued, spoiled, or voided tickets be returned to the department beginning in April 2006. The police have committed to working with us to resolve this issue in a way that is administratively efficient.

Since that time we have seen a significant increase in the number of voided tickets returned to the department. The increase, combined with our previously improved controls over ticket distribution, resulted in a significant improvement in our ticket return rate during '06-07. When comparing the number of tickets sent to police agencies to those returned, the return rate is 94 per cent. This compares to an average rate of 67 per cent over the previous two years or 74 per cent if you go back three years. We're continuing to explore the implications of this increase, but are optimistic that our rate of missing tickets has decreased significantly. The results are also consistent with our assumption that missing tickets are unissued, spoiled, or voided. We will continue to assess these results over time.

With respect to ensuring that judges are provided information on outstanding fines at sentencing, the department previously reported that the current court information system, JAIN, tracks individuals that owe fines, the amounts owing. And the processes to access this information is manual and cannot always meet the timelines of docket court.

Since the last appearance before this committee, the department has implemented changes to JAIN in December '06 to automate the production of outstanding fine reports. These reports are made available to prosecutors when an offender with outstanding fines appears in court on Criminal Code matters. Regional prosecutors are accessing this information and providing it to the court at sentencing whenever appropriate and possible.

On the fine collection program activity, our five-year collection rate is 80 per cent using a continuum of tools to collect fines. The tools include demand letters for outstanding tickets, non-renewal of driver's licences for provincial and Criminal Code traffic fines, use of collection agencies, enhanced civil enforcement measures to investigate offenders and target available assets to secure payment on outstanding fines. If our investigators determine that assets are available, we are garnisheeing wages, having judgments issued, and registering writs to collect the outstanding fine.

And finally, by fall of this year we will initiate a new program to refer unpaid fines to the Canada Revenue Agency for collection through acquiring offenders' income and GST [goods and services tax] tax refunds. But at the end of the day our collection methods are only successful to the extent that the offender has the means to pay the fine. And we've made fines easier to pay and have a variety of options in place. Fines can be paid in person, by cash, cheque, credit or debit card. They can be paid through the mail by cheque or credit card; telephone

or Internet, through a credit card. And finally offenders also have the option to settle a fine through community service under the fine option program.

There are serious consequences for people who do not pay fines. People who don't pay traffic fines may not be able to get their driver's licence renewed. People whose fines are sent to collection agents will see their credit rating affected. People who do not respond to demand letters, the driver licence non-renewal program, and the collection agents could see enforcement action taken through civil processes.

And as I've said earlier, by this fall the income tax or GST tax refunds may be applied to these outstanding fines.

The second area noted for improvement by the auditor dealt with strengthening information technology security. We feel that the department is diligent in maintaining network security and for the past several years our IT [information technology] systems and data were protected by two firewalls — the SaskTel CommunityNet firewall and a departmental firewall that separated us from other users on CommunityNet. These are up to date and they're monitored regularly for threats.

We're also monitoring user accounts on a monthly basis for employees that leave the department. And arising from the auditor's recommendations, processes have been improved to ensure all changes to user accounts are made on a timely basis.

The third area for improvement, completing the business continuity plan. The plan is essentially complete. What hasn't happened at this stage is that it hasn't been reviewed by the executive management within the department. We expect this will happen in the very near future. And I can advise the committee that the plan would include the list of items one would expect within a business continuity plan — priority order of recovery, activation, roles and responsibilities, site locations, communications, vital records, and so forth.

A fourth area for improvement dealt with the human resource plan, and the department is committed to strategic and effective human resource planning and has produced a human resource plan since 2000. We appreciate the auditor's comments regarding our 2005-06 plan, and the department has incorporated the recommendations into the '07-08 HR [human resources] plan.

And finally the last area, the fifth area dealt with improving controls within the Public Guardian and Trustee. And we can assure the committee that the Public Guardian and Trustee takes its role as trustee of other people's money very seriously. The office on an annual basis pays over 30,000 invoices amounting to about \$36 million. Duplicate payments were made in error when copies of invoices were re-sent by suppliers who had not yet received payment on the original invoice. I can advise that the office has recovered all but one of the 79 duplicate payments and has made arrangements for this particular repayment.

The office has taken a number of steps to reduce the duplicate payment risk. They've increased staff awareness regarding the potential risks of duplicate payments. They have identified suppliers who tend to send in duplicate invoices. This would be

by fax and as well as by mail, and this information was provided to staff to assist them to identify the potential duplicate payments. All faxed invoices are reviewed to ensure that they're not a copy of an original invoice. And by June of this year, they will modify their computer system, the Guardian system, to flag potential duplicate payments made on behalf of the same client in the same month and for the same amount. So these measures will further assist in ensuring that duplicate payments do not occur.

And that's our opening statement, Mr. Chairman. We're pleased to address any questions the committee may have.

The Chair: — Thank you very much, Mr. Laxdal, and I apologize for confusing you with your colleague on the left. I have this bad habit of looking at the name on the top of the list, and it wasn't you. And of course, another confession. I actually did get from broadcasting a video with Mr. Crook and Mr. Morgan in an exchange over tickets where I thought, you know — and this is kudos to both of you — where I thought the questions were very relevant to the chapter being discussed. And I thought the answers were very relevant to the questions being asked. So my apologies to you, Mr. Laxdal and also to you, Mr. Crook. I did notice that you had changed your hairstyle and now I'm . . . We will now adjourn to questions. I recognize Mr. Morgan.

Mr. Morgan: — I have some concern with the issue of unpaid fines. During a earlier trip through accounts we were provided information by the department that there was going to be a fine-tracking system and an aged accounts receivable type of computer program brought in. And earlier this year, a week or so ago, in budget estimates we learned that that is not in fact the case — that they, that's either in a review process or hasn't happened yet. And I was concerned that we were not able to identify at that point the total amount of fines that were unpaid, and we were unable to develop a timeline for when that might be implemented.

And I guess my concerns are threefold. One, we now have outstanding in arrears somewhat in excess of \$20 million worth of fines and we're not sure at this point whether it's 22, 23, or \$25 million because we have no method of knowing unless we go through them file by file. So I guess, one is we're not sure the magnitude of the problem, so we've got a massive amount of lost money for the province.

And secondly I'm sort of concerned about the issue of what does that say about our competence to be able to identify what a problem is and deal with it in a timely manner. But the thing that troubles me the most is it destroys public confidence in our judicial system and destroys our ability to have integrity and maintain public confidence in our ability to collect fines, and respect for fines and penalties when they're levied by the courts.

So I guess what I'm asking today is, is there a specific timeline to have an aged accounts receivable system? And I appreciate Mr. Moen having listed the various methods that are available, and they're all valid and I appreciate they're all legal. But what we don't have is a method of identifying which offenders haven't paid so that at the end of the month we would be able to, well these are the ones that have come on to our system and

this is what we're going to do with them. So I guess what I'd like to see is an action plan and a specific timeline to have that.

Mr. Crook: — Mr. Morgan, just a couple of quick responses before I get into some of the detail. First of all, we do know exactly how much fines are outstanding — the amount — and that is tracked on our computer system so it is incorrect to suggest that we don't know at any time what the total amount of outstanding fines is.

I had previously recorded in estimates the total amount of fine receivables outstanding at March 31, 2006, and I can now provide you with the updated information for the total amount of fines owing as of March 31, 2007, and that number is 21.715 million. Now approximately 7.6 million of that figure is less than three years old. This figure includes all fines ordered that have not been paid, so clearly if the fine was ordered last month and it hasn't been paid, it's going to be included in that total. The fact that it's included in the total doesn't mean that the fine is not going to be paid, and we would, based on our collection record, we would anticipate that a significant amount of this total outstanding fines receivable will in fact be collected. But that is the current amount that is outstanding at this time.

In terms of the second issue on aged accounts receivable, I think that issue originally arose in the context of a municipality that wanted the Department of Justice to provide them with a list of offenders who owed them money on an aged accounts receivable basis. And our system, we'll be happy to provide that if our system permitted that. But the thing that I think is important to note is that the municipality issues, you know, the police officers employed by the municipality or by our people issue the original tickets. They have their own tracking system for the tickets that they have issued. We collect them and then monthly we supply them with a payment along with a list of the particular offenders and tickets to which the payment relates. And so the municipality is then on its own system free to tick off which tickets have been paid. And so if they want the information on an aged accounts receivable basis, they do have a capacity on their own systems to do that if they see fit.

The third comment is that we had said that in the context of replacing our court information system over time, we would be happy to look at trying to accommodate the municipalities' request for that kind of information. But I think again it is important to note that we do give them monthly payments with detailed information as to the particular tickets and offenders to which that relates, and they are free to then track that information and should know what fines remain outstanding. I don't know if that addresses all of the questions you raised?

Mr. Morgan: — Well it does. What the municipalities want — and I wasn't aware that's where it came from — but what they want is exactly right. They want to know what's owing to them, how far in arrears it is, and whether the fines levied, whether there's a prescribed payment by the judge. The judge says you'll pay this one by this date. I mean they all have a due date when they're issued.

But you as a department should want the same information, so that you have a list of accounts receivable as well. So when they go into arrears as in — I'm not saying they're three years old or one year old or whatever — but when they're past the point

when the judge has ordered it to be paid, that you can decide which of that list of collection proceedings you're going to take. And I mean that, you know, to me it doesn't . . . You know, I'm glad it's only \$7 million, not \$25 million. But still \$7 million, you should know a day or a week or be able to do a computer query so that you know exactly what's unpaid. And then every morning there'd be a list that would come in and, you know, they're dealt with. It doesn't make sense that we're . . . you know, it's a nuisance that we're providing this service to the municipalities. As a department we should want this information, and we should want to have a program in place so that we're dealing with these things.

Mr. Crook: — We do have the information as to the due date of each and every fine that's ordered in this province. And when that fine is not paid on that due date, whether it's a fine owing to the province or a fine owing to the municipality, our collection program kicks into force. So that we have, and so that we can ensure that each and every fine that's ordered in the province is subject to collection where the payment doesn't come in voluntarily.

What we can't do though is at any given time for a particular municipality print out a list of offenders from that community on an aged accounts receivable basis. But we do know for example on an aggregate basis, you know, how much of our fines are less, that are outstanding that aren't paid are less than a year old, how much are one to two years old, how much are two to three years old. So for example the total amount of fines that are currently ordered and unpaid, as I indicated, was 21.715 million. Of that, 3.224 is less than one year old, 2.171 million is one to two years old, 2.233 million is two to three years old, and so on. So we do have the information on an aged account receivable basis in terms of the aggregate statistical information. We can't break it down for a particular municipality. And in addition to having the aggregate information for, as I say, for each and every fine, we know precisely when the due date is. If it's not paid, our collection process then becomes activated.

Mr. Morgan: — You had indicated a year ago that you were going to look for a computer system that would give this information. And now in estimates, you'd indicated you're working now with the information technology people to develop it. What is it that you're looking for? What is it that you want the system to do?

Mr. Crook: — Both the Department of Correction and Public Safety and the Department of Justice have . . . Our major systems are old and, you know quite frankly in need of being replaced over the next few years. And so on the Justice side, we are looking to replace our court system and that includes the area of fine, the use of the system to provide us with information about fines and to track the collection.

So we're really looking for what we have now but in modern technology with some additional enhancements, including the ability to generate the outstanding fines reports for all matters, better ability to extract statistical information for particular areas — for municipalities for example — and to have those types of enhancements. But in terms of the core functionality — knowing when the fine's outstanding, being able to track the payment — that we have currently, and we'd be seeking to

replicate that.

Mr. Morgan: — I don't have any further questions, Mr. Chair. I see we're out of time.

The Chair: — Are there any other questions? Mr. Chisholm. Sorry, I didn't see you.

Mr. Chisholm: — I just have one quick question. You mentioned that on the collection of fines, that Revenue Canada is now going to be involved as of this fall. I'm wondering if you could tell me, in other jurisdictions in the country, has Revenue Canada been utilized to collect fines for other jurisdictions?

Mr. Crook: — Yes. We keep in touch with our colleagues in the other provinces, and in terms of use of Canada Revenue Agency, our province immediately to the west, Alberta, has instituted that program . . . [inaudible interjection] . . . That's the only province we're aware of that is currently using income tax set-off. They have chosen to use it just for traffic-related fines; we intend to use it for both traffic and non-traffic fines. So based on our discussions with our colleagues across the country, we are not aware of any collection method in use anywhere in Canada that we are not currently using ourselves with the exception of income tax set-off which we will be implementing by September.

Mr. Chisholm: — Thank you.

The Chair: — Thank you. Just a quick question on the Public Guardian and Trustee of Saskatchewan portion. I heard you give some statistics that were positive, showed that the amount of payments, overpayments, had been substantially reduced. I wasn't clear — was that as of March 31, 2007? Do you have statistics for how many duplicate payments were made in the fiscal year 2006-2007, and what amount of money was the overpayment?

Mr. Crook: — I'm advised by the Public Guardian and Trustee that those figures related to the 2005-06 fiscal year.

The Chair: — Do you have numbers for the most recent year?

Mr. Crook: — No, we don't at this stage.

The Chair: — All right. Very good. No more questions? We have three recommendations to deal with, recommendations that the Provincial Auditor has included in this chapter. The first recommendation is on page no. 378. I should inform my colleagues that for this portion of the meeting, substituting for Mr. Cheveldayoff is Mr. Morgan. So, Mr. Morgan, you can, you're allowed to vote on these recommendations.

The first recommendation on page 378 by the Provincial Auditor reads:

We recommend that the Department of Justice secure and monitor access to information technology systems and data.

Is there a motion? Ms. Crofford.

Ms. Crofford: — I'll move to concur and note progress.

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

Second recommendation is on page 379. It reads:

We recommend that the Department of Justice improve its human resource plan by:

quantifying its human resource needs

providing details on human resource gap between actual and required resources

providing measurable indicators and targets.

Is there a motion? Mr. Borgerson.

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

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

The final recommendation, no. 3, is on page 381. It reads, "We recommend that the Public Guardian and Trustee of Saskatchewan fix its payment system to reduce the risk of duplicate payments." Again, is there a motion? Ms. Crofford.

Ms. Crofford: — I'll move to concur and note progress.

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

Thank you very much, Assistant Deputy Minister Laxdal, and the folks you brought with us. We'll let you go so that the folks from Northern Affairs can join us.

Public Hearing: Northern Affairs

The Chair: — All right, colleagues, we will move on to the second item on the agenda, Northern Affairs, chapter 18. I am pleased to welcome Deputy Minister Alan Hilton from the Department of Northern Affairs. We will ask you to introduce your colleagues after we have heard a report or summary of the report by the Provincial Auditor, which will be given by Mr. Bashar Ahmad. We give you the floor, Mr. Ahmad.

Mr. Ahmad: — Thank you. And good morning, Mr. Chair, and members of the committee. Chapter 18 begins on page 390 of our 2006 report volume 3 and reports the results of our audit of the Department of Northern Affairs for the year ended March 31, 2006. In this chapter we repeat one recommendation from our 2005 report volume 3 and make one new recommendation.

Our repeat recommendation relates to the department's management of loan management. The department manages the Northern Development Fund loan program. Under this program the department approves fixed-term loans to persons in northern Saskatchewan for economic development. Although staff appeared to be generally aware of the status of the loans, the

loan files did not always have adequate evidence of monitoring of loans. In our 2005 report we recommended the department receive and analyze the borrowers' financial statements and operating information as required by its loan agreement. Your committee considered this recommendation in May 26, 2006 and agreed with our recommendation.

Our new recommendation on page 393 requires the department to follow its established procedure for approving loans and having all required loan documents completed before disbursing loans under the development fund loan program. We made this recommendation because although the department has established a delegation of authority and communicated requirement for other loan documents, staff did not always follow those requirements. Inadequate loan approvals and monitoring processes increased the risk that the department may not achieve its objective of providing the loans and may not collect amounts due. That concludes my review. Thank you.

The Chair: — Thank you, Mr. Ahmad, for that quick summary. We appreciate that. And again welcome, Mr. Hilton. We give you the floor and to introduce your colleagues and respond.

Mr. Hilton: — Thank you, Mr. Chairman. Mr. Chairman, to your right is Gerald DesRoches, who is the senior account manager for the NDF [Northern Development Fund] loan program. And to your left is Anita Jones, who is the executive director of planning and financial management for the department.

I guess I'll just make a few observations, Mr. Chair, and describe in general terms what we've done over the last 12 months or so. Both in response to observations and recommendations by the auditor and also in response to observations that we've had on our own in consultation with the comptroller's office, we have moved forward and instituted conflict of interest guidelines which speaks to one of the issues raised by the auditor.

The other thing that we've done is we've implemented a new computer system which includes a new loans database which will give staff the tool that they need to better monitor loans and keep track of the financial and operational information of loan clients. That system, I think, began operations in December of this year and that speaks to, I think, some of the observations around the fact that there didn't appear to be full and obvious evidence of loan monitoring in some of the files that the auditor reviewed.

Another thing that we've done is we've clarified our delegation of signing authority to make it clear that once a loan is approved, staff have the authority to sign the documents that are required to execute those loans. And that may have created some confusion in the past because it wasn't perhaps as clear as it might have been in earlier attempts to define the delegation of signing authority.

We've also strengthened what I might describe as management oversight of the loan program which in part involves monthly meetings between the senior accounts manager and the deputy minister on developments in the loans program on a monthly basis.

We've also been successful in securing additional human resources through this budget process which will enable us to strengthen our finance and administration practices in our office in La Ronge.

And finally, I've begun discussions with a national accounting firm whereby we are going to bring in some outside audit capacity to work with staff in the loans area on two or three or four times a year to review our business practices, make sure that they're sound and solid from an audit point of view, and hopefully get out ahead of some of these audit issues so that we find them before the Provincial Auditor does.

So those are the measures that we put in place, both again in response to the observations of the Provincial Auditor, but also in response to some of our own internal findings. And with that, I'd be happy to try to answer any questions that the committee might have.

The Chair: — All right. Thank you, Mr. Hilton. I will just inform the committee now that Mr. Allchurch is the substitute for this chapter for Mr. Cheveldayoff.

Before I open up the floor for other questioners, just so we have some understanding of the size and scope of this loan program, could you give me your most recent information — I would assume might be March 31 or some fairly recent date — the total number of clients who have loans from the fund, the amount of delinquent debt, and the amount of current debt held by the fund.

Mr. Hilton: — Certainly. From the program's inception to March 31, 2007, total receivables including loan principals and interest, is \$22.7 million.

The current outstanding loan portfolio is approximately \$5.2 million and that involves . . . The information I have in front of me, Mr. Chair, tells me that we have 181 active loans currently and 48 non-performing loans.

The Chair: — Forty-eight non-performing?

Mr. Hilton: — Yes.

The Chair: — So the 181 is the total to whom you have currently loaned 22.7 million. There's 5.2 million is currently outstanding held by 48 borrowers. Is that correct?

Mr. Hilton: — No. That would be 181 active loans and 48 non-performing loans. So if you added 181 and 48 . . .

The Chair: — Okay. So that would be . . .

Mr. Hilton: — That would get you the total number of loans.

The Chair: — Total of 229. All right. I just wanted to bring all of this into context so we knew of what we were speaking. We'll open up the floor for questions. Mr. Allchurch.

Mr. Allchurch: — Thank you, Mr. Chair. Good morning, members from the Northern Affairs committee. I just have a few questions. And I don't know if my voice is going to hold out as it wasn't that good last night when we did estimates, but

I'll do my best. Without the conflict of interest guidelines, the department is at risk of making inappropriate loans resulting in a loss of public money. In May 2006, committee agreed with this recommendation. In your opening comments you've said that you have made changes to this. When did you implement changes, and what changes were made?

Mr. Hilton: — I'm going from my memory here. I think it was probably June of last year where I actually sat down and wrote the conflict of interest guidelines and then communicated them to staff. The change that was made was that it's the first time in Northern Affairs that we actually had conflict of interest guidelines specific to both the Northern Development Fund loan program, and the Northern Development Fund grant program. Up to now we were operating under the general guidelines issued by the Public Service Commission that is applicable to all public servants.

Mr. Allchurch: — Okay. Thank you, Mr. Hilton. It was also recommended that in the 2005 report that the department receive and analyze the borrowers' financial and operating information as required by its loan agreements for the NDF loan program. This recommendation has not been followed to date. What progress has been made, and what will the recommendations be fully implemented?

Mr. Hilton: — The whole question of the extent to which we evaluate financial and operating information of clients is a point that one could have some discussion around. I think the main point from an audit point of view that I took from all that is that there was not sufficient evidence on the files themselves that the kind of monitoring that should occur has occurred, and that was in large measure, I think, because of some limitations in the technology that we had.

In December '06, we implemented this new computer system which enables staff to monitor loans right on the screen and to input the monitoring activity that they've done. So it's my expectation that in the future the files will be much better documented than they may have been in the past.

Mr. Allchurch: — Okay. Thank you. This next question may be answered in your last answer, but why was the department not been analyzing the borrowers' financial information prior to this recommendation and if it was required by the NDF loan program?

Mr. Hilton: — I think my staff would tell me that they were, but the evidence that they were was not as clear in the file as it should have been from an audit point of view or from an accountability point of view. And again, you know, part of the reason for that was sort of the technology that was present at the time.

I might also observe though, one of the things that I have an interest in doing is looking at all of the information that we request of a loan applicant and that we are required to keep on file because it's always a difficult challenge to balance the needs of administration and accounting and auditing with the needs of clients. So in the instance, in the case where you have a loan where you may be providing a fisherman from Black Lake a \$5,000 loan to buy a boat and motor, the actual amount of paperwork and the rest of it that you require that particular

client to go through is at this point, I think, fairly significant.

So there's a balance to be achieved here, especially when you're dealing with northern clients that are involved in the primary sector like fishing or trapping, and they don't have ready access to accounting services and they don't have . . . It's not easy necessarily for these individuals to produce, you know, financial statements. So it's a matter of working with the clients and making sure that the program works for clients as well as meeting the accountability requirements of government.

Mr. Allchurch: — Thank you. I notice in the budget that there's, under the full-time equivalents there's only two — I believe it's from 43 up to 45 — that will be hired on to help out with the situation. Is this enough full-time equivalents to do the work that's required in the North regarding the Northern Affairs and the process that's up there?

Mr. Hilton: — Well, Mr. Chair, I guess this deputy minister is being told that it is enough so it's my job to make it enough. I think with a full-time director of administration dedicated to administration in La Ronge, that will be a huge help. And I think an additional resource in the loans area will also be a huge help, not only for monitoring loans and meeting those kinds of requirements but ultimately hopefully as well in terms of improving client service.

And in addition it will provide another body there that makes segregation of duties clearer. One of the things that we have had to do to address issues that have been raised in the past — not in this audit but in previous audits as well as internally — is we've had to change things to make sure that an individual who is primarily responsible for analyzing a loan and recommending a loan isn't that same individual who actually gets to authorize the loan or authorize the request for payment on a loan. And when you have a small department like this dispersed between Regina and La Ronge, that can be a bit of a challenge from a practical point of view in terms of sending documents back and forth and getting them approved by different authorities. So hopefully that will help in the administration loans program from that point of view as well.

Mr. Allchurch: — Okay, thank you. The auditor also points out that the policy is in place for loans to be signed before cash disbursements, but these policies weren't always followed. What action has been taken by the department to ensure that the employees are following the approved policy?

Mr. Hilton: — The issue there as near as I can discern was that it wasn't that the appropriate authority wasn't approving the loan, it's just that it was not clear what authority existed at what level to approve the documents required to execute a loan. And in some cases, depending on the kind of loan that it is, there could be six or seven different documents that require signature in order to execute the loan once it's approved. So what we have done is we've clarified the delegation of signing authority to make it clear that once a loan is approved by the appropriate authority, that the individuals administering the program have the authority to sign the executing documents.

Mr. Allchurch: — Okay, thank you, Mr. Hilton. I have a couple of questions, Mr. Chair, for the auditor. To the auditor: you have found that about 50 per cent of the loans disbursed did

not have properly approved loan agreements. Does this increase the risk of public money being lost?

Mr. Ahmad: — Yes, Mr. Chairman, that would be the case. But I must stress here that the loans document was not properly approved, meaning that the authority that was given in the delegation of authority was not signing the documents. But it doesn't mean that there was no signature on the document itself. They were signed. As the deputy minister indicated, there was some confusion. And the confusion was that, who was authorized to sign those documents once the loan is approved in principle. And that's where some of the documents . . . So 50 per cent of the documents were not signed. We took the view that if the deputy minister approved the loan, the deputy minister must sign all the documents. But they have now clarified that.

Mr. Allchurch: — Well thank you, Mr. Chair. That also answers my second question, so that's all the questions I have today.

The Chair: — All right. Mr. Borgerson.

Mr. Borgerson: — Yes, thank you. I'd like to address the one point that you raised in terms of the balance that you have to find between accountability requirements and the needs of your clients. So just to provide some information to this committee here, give us a sense of the profile of the loans that you give out. You mentioned, in fact, probably one of your smaller clients would be a single fisher person in Black Lake. Could you give just two or three other examples perhaps at the other end of the spectrum in terms of a larger loan client?

Mr. Hilton: — Sure. On the other end of the scale we could involve ourself in a syndicated loan where we would work with four or five other lenders sharing the risk on a commercial loan, where we would loan a client as part of a syndicated loan perhaps 2, 3, \$400,000 to make significant investments in replacing airplane engines, buying trucks to transport fuel, buying construction equipment.

For example, if a contractor in the North was successful in bidding on a significant roads project in the North — which is a timely example because there's going to be some of those — if that individual needs to buy new equipment in order to deliver that contract, then we would involve ourself in that as well.

So it ranges from sort of small- and medium-sized business to a northern gentleman who might involve himself in the wintertime in fishing or in trapping or in wild rice harvesting.

Mr. Borgerson: — Do you have a sense of how, over time, the loans that you've given out have . . . How shall I put it? Do you have now more larger clients? Does more of the loaned money go to larger clients as opposed to the fisher up at Black Lake? And what I'm getting at here is really the difficult quandary that I think your department is in and that is to meet these accountability requirements. Those who have the accounting support are obviously the larger clients that you deal with.

Mr. Hilton: — Mr. Chair, I'm advised that over time the ratio between commercial clients and primary production clients have remained relatively stable. In terms of the number of

clients and in terms of sheer numbers by way of individuals, we have a lot of primary production clients relative to commercial clients. But in terms of the amount of money that is actually loaned out, over time the majority of the money has gone to commercial clients simply by virtue of the size of the loans.

Mr. Borgerson: — You know I raise it because I can see it's a difficult . . . If everybody has to follow the same accountability standards, those who are going to have the most difficulty addressing that will of course be the smaller operator. So I just indicate that I can understand the difficulty there in finding that balance, as someone who has lived in the North myself, so. That's good. Thank you, Mr. Chair.

The Chair: — Thank you. Mr. Chisholm.

Mr. Chisholm: — Yes, I just have one question. Your mandate is to work in partnership with the federal government also in the area. I believe it kind of, it indicates that. I'm just wondering if the federal government, do they have a similar program that runs alongside your program where an individual can access funds on a loan basis for projects? And if the two levels of government work together on some of the larger projects or what the relationship is there with the federal government department.

Mr. Hilton: — The program staff will work with a number of different partners, one of which is the federal partner, which is a community — the community futures program. There's also the Aboriginal development bank. There's also ABC [Aboriginal Business Canada] grants. There's a number of different agencies that we might work with on a syndicated basis. There are others other than just the federal one then. Gerald can tell you who they are if you'd like, Mr. Chair.

Mr. Chisholm: — Thank you. No, that's good. I just wanted to know. I appreciate that.

The Chair: — Thank you, Mr. Chisholm. I just have a couple of questions regarding the conflict of interest guidelines. The conflict of interest guidelines that you developed, are they applicable just to the loans program or does it have a broader scope beyond just the loan fund, the Northern Development Fund loan program?

Mr. Hilton: — They're applicable to both the loan program and the grant program. Essentially they're applicable to any staff that are involved in giving anybody, either through a grant or a loan, the taxpayers' money.

The Chair: — Okay. Are these guidelines that are shown to employees involved in these programs or are they actual agreements that are signed by employees?

Mr. Hilton: — No, they were communicated by the deputy to all staff. And they actually attached them as actually a form where if an employee finds him or herself in a conflict of interest or what they might appear to be a conflict of interest, then there's a process for them to declare that and to discuss it with their manager. And the process goes all the way up to seeking advice and guidance from both the deputy minister of Northern Affairs, and if required, the Chair of the Public Service Commission.

The Chair: — So this is not an actual agreement they sign, but they are given forms that they can submit if they sense that, from the guidelines, they may be in a conflict of interest. Is that a correct interpretation of what you've said?

Mr. Hilton: — Partially. It's a process whereby they can self-declare. It's also a document that helps management understand when an employee might be in a conflict situation. And it is, for lack of a better word, kind of a declaration from on high, from the deputy, which may not carry the same weight and power as an agreement but hopefully has some influence.

The Chair: — And you said you developed this June of last year?

Mr. Hilton: — Yes.

The Chair: — And then it came into force then in June. Could you tell the committee how many times the form has been used, has been submitted, that are supplied to these people? Do you have some numbers or is it just sitting in people's binders?

Mr. Hilton: — Well I'm pleased to tell the committee that I haven't run into one conflict of interest situation since I issued the guidelines. And I have some confidence that that's because none have arisen, not that they're being ignored.

The Chair: — But have you received any forms where people are — any reports or forms — where employees have absented themselves from a decision because they realize that under the guidelines they were in a conflict of interest position?

Mr. Hilton: — If people absented themselves, the guidelines are working. And an employee nor a manager would . . . They wouldn't phone the deputy and say, oh by the way, deputy, on this particular file we've absented ourselves. They would simply turn the file over to somebody else.

The Chair: — So the forms would only be used if in fact it was deemed there was a conflict of interest. Is that what you're saying?

Mr. Hilton: — If there was a conflict of interest and if they required some help in understanding whether or not a conflict of interest actually took place.

The Chair: — And you haven't received any of those forms back?

Mr. Hilton: — Not that I know of.

The Chair: — No one has seen them. All right.

Mr. Hilton: — No. No.

The Chair: — Okay. Is there any other questions? Seeing none, there is one recommendation in chapter 18 and it is on page 393 of the auditor . . . states in recommendation 1:

We recommend that the Department of Northern Affairs follow its established procedures for approving loans and having all required loan documents completed before disbursing loans under The Northern Development Fund

Loan Program.

[The committee adjourned at 11:36.]

Is there a motion? Mr. Borgerson.

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

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

I want to thank you, Mr. Hilton, and your staff, for appearing before the Public Accounts Committee. We appreciate your co-operation and wish you well in your service to the province. And you may go at your leisure.

Ladies and gentlemen, there is one other item. The Clerk has brought to my attention that about this time of the year we pass a motion authorizing four members of the Public Accounts Committee to attend the annual CCPAC [Canadian Council of Public Accounts Committees] — have I got the right acronym? I believe it is. I believe those of us who have gone know what it is. I believe last year, it was in Prince Edward Island. That's right. This year, it's in Victoria, British Columbia. It is August, is it 19 to 21? I think, Ms. Crofford, you have the motion.

Ms. Crofford: — Yes I do. Do you want me to proceed?

The Chair: — Absolutely.

Ms. Crofford: — I'll move:

That the Standing Committee on Public Accounts authorize the attendance of the Chair, the Vice-Chair, one government member of the committee, and one opposition member of the committee at the 28th annual meeting of the Canadian Council of Public Accounts Committees to be held in Victoria, British Columbia, August 19 to 21, 2007; and further that if the Chair or Vice-Chair cannot attend, they be authorized to designate another committee member to attend in their place.

The Chair: — Thank you. Ladies and gentlemen, you've heard the motion. I guess I have one question and I'm not sure if the Clerk can answer that, but I would assume this motion would be null and void if an election took place prior to the conference and a new Public Accounts Committee had not yet been put in place. Is that correct? So this motion stands unless our committee is dissolved because of an election.

With that understanding, is there any other discussion of the motion? Which would mean, Mr. Auditor, you have to go by yourself and represent the province.

Ms. Crofford: — It's a lonely job.

The Chair: — He's probably now praying for an election. We'll call the question. All in favour? You've heard the motion. All in favour? It's carried unanimously.

Ladies and gentlemen, that brings us to the end of our Public Accounts Committee. We anticipate seeing you again next Tuesday. I declare the meeting adjourned.