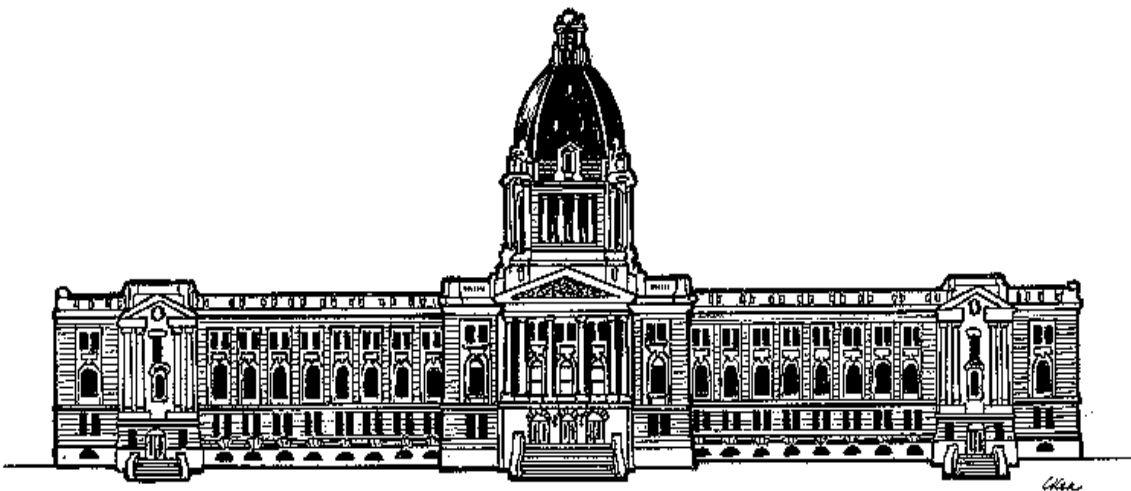




STANDING COMMITTEE ON PUBLIC ACCOUNTS

Hansard Verbatim Report

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2008**

Mr. Harry Van Mulligen, Chair
Regina Douglas Park

Mr. Warren Michelson, Deputy Chair
Moose Jaw North

Mr. Fred Bradshaw
Carrot River Valley

Mr. Michael Chisholm
Cut Knife-Turtleford

Mr. Jeremy Harrison
Meadow Lake

Mr. John Nilson
Regina Lakeview

Mr. Jim Reiter
Rosetown-Elrose

[The committee met at 14:00.]

The Chair: — Good afternoon, everyone, and welcome to this meeting of the Standing Committee on Public Accounts. Most of us who observe the new year remember the saying that out with the old and in with the new. But in Public Accounts we would say, not so quick.

Our primary duty is to review the accounts of the government and to hold the government accountable for its expenditure of money, and specifically the officials who have come before us. Having said all that, welcome and welcome to this new year. I hope that our deliberations can be productive and fruitful as we go forward.

Just by way of information, the Clerk has distributed to you a copy of the *Standing Committee on Public Accounts Procedures Manual*, dated January 2008. I'm wondering whether you may want to take the time to review this and see whether or not we may want to find some time on Wednesday to give this some discussion with a view to ultimately adopting it as part of our recommendations to the Legislative Assembly.

I think you'll find that it incorporates all of the procedures and expectations that form part of the operating practices of the committee, in fact in large part reflects previous recommendations of the committee. But distribute that, and if there's any discussion between now and Wednesday, perhaps we can direct those to Mr. Michelson and myself.

Mr. Michelson: — Is there any point in going over some of this now because, you know, most of us are new at this?

The Chair: — I think we're going to, in the orientation as we go forward here with the Provincial Auditor and Provincial Comptroller, I think we're going to probably be able to reflect on the procedures of the committee. If there's specific issues arising out of that that are not dealt with by the auditor or the comptroller, yes, then we should find an opportunity to raise those. But again, you know, I think let's informally discuss these among ourselves and see whether or not we want to move forward on Wednesday or some other day to adopt these as part of a report and recommendations to the Legislative Assembly.

If there's no questions or concerns — I might ask if there's any question or concerns about the agenda — can we then move forward to the orientation, part 1, the operation, practices, and procedures, and the role of the Provincial Auditor's office?

And by way of introduction, seated on my left is Mr. Fred Wendel, who is the Provincial Auditor, and I ask you, Mr. Wendel, to lead us through the role of your office and to introduce the officials that are with us. Thank you very much.

Yes. I've been corrected that I want to leave an opportunity here for Ms. Woods to provide a review of the practices and procedures of the committee before we get to the auditor.

Orientation: Operation Practices and Procedures

Ms. Woods: — Okay. What I plan on doing this afternoon is going through some of the usual practices and operating

procedures of this committee as they differ from the other policy field committees, which I think a number of you were involved with the committees orientation last December. At the time it was noted that the Public Accounts Committee does do things somewhat differently because of its particular mandate, and that's what I intend to touch upon today.

I think by way of beginning I want to just outline what the terms of reference or the mandate of this particular committee is, and as I go through I'm going to be referring to this document that we did distribute. The first version of this document came out last summer and we have updated it as of the rule changes last December because it did add some additional responsibilities to this committee. So some of you — I think Mr. Chisholm is one — will have some familiarity with this document.

Basically what it does, it captures some of the history of this committee. It outlines what its terms of reference are and some of the usual approaches that this committee has adopted over the years. First off, in terms of the terms of reference of this committee, there are three sources that those responsibilities come from.

A first origin would be from the Assembly itself. The Assembly can direct that this committee do something. Another source are the *Rules and Procedures* of the Assembly and you may be familiar with, there is a section in the rule book that deals specifically with this scrutiny committee. And thirdly, this committee could be directed to do something by way of statute. And I think I would draw your attention to The Provincial Auditor Act, which does specify some particular responsibilities that this committee is directed to do.

If you turn to page 3 of the document, you'll see there's a heading, mandate of the committee, and there's six bullets or six points that are listed there. The first one is, I would describe it as a primary responsibility of this committee and that is to review the reports that the Provincial Auditor prepares and to review the public accounts that are prepared by the Department of Finance. These documents are permanently referred to the committee so that they are here for the committee to deal with as they see fit.

In terms of the approach that this committee has adopted with regard to the auditor's report, what will normally happen is the committee will schedule a meeting and identify specific chapters that they're going to deal with. The Clerk's office will then contact the relevant department or agency and invite the deputy minister and their officials to come before the committee at the appointed time.

At that time what normally happens is the auditor will introduce the chapter by giving an overview of the chapter and identifying any concerns or recommendations that they have put forward. There is then an opportunity for the officials to make an opening statement or to make a few comments if they so choose, and that then is followed by a fairly open question-and-answer session in which members may direct questions to the officials. The officials will then respond. During that time also the comptrollers or the auditors might be asked questions and respond as well.

At the conclusion of that question-and-answer period then, if there are any recommendations in the chapter the committee will deal with those. In the past the committee has developed the practice that they deal specifically with the recommendations and adopt, I wouldn't describe it as a motion as opposed to agreeing to how they are going to deal with the recommendation. And I think if I just can direct you to page 14 of the document, on bullet 40, there's a statement there that outlines how the committee in the past has chosen to record its decisions on the different recommendations.

And the options that the committee has chosen in the past to take would be, first of all, to concur with the recommendation, and that would be the option if the committee agrees with what the auditor has proposed.

A second option is to concur with the recommendation and note that the department is in the process of complying with the recommendation, and in that respect the terminology the committee has adopted is to note progress towards compliance.

The third option is fairly similar in that it's concurring with the recommendation but noting compliance. In that instance that would be a situation where, between the time the auditor has made the recommendation and the department has been called before the committee, the department has complied with the recommendation or adopted whatever practice that the auditor had proposed.

The committee can also decide to disagree with the recommendation of the auditor if that's what they choose to do, and so they would simply not concur with that recommendation.

Finally, the committee in the past has chosen to adopt a recommendation of their own choosing. And in that sense they wouldn't agree with the auditor's recommendation, but a member might choose to propose a recommendation in its place. And that's certainly up to the members of the committee to take if that's what they wish to do.

Mr. Michelson: — Ms. Woods, if I could, is there provision somewhere that we could make an amendment or suggest an amendment to the recommendations?

Ms. Woods: — I'll just turn it over to the auditor.

Mr. Wendel: — I would think, the last one, if you're going to adopt an independent recommendation, that amendment would make it a different recommendation. That would be fine.

Mr. Michelson: — Okay.

Ms. Woods: — At the conclusion then of the meeting on a particular chapter then and once all the recommendations have been dealt with, the committee will then compile all those decisions into a report which is periodically made to the Assembly. I think in the past we generally have the committee make a substantive report to the Assembly usually once per year. And that's to streamline the process and not have us reporting every week if the House isn't sitting, but rather compile a number of meetings and the decisions that have been made into one document and then tabling that in the Assembly

usually either at the start of a session or towards the end of the session. It kind of depends on how much work the committee has completed. So that then is the usual practice with regard to dealing with the auditor's reports.

A second area that the committee is responsible for is to review and approve the estimates or the business plan of the Provincial Auditor, and that's something that the committee is going to be doing later this afternoon. Generally in that case what'll happen is the auditor will outline his business plan or indicate what type of resources they feel that they need for the coming year, and then the committee is able to question the auditor, seek clarification, and so on. At the end of the process there are certain resolutions that the committee will adopt. Those are recorded in the minutes. And we then forward that or I forward that on behalf of the committee to the Speaker, who will then forward it to the Department of Finance to include in the budget documents. But that's a process I think Fred is going to go into a little bit more detail. And we will actually be doing it later this afternoon.

A third area of responsibility is for the committee to review and report any Bills that have been referred to it. This is a new item of responsibility that was forwarded to the committee this past December. In the past, any Bill coming forward in the House would be referred to one of the other, usually the policy field committees. But the view of the rules committee last fall was that they felt that any Bill dealing with the Provincial Auditor would be most appropriately sent to this committee for review because this committee does deal the most closely with the Provincial Auditor. It certainly has the broadest understanding of what the auditor does and what their resources might be, so they felt that this was the appropriate place for that to take place. So that then is the new area of responsibility.

The next responsibility of the committee is to recommend an individual for appointment to the Provincial Auditor. This responsibility was assigned to the committee under changes to The Provincial Auditor Act in I believe it was 2001. And Mr. Wendel was actually the first individual that this committee had a role with in their appointment to that particular position. I believe that the appointment is for 10 years so I don't know if this committee will be called upon to take a role in that. I suspect not, but you never know. In any event, that particular responsibility is set out in The Provincial Auditor Act so that's one of the examples of responsibilities of this committee that comes from a statute.

The next responsibility also is included in The Provincial Auditor Act, and that is the role this committee has in recommending names for appointment to the audit committee. That is something this committee might want to turn its attention to in the coming months. That committee was first set up, I believe, in 2002, 2003 for the first instance and that particular body is available as a resource to either this committee, the Standing Committee on Crown and Central Agencies, to the Provincial Auditor and his office, to the Minister of Finance, and to the minister responsible for the Crown Investments Corporation. So any one of those five individuals or entities could call upon the audit committee for assistance.

In the past when this committee recommended names for

appointment to that committee, they chose to take, to receive names from five specific areas, and I believe they are set out in this document starting at the bottom of page 7 and continuing on to page 8. And generally what the committee was looking at was trying to find five individuals from different backgrounds that they felt might be a resource for the audit committee. Generally they're from different areas of the accounting field. I believe there's a legal representative, a member from the business community, and a member from the faculty of one of the universities in the accounting or commerce type areas.

Finally the last area of responsibility of this committee would be to undertake any initiative that may be directed to it by the Assembly. In the past I think the committee had a role in reviewing some of the, was it the responsibilities of auditors, or there was some initiative a number of years ago . . . [inaudible interjection] . . . Was it? Okay. So there could be other specific projects that the committee might be requested to participate in, and those would come up from time to time.

The final area that I just want to touch upon for your information is noted on page 9 of the document, and that's the Canadian Council of Public Accounts Committees. That is an organization of legislators and staff from federal, provincial, and territorial public accounts or scrutiny type committees that meet annually to discuss matters of mutual interest related to financial accountability. Last year that particular gathering was hosted by British Columbia. The CCPAC [Canadian Council of Public Accounts Committees], as it's often referred to as, usually hold its meetings in conjunction with CCOLA [Canadian Council of Legislative Auditors], which is an organization of legislative auditors. So some of the meetings are joint, some are separate. But it gives an opportunity for professional development for members of public accounts committees.

The practice in the past has been that the committee will send four members to attend — the Chair, the Deputy Chair, and two other members. But that would come up usually towards late spring, is when you might hear about the next gathering and the committee would turn its attention to it at that time.

So that in a nutshell is the briefing that I wanted to give the committee with regard to the Public Accounts Committee, and if there are any questions, I'll be pleased to deal with them.

The Chair: — With respect to the audit committee, how do we proceed on that? Like I note that one has to be appointed now for the term of the legislature. Do we have recommendations, or is there a process in place in terms of contacting the Institute of Chartered Accountants, the Law Society?

Ms. Woods: — What the committee did the last time was that they contacted the different institutes and universities, the Law Society, and I believe with regard to the individuals from the private sector, we contacted, I believe, the chamber of commerce. But certainly we would have records as to who were contacted. I believe what happened was the correspondence was sent on behalf of the committee to these organizations asking for names to be forwarded, and that's how the committee approached it at that time. That being said, I think, you know, the committee can determine a different approach if that's what they choose to do.

The Chair: — No, I think the approach is okay, but I think, reading this, there is an expectation that there is a new audit committee appointed. Now that may well be the same members, but . . .

Ms. Woods: — Right.

The Chair: — And so my question is, do we need a motion from here to . . .

Ms. Woods: — No, I think what the committee could do, they could have a discussion of . . . Perhaps what might be most useful, I think, if I go look through some of the records and come forward to the committee with a listing of who was contacted the last time. The committee could decide if they want to take that same approach, if there's other groups or organizations they might want to contact, and then we could proceed with drafting those letters, sending them out. And then when the names come back, we can forward them to the committee for their consideration.

I think what happened the last time as well, once we did receive names back, we did forward that information. And usually it consisted of either names or resumés that the organizations forwarded to the committee. These were distributed to the members. The members had a chance to review them and then the committee met in camera and decided which ones they wanted to offer the position to. We then contacted them and carried on from there.

The Chair: — That's great, and I think we would want you to proceed with that. Mr. Nilson.

Mr. Nilson: — Well how quickly does this take place? Because I'm wondering if there are any issues that may show up in the next three or four months, that this is required.

The Chair: — To whom is that question . . .

Mr. Nilson: — The question is going to the Chair.

The Chair: — I'm not sure I . . . You know it seems to me — and maybe Mr. Paton has more on this — that this is something that we should put in place before the legislature sits again, I think, to have some recommendations to the Speaker by that time.

Mr. Michelson: — Obviously at this point we don't have a committee.

The Chair: — No.

Ms. Woods: — No. The last time the committee was appointed, the wording of the Act didn't specify the actual term of the appointment so it was the understanding at the time that it would be for the appointment for that legislature. So that's what happened. So the assumption was that once the Assembly was dissolved at the last election, those members ceased to be members of the audit committee, and that once the House was reconvened and the committee was reconvened, it would proceed at that point to appoint a new slate of individuals. Whether they're the same ones or not, that's certainly up to the committee to decide.

The Chair: — Mr. Paton.

Mr. Paton: — Mr. Chair, while I support that you should go ahead fairly quickly with this, I'd advise the committee that in the past there's been very few, if any, issues sent to this committee for deliberation. So if you were to take care of this over the coming months I think that would be adequate.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — I noticed that in some of our legislation we recognize three different accounting designations and in this one we only recognize two. And I'm wondering, is that just an oversight or do we not want more than two accountants on? They could be two of the three professionally designated bodies or . . . Maybe I could get your comments on that, Mr. Comptroller. To the comptroller . . . Provincial Auditor.

Mr. Wendel: — I have no concerns whether you want to have three professional accountants on there or the two bodies that are there. I think that was the decision of this committee.

Mr. Chisholm: — Okay.

Mr. Wendel: — So it's nothing that I'm opposing.

Mr. Chisholm: — Right. I'd just like . . . Like in some of our stuff that we have, who can do an audit, and now like we've expanded that from only the Institute of Chartered Accountants and then later to gather the second group and now the third group. And yet on this one we seem to be restricting it just to the two recognized groups.

Maybe it's something we can look at if we're looking at this thing again in another year. Yes.

The Chair: — Any thoughts on that?

Ms. Woods: — I don't think there's any certain decision to include or not include certain groups or organizations. I think it may just have been an oversight that the unfamiliarity of the members of the committee with the different branches of the accounting field or who might be most appropriate to call upon. And it might be something the committee might want to consider is, is approaching all the different organizations and just saying that they will pick two from the three or four organizations, as opposed to saying one from here, one from there, and so on. But that might be something the committee might want to look at.

Mr. Chisholm: — Good.

The Chair: — So before we move to any finalization of this on Wednesday, if there is any alternative wording that, you know, you want to suggest for that, then I think we'll want to take a look at that, Mike. Okay.

Any further questions or comments on procedures manual? Then let's try this again.

And let's go to Mr. Wendel and ask you to introduce your officials and to lead us through the role of the Provincial Auditor's office.

Provincial Auditor

Mr. Wendel: — Well, thank you, Mr. Chair. With me today I have Kim Lowe here on my left. And Kim attends all our meetings, and she's the liaison with this committee to make sure we get the right people here when you ask for people to be here.

And also with me today I have several people that are involved with the administration of the office for our business and financial plan. And Brian Atkinson to the left, and Angèle Borys, Sandy Walker, and Heather Tomlin. They're the people that have prepared this business and financial plan, and they have more detailed information than I have in my head.

Now I'd like to just ask the committee which way you'd like me to proceed. We're scheduled to do the business and financial plan, and we're scheduled for the orientation. And many of the remarks . . . I had just a prepared text for the orientation, and a lot of it's repeated in the business and financial plan. So if you want, I can go through the business part of the plan. We'll ignore the financial part. We'll go through it page by page, and then I'll highlight a few things about that page, open it up to questions at each page, and then . . . If you'd like to proceed that way, I can do that, or I can just do my prepared remarks on both, and open it up to questions. So I'll leave that up to you, Mr. Chair, on how you want to proceed — or committee.

The Chair: — Well I don't want to say you take the ball and . . . But no, I think combine the two, Fred, if . . . Mr. Wendel, if that works for you, and yes . . .

Mr. Wendel: — Okay. And usually when we do our business plan, I sit up there.

The Chair: — Yes.

Mr. Wendel: — And I could have my officials with me. And I'll go through the business plan.

The Chair: — All right.

Mr. Wendel: — And we'll proceed, if the committee's okay.

The Chair: — Okay.

Mr. Michelson: — We're flying for the first time so . . .

Mr. Wendel: — Okay.

The Chair: — Okay, Mr. Wendel. It's all yours.

Mr. Wendel: — Thank you, Mr. Chair. I'm going to start at page 8, the business plan. The first few pages are the funding request. So page 8 of the business plan really just talks about our accountability to the Legislative Assembly because many people always ask me who guards the guards, like who's auditing the auditor, and so this committee performs part of that function. We have to bring before you a business and financial plan that you consider and decide our resources. We also bring forward an annual report to tell you how well we've achieved our plans, where we spent our money, and then we're audited by an auditor that this committee recommends for appointment.

And that auditor has the same mandate that I've got and that auditor reports to the Assembly and that report is also referred to this committee. So that's kind of who's guarding the guard.

In addition to that, when we make our reports, if we criticize other agencies they get to come sit where I'm sitting and defend themselves, and I also have to be very careful of what I say about them so that certainly is something that keeps us on our toes. So any questions on that particular topic, on our accountability?

Okay. Then moving on to page 9, it talks about our independence. And the Legislative Assembly, through The Provincial Auditor Act, has given us managerial independence and independence to carry out our job. And we need that independence to report in a credible way. People have to be able to believe what we say. They have to think we're unbiased. And who we serve, we serve the Legislative Assembly. We're here to help you hold the government accountable. We work closely with this committee and with the Crown and Central Agencies Committee.

So when I appear here, I'll be beside the Chair, and whoever was the author of a particular chapter of an organization, they'll be beside me and they'll be presenting briefing to you about what's in the chapter. And then we're open to questions at that point, any questions the committee may have of us to clarify points. And we have different officials for each particular agency. I'm looking at my schedule for the Department of Health. We'll probably have six officials here for that. There's different authors for each of the chapters.

And we also set our vision and mission on that page. And the mission is to serve the people of Saskatchewan through the Legislative Assembly, and by fostering excellence in public sector management and accountability. That's what we're trying to do.

On page 10 we talk about how we carry out our mission and the kind of advice and assurance you'll get from us. And for each government agency we'll tell you about their reliability, their public performance reports, and by that I mean their financial statements. It could mean their annual reports if there's something that we've audited in there besides the financial statements.

The government's compliance with legislative authorities. That's an important part of our role, to make sure the government is complying with legislative authorities and the adequacy of the government's management of public resources, which is the bulk of the report.

We also encourage discussion and debate about public sector management and accountability issues. We assist the Standing Committee on Public Accounts and Crown and Central Agencies, and we develop professionals for public service. We're a training office to become a chartered accountant, a certified management accountant, or a certified general accountant, and we train professionals. A lot of them end up going to work in government agencies, different government agencies. Any questions to that point?

Also on that page we talk about our reports. When we audit a

government agency, we give them a report. We write to the minister in charge. We tell them what we found. We tell them whether everything is okay or whether most of it's okay and there's a few things to fix. We also then, from those reports and from other information we prepare . . . I don't have them in front of me, but volume 3, which you are going to be considering tomorrow, and volume 1 which you consider also tomorrow, I guess. So we make those reports.

There's usually three, three main public reports about the government's performance each year. There's a report in May or June which covers the December 31 year-ends. There's another report in September which talks about the overall government's financial condition. And there's a report in the fall which covers March year-ends which usually is tabled in November, December. So those are the three main public reports that are sent to this committee.

On page 11 we talk about our key outputs and expected outcomes. And probably page 12 is a better description of that. It's kind of in a little graph or whatever you want to call that. It talks about our input, which are the knowledge, skills, and abilities of our employees, because they really determine the work we can do for you. It talks about our outputs, which is assurance, which is signing off on the financial statements, saying they're okay or they're not okay; providing advice on the safeguarding of public money, advice which is recommendations for improvements which we'll be considering as we go along; along with trained professionals for public service. Again that's one of the things we do.

Now what we're trying to achieve, which is our final outcomes — which is improved public confidence, better parliamentary control.

No questions on that particular page? Okay. Page 13 is our organization set-up. Under five divisions, we have 58 people — about 30 professional accountants, about 18 people training to become professional accountants. And I just want to put something on the record because I'm most proud of this. The national CA [chartered accountant] exams are written at the end of November. We had six candidates challenge the exam. All six were successful, and one of them ended up on the honour roll for Canada on the national finals — a very significant achievement.

On page 14 we talk about our competencies. This is what we bring to the table in the work we do. And one of the first things, of course, is our objectivity or independence, and then our knowledge of the government systems and practices, legislative authorities; also auditing information systems, security, and a working knowledge of what other government agencies face, such as in the business of gaming or insurance or health or education.

On page 15 we talk about our risk management and the things that'd stop us from achieving our objectives. And you can kind of sum them up under four headings, which is relevance, which means are we doing the things that this committee thinks is important, other legislators think is important. Are we doing the things government agencies think are important? The other one is reliability. We have to be sure that the information or the assurance we give is reliable, so we have all kinds of quality

control practices to make sure we're not giving out wrong advice and the wrong assurance.

Independence is a critical element again of our risks, making sure that we are . . . so people can believe what we say. And again, reasonable cost. We have to be able to deliver what we do in a reasonable cost that people are satisfied we're always trying to do it the cheapest way possible. And that goes on. Page 15, 16, 17 is all about risk and talks in detail about that. Okay? No questions? So carry on.

Page 18 is what we plan to do. And on that page we set out our goals and objectives. And the three goals we have are fostering well-managed government, encourage meaningful reporting by government, and managing our business effectively. That's what we're trying to do. And the details of these goals, objectives, and the strategies and action plans are set out in a great deal of detail at the back of the business plan in an appendix. Our guiding principles are set out there, and we try to live by those.

The factors affecting our work plan. When we prepare this plan we do so usually at the end of October, trying to look into the future, and we base it on what we know about government revenue and spending at that time for the next fiscal year: how many government agencies we expect there'll be during that fiscal year; the quality of the government's records and systems and practices that we somehow, we have some feel for that from the work we previously did as to whether some of the organizations have problems where we need to spend more time at them; the government's use of appointed auditors and the co-operation we get with them; and professional standards — they're continually changing and becoming more stringent in the work we have to do — and the public's expectations.

At October 31, 2007, there were 274 government agencies that we were required to audit. The business plan covers all of those.

Forces and trends affecting our work plan. And they list the six major forces and trends that affect our stakeholders, which are government agencies and legislators, and they also shape our work. We try and make sure we consider those things as we go about doing our audits.

So page 21, our focus, we're going to continue for the coming year 2009, continue to focus on human resource plans, making sure infrastructure's properly managed, making sure information technology systems are secure; and if there's new systems going in, they've got good project management controls. We want to also make sure that they achieve the benefits they've set out to achieve, that they have processes to do that.

We again want to improve governance processes to make sure boards of directors are setting direction and monitoring performance, and strengthen intergovernmental, interagency programs. One of the things we're trying to do is make sure that agencies that give money to community-based organizations have good supervisory controls to make sure those people are achieving what they're supposed to be achieving and they're spending the money appropriately. And improve the quality of information provided to legislators on plans and results of overall government and agencies.

Page 22 and 23 set our measures of success. One of the big ones is this committee's acceptance of our recommendations. Our objective is to get 90 per cent acceptance. That helps us to ensure what we're doing is relevant. We also expect or want the government to act on 80 per cent of those recommendations, so we have to work with government officials and people to make sure that they accept them and they're reasonable.

We also want to make sure our work is completed by established deadlines and within the planned costs set out in the business plan. We also want our auditor — not the auditor, the person, that's the auditor that audits us — to report positively on our performance. That's important to us.

We also want to have . . . We send out questionnaires to government agencies on what they think of our work after we're finished. And depending what you've had to say about them, you get different kinds of responses. But we also want a positive trend on that, like we want to be seen as fair, courteous, and unbiased.

We're also examined by the Institute of Chartered Accountants to make sure our work stands up under scrutiny, that we've done a proper audit. So we're checked out periodically by the Institute of Chartered Accountants that we're following generally accepted auditing standards. We also work with an organization called CCOLA. Meta described that briefly, but it's a conference of legislative auditors and we work together. We've come up with a process for evaluating value-for-money audits, so that if we've done any of those or they've done any, there are standards for that. And we might go to their office and examine it and they pay our costs or they come to our office and examine and we pay their costs to make sure we're following standards for those two.

Okay. That's the main ones. There's several other smaller ones there that we also track.

Mr. Bradshaw: — Just out of curiosity, say you get checked out by the chartered accountants. Now is this just a body that's picked by the chartered accountants to check you out or . . .

Mr. Wendel: — They have a professional practice person that goes around to the various chartered accountants' offices and makes sure that they're following professional standards when they carry out audits. And we're a part of that.

Mr. Bradshaw: — Okay.

Mr. Wendel: — And then there's a committee, if you're not doing very well, the professional conduct committee, and you get to appear there if you're not following standards so . . .

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Yes. On the letters to management that are sent out, my understanding is that they would be sent to the minister of the department in charge. Is there a certain procedure?

Mr. Wendel: — Yes. They would be sent to the minister in charge. They would also be sent to the Provincial Comptroller, the secretary of Treasury Board, I think the Chair of Treasury

Board too, along with any officials the department may also want to get a copy.

Mr. Chisholm: — Right.

Mr. Wendel: — That's up to the department. That's discussed with them. And of course the deputy minister if there's a deputy minister — or the president or whoever's the person in charge.

Mr. Chisholm: — So are these public documents then?

Mr. Wendel: — I don't make them public, no. Now I don't know whether they'd be protected from a freedom of information request. I wouldn't give them out. But if the department was asked for one, I don't know where that would stand. You'd have to check with someone else on that. I wouldn't care if it was, because I take information from there and put it in a public report, but I don't want that out until I'm ready to make it public.

Okay. Then on page 24 is a four-year history of what it's cost to carry out our work plan. The large increase between 2008, 2009 is essentially salary increases that were provided to public servants. And we talk there about what happens if we don't get the level of funding we're asking for which is, well where 80 per cent of our costs are salaries, at which point we would have to reduce staff and not carry out particular audits.

And that's really all the pages. The rest is kind of supporting schedules. We can go through those with the financial plan if you like. And that's pretty well all the items I want to take through for our business plan.

The Chair: — Can I ask you just a general question about roles and responsibilities? Given the changes that we've seen over the years in the area of independence — for example, the appointment of an auditor now by the Legislative Assembly pursuant to recommendations of this committee — the fact that this committee today and now as practised is being asked to review your work plan and your budget for the coming year so that an appropriate legislative committee can then include that in its estimates as we go forward . . . As opposed to, what, 20 years ago your office, the budget for your office would have been set by the same people that set the budgets for all government departments, reviewed by the same people that review the budgets for all government departments, areas of inquiry, activity . . .

It seems to me that over the years that your office has gone more from strictly performing an audit role and commenting on whether there's any inappropriateness in terms of, you know, that you identified, to more I think looking now at performance of government departments do. You know, I might be simplifying that, but it seems to me that there's been a shift over the years.

Are there areas of independence of your office and areas of inquiry that you think should concern us as we go forward with a view to improving that? Are there practices, procedures that are being followed or observed in other jurisdictions that we might look at? Are there discussions that you have with your counterparts through the council of legislative auditors that might suggest to us further activity in terms of looking at the

independence of your office?

Mr. Wendel: — Well I think our independence is pretty well set out in The Provincial Auditor Act. I think it's important that this committee decides who's going to be the Provincial Auditor for 10 years. I can only be removed for cause. It decides the estimates for this office, which is important. It also can call on me to do special investigations. That's good.

When I think of what the other legislative auditors have, I think I have an equivalent independence to all of them. And probably the only thing that we don't audit that many of them do, that we don't have the authority to audit, which is to follow the dollar. Which is if somebody goes to a community-based organization, I can't go there unless this committee says, I want you to do a special investigation, at which point then that gives me the authority to do what I have to do. But we're probably one of the few jurisdictions that doesn't have that follow the dollar.

The Chair: — I note that there is a contingency in your budget so if there's a special investigation that may be required, that special investigation would come out of that contingency. Am I correct on that?

Mr. Wendel: — It would. And if I thought the contingency wasn't sufficient, I would come back with a plan to you to decide whether you still wanted to proceed. But I would come to you anyway with a plan, saying, here's what we plan to do, before we would do it. And I think the last investigation that we did was the Oyate Safe House and that money came out of the contingency fund.

The Chair: — Do you think then that in terms of both the independence of your office, which is one matter, and also the resources that you have to pursue your responsibilities, how do you think you compare relative to other jurisdictions in Canada at this point?

Mr. Wendel: — Well I'm not sure how I'd compare them. I think what I've done is said, here's what we want to achieve; here's what it costs to do that. And I think our work is similar to what they do.

The Chair: — Okay.

Mr. Wendel: — But we're not exactly the same. I know the Auditor General goes a lot further than we do on value-for-money audits. Ours are on process. They're in a little different process.

Now whether the next Provincial Auditor will want to go that way, I don't know. My business plan went to 2009 when I took the job, and that was the year I was retiring. And I haven't decided whether I'm continuing on and coming up with something else for 2010 to 2012. So I'm still . . . When they changed the law, I have to make a decision now. It was easier before when you didn't, but now I'll have to think about that and decide whether I want to carry on working. And if I do, then I may next year — if I'm still here — bring forward a new strategic plan going down to 2012, and that may well go into different areas.

The Chair: — All right. Thank you very much. Any further

questions of the auditor or comments? I might point out that we do have suggestions for motions with respect to the estimates, and one is:

That the 2008-2009 estimates of the Office of the Provincial Auditor, vote 28, subvote (PA01), Provincial Auditor, be approved as submitted in the amount of \$6,507,000.

And we will need a mover of that motion at some point.

Mr. Michelson: — That's a different figure than . . .

Mr. Wendel: — On page 76 is the way the estimates are set up. And this is the way the government likes to have their estimates come forward, so we try to follow the same format for that. But it's the same figure. It's the same figures from the front, but we reduced the statutory appropriation. My salary is statutory; I get paid regardless but . . .

The Chair: — We don't need a motion . . .

Mr. Wendel: — I'm the last guy to go.

Mr. Michelson: — That's just an estimate, is it?

A Member: — Yes.

Mr. Michelson: — Yes, I'm assured it is. I'll so move.

The Chair: — So we have a motion then moved by Mr. Michelson:

That the 2008-2009 estimates of the Office of the Provincial Auditor, vote 28, subvote (PA01), Provincial Auditor, be approved as submitted in the amount of \$6,507,000.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That is agreed. Thank you. I have another motion, if you go down the page with respect to unforeseen expenses:

That the 2008-2009 estimates of the Office of the Provincial Auditor, vote 28, subvote (PA02), unforeseen expenses, be approved and submitted in the amount of \$438,000.

Can I have someone move that motion for us, please?

Mr. Michelson: — Just for protocol, I can still move it, but I don't know how you estimate unforeseen expenses.

The Chair: — Okay. No, that's a good question. Let's put that to the auditor.

Mr. Wendel: — In the past before the legislation was changed, we used to keep back money that we didn't spend and we always kept back one month's salary worth of expenses. So when the contingency appropriation system came in in 2001 or

2002, we just kept that same thing — that's basically one month's salary — and that's the amount we present to you. And if we don't use it, it just goes back to the General Revenue Fund.

Mr. Michelson: — This is more of what we've done before.

Mr. Wendel: — Oh yes, it's consistent with past practice, yes.

The Chair: — Okay. The purpose of this is to ensure that the auditor has available to him the ability financially, resource-wise, to pursue areas of inquiry that may come up during the course of the year and which were not foreseen in the estimate.

Mr. Michelson: — What happens if the unforeseen expenses are much higher than this?

Mr. Wendel: — I'll come to you long before that.

The Chair: — So we then have a motion moved by Mr. Michelson:

That the 2008-2009 estimates of the Office of the Provincial Auditor, vote 28 (PA02), unforeseen expenses, be approved as submitted in the amount of \$438,000.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. A third motion will be required, and simply a transmittal motion:

That the estimates as approved be forwarded to the Speaker, as Chair of the Board of Internal Economy, pursuant to section 10.1(4) of The Provincial Auditor Act.

And if I can have someone move that. Mr. Michelson.

Mr. Michelson: — Do we know what this is?

The Chair: — Yes. That's simply saying that the amounts that we approve, it's a transmittal motion, that it be transmitted to the Speaker to take to the Board of Internal Economy.

We make recommendations here which go to the Board of Internal Economy, which deals with the budgets of all of the independent officers of the Legislative Assembly — not just the Provincial Auditor, but the Conflict of Interest Commissioner, as an example, the Ombudsman office, Children's Advocate. These are independent officers of the Legislative Assembly and all of their budgets are dealt with by the Board of Internal Economy. So what we're doing today is providing recommendations, and this motion that you have before you would in fact be a motion of transmittal to take this information to the Speaker.

Mr. Michelson: — Okay. I so move.

The Chair: — So the motion we have then, again moved by Mr. Michelson, is:

That the estimates as approved be forwarded to the Speaker, as Chair of the Board of Internal Economy, pursuant to section 10.1(4) of The Provincial Auditor Act.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. That then concludes consideration I think of the work plan, the business plan, and the financial plan for the Provincial Auditor's office. I don't know if there's any further comments, Mr. Wendel, that you want to make on this.

Mr. Wendel: — Yes, Mr. Chair, thank you. I just wanted to thank the committee for their support. We'll continue to work very hard to keep that support and thank you for that.

The Chair: — Thank you very much. At this point we show on our agenda a recess for about 15 minutes and unless I hear anything to the contrary, I'd suggest we do that now. Thank you.

[The committee recessed for a period of time.]

Orientation: The Role of the Provincial Comptroller's Office

The Chair: — Thank you very much. The next item on our agenda then is a presentation by the Provincial Comptroller's office on the role of their office. The Provincial Comptroller attends all of the meetings of the Public Accounts Committee, has a legislated role to perform with respect to finances in Saskatchewan. But I don't want to get into what your presentation will be all about, so I turn it over to Mr. Paton. And if you can introduce the official with you, Mr. Paton, and then carry through with your presentation. Thank you.

Mr. Paton: — Thank you, Mr. Chairman. With me today is Chris Bayda. As the Chair mentioned, Chris does attend all the meetings of the Public Accounts Committee along with myself.

I want to thank you for the opportunity to let our office provide you a bit of an orientation to the role that we play with this committee. I've asked Chris to prepare the presentation and lead you through it today. And he'll do that shortly, and after which we'll be pleased to answer any questions that you may have regarding the role of our office. Chris.

Mr. Bayda: — Okay. Thank you, Terry. Good afternoon, Mr. Chair, and members. On my presentation today I'll speak briefly about parliamentary control over public money and the role that the Provincial Comptroller plays in that process. Then I'll give you a high-level overview of the form and content of the public accounts. And lastly I'll give you an overview of government financial reporting. I notice that we've been allotted 45 minutes on the agenda. This presentation is fairly brief. I think I can get through this material in 20 minutes. And as I go through the presentation, please remember, it's not accountants that are boring, it's the material that we're given to work with.

So the main features of parliamentary control over public

monies include, first, the right of the legislature to raise and spend monies and the concept of a single General Revenue Fund. And unless otherwise authorized, all public money is paid into the General Revenue Fund and then appropriated for specific purposes. And an example of where that wouldn't happen would be where the legislature has passed legislation to, you know, establish a Crown corporation that can then receive money on its own.

Second, a Provincial Comptroller who is responsible to ensure government spending is within legislative limits. Third, an annual report on the stewardship of the government via the public accounts. And I'll be speaking more about the content of the public accounts later. Fourth, an independent audit and report to the legislature by the Provincial Auditor. And finally an annual review of both the public accounts and the Provincial Auditor's reports by the Public Accounts Committee. And this annual review by your committee serves to close the accountability loop. And this is really your opportunity as a committee of the legislature to examine these various reports and to question the ministerial and managers as to how they have managed their affairs.

Now I'd like to comment briefly on our role at the Public Accounts Committee. First, I guess as has been said, we attend all meetings and when requested we provide interpretations and clarifications of financial and administrative policy. We also provide explanations as to the meaning of the information that is presented in the public accounts.

And on behalf of the government, we prepare a reply to the specific recommendations made by this committee. And this reply indicates the action that has been taken by the government in response to the committee's recommendations. And after each Public Accounts Committee report, we have 120 days to prepare and table this response.

And something I'd missed on the slide there is recently we've also begun to table reports of losses of public money with this committee. So any time there's a loss of public money over \$500, that comes to this committee. And that happens quarterly.

The appointment of a Provincial Comptroller is a requirement of The Financial Administration Act and the appointment is made by order in council. And it's important to note that, unlike the Provincial Auditor who is a servant of the legislature, the Provincial Comptroller is an employee of the government.

And I guess it's also important to say that the comptroller is still different from any other government officials because his duties and responsibilities are specifically delegated by the legislature. And more specifically, these duties and responsibilities as outlined in The Financial Administration Act are to supervise the receipt, recording, and proper disposition of public money, to control disbursements, to maintain the appropriation accounts, to prepare the public accounts and financial statements, to ensure compliance with Treasury Board policy, and to issue directives to ministries. Sometimes we think about how much fun it would be if we could add at the bottom here, guard the watchdog, to this list. But that's unfortunately not one of our responsibilities.

And to discharge these responsibilities, the Provincial

Comptroller's office has a staff of approximately 70 employees and they're organized into three branches. The first is the internal audit branch, and this branch evaluates internal controls and financial systems, audits payment documents, and monitors federal-provincial agreements.

The financial systems branch is responsible for maintaining supplier information and to maintain supplier information and issue payments out of the General Revenue Fund; to ensure sufficient funds are present in appropriations to make payments; to reconcile central bank accounts; and to operate, support, and enhance the government's central financial management system. And that's the system that's known as MIDAS [multi-informational database application system].

The financial management branch is responsible for assisting the comptroller in monitoring the government's financial processes, and this is the branch that I'm responsible for. And we fulfill our mandate through a number of different activities including preparing the public accounts and the year-end financial statements, developing accounting and reporting policy for Treasury Board, approving new financial systems to make sure that they have good internal controls, reviewing draft legislation and regulations, approving the financial statements of Treasury Board Crowns and agencies and commissions — and there are probably about 100 of those or more — and assisting ministries to resolve financial administrative problems.

I think that's all I have to say about the first two topics. So now I'd like to spend just a few minutes looking at the public accounts. This is volume 1 of the Public Accounts, and this volume contains the General Revenue Fund financial statements, the summary financial statements, and some supplementary information.

And for 2006-07 the supplementary information included a bit of a financial statement for the Fiscal Stabilization Fund and the Saskatchewan Infrastructure Fund, and also some very detailed information on public issued debentures. And that's at the back. And when I talk about government financial reporting, I'll come back to the statements a little bit.

At the outset I think it's important for me to note that I guess I appreciate that I'm unlikely to get you too revved up about government financial statements. The issues that the Provincial Auditor comes up with are typically, you know, much more interesting. I'll feel successful if I can get you to crack the cover on the book, so I'm doing pretty good now on this side. And if I can't do that, then if I can at least get you to properly recycle your copy after it's been on the shelf for a couple of years, I think that would be great.

Nevertheless, having a bit of understanding about government financial reporting and the government's financial statements should make you a better member of the Public Accounts Committee. And after all I always say that your namesake, Public Accounts Committee, is derived directly from the name of the Public Accounts books.

This is volume 2 of the Public Accounts. I like to show it like this because you can see how thick it is. And I didn't give you one of those today, but it's all about details. And volume 2 contains detailed information on the financial transactions of

the General Revenue Fund. And while I've heard it makes not a bad doorstop, it's also a handy accountability document. For example, you might use it to help question whether a ministry had way more money than it needed for a particular program, or question why a particular ministry used its money for operating expenses instead of, you know, buying capital as they were supposed to.

And I should mention that in Saskatchewan for the most part, our Crowns, agencies, boards, and commissions also publish similar information. Other jurisdictions generally publish much less information than we do. And certainly there are times when we question whether we should continue to provide this level of detailed information or not, and we'd certainly be interested in any opinions that you have on that issue.

Okay. Now let's talk a bit more about government financial reporting and the General Revenue Fund and summary financial statements. And to begin with I should mention a couple of accounting items.

The first is the concept of GAAP, or generally accepted accounting principles. And this term refers to the broad rules and standards that are used to report financial information. And the purpose of GAAP is to help ensure that the government's financial statements are reliable and comparable between years and comparable with other provinces.

And GAAP evolves to adapt to changes in economic and social conditions, and in recent years it's changed quite a bit and there's lots more change coming. And that's important to note because some of the issues raised in the auditor's reports result from differences of opinion between ourselves and the auditor on how to apply GAAP, even though we both generally expect the financial statements to be GAAP-based. So GAAP has an impact on how you think about some of the issues that are brought to this committee.

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants has the authority to set GAAP for governments. Now I just mention that to Saskatchewan's credit, the Provincial Comptroller has served on PSAB [Public Sector Accounting Board] for many years. He's PSAB's past Chair and through Terry and other comptroller's office and Finance staff and the Provincial Auditor's staff as well, we continue to have ongoing influence over PSAB standards.

The next concept that I would like to mention is accrual accounting. And the term accrual accounting refers to recording financial transactions when the underlying economic events occur regardless of whether any cash is received or paid. Now private sector businesses have been using full accrual accounting forever. Governments have only been required to use full accrual accounting since 2005-06 and in Saskatchewan we made the change a year earlier in 2004-05. And part of that time, governments followed first cash, and later they sort of modified accrual, modified version of accrual accounting that really wasn't too much different than cash.

And when we adopted full accrual accounting in 2004-05, the major change was the treatment of capital assets. And around that time, Terry and I went on a bit of a speaking tour and I think some of you heard us talk about that change. But to me

this change is still not very well understood, so I want to talk about it again for a minute.

So throughout the old cash era, the full cost of an asset acquired by the government was expensed in the year that it was acquired. So the full cost to build a highway, for example, was reported as an expense in the year the highway was built, even though the highway may serve the public for a lot longer. And this meant that the full cost of capital assets used to be reported on the government's income statement immediately, and it immediately affected the government's bottom line.

So under the current full accrual approach, the cost to build a highway is initially reported on the government's balance sheet as an asset because it has long-lasting service potential to the public. And then over time as the highway is used, the government reports a usage or depreciation or you could call it amortization expense on its income statement. And this means that the full cost of capital assets reflects the government's bottom line over time as the assets are used.

And something that's a little bit complicated there is that government-owned capital assets like highways are accounted for differently than the capital grants we give to others, for example to school divisions. So capital grants to places like school divisions are still expensed all at once, and that's because the underlying assets do not belong to the government. They're assets that would belong to the school divisions.

Mr. Reiter: — Excuse me.

Mr. Bayda: — Yes?

Mr. Reiter: — I just have one question for you, if you could you explain that to me. So when a highway's being constructed, the year it's done, did you say now is it entirely expensed that year?

Mr. Bayda: — It used to be entirely expensed that year. So as we incurred the cost to build a highway it was, you know, written off immediately, so that would impact the government's bottom line right away. So we used to expense the whole thing. Now . . .

Mr. Reiter: — Now it's expensed over a period of years.

Mr. Bayda: — Now we show it as an asset on our books and then slowly over time, as the asset is used to provide services to the public, it would impact the . . .

Mr. Reiter: — And that complies with PSAB then?

Mr. Bayda: — That complies with PSAB now.

Mr. Reiter: — I'm just confused then, because my understanding actually with municipal accounting, it's moved completely the other way, where they wanted a capital asset expensed entirely first year. Are you familiar with that?

Mr. Bayda: — I think in the municipal sector they are actually just coming to where we are now. So very soon they will also be capitalizing their assets and amortizing them much the same way, very similar to what you would find in the private sector.

Mr. Reiter: — So what do you do with, for instance, an asset like a highway? You have a schedule that you follow regardless of the actual life of the highway, or what do you do in that case?

Mr. Bayda: — You know, we've worked quite closely with the Department of Highways and the engineers over there and, you know, they had made recommendations to us on how long a highway lasts. And depending on the kind of the highway, whether it's a thin membrane highway or another kind of highway, they set up, you know, a depreciation schedule for us.

Mr. Reiter: — Okay.

Mr. Michelson: — The contractors are okay with getting paid over that period of time too?

Mr. Bayda: — No, the contractors get their, they get their cash, you know, right upfront.

Mr. Michelson: — So that is an expense that year. It's just amortized over . . .

Mr. Bayda: — Yes. I mean the cash goes out the door to pay the contractors right away. And then we . . .

Mr. Michelson: — I knew that, just for the record.

Mr. Chisholm: — On valuating, I mean I can see where the highway would be valued at cost, initially at cost. But is that a bit deceiving to have something on your balance sheet with a very high dollar value that nobody else can actually buy, and there's no secondary market? Like do people read our province's balance sheet and think we're worth a lot more than we are? Because if we went out of business, who do we sell the highway and the bridge to, you know?

Mr. Bayda: — It's an interesting point, and that's where, you know . . . maybe come to it in a minute here, but maybe I can cover it now.

So you know in the government, I guess, we record the assets on our books, not because of their potential to generate cash flows and earn a profit for a business. They're recorded there because of their service potential to the public.

And you do have to be careful, and when you look at the government's balance sheet, to make sure that, you know, you're aware of those capital assets. And for that reason . . . I wasn't really going to go there today, but if you look at the balance sheet for the government, the assets are shown in a separate section for government, different than they would be in the private sector.

So it's a good point to make. And the accountants try to cover that off by showing the assets in a different section on the balance sheet, those kinds of assets in a different section on the balance sheet. Anything to add?

Mr. Paton: — No, that's correct, Chris. The whole idea about capitalizing assets for government relates to service potential, how they're providing services to the people of the province. We could spend more time on a one-to-one basis with any one of you, trying to get into some of the details on the balance

sheet. But one of the key items that shows up on the balance sheet of the government is the term net debt, and it's a measure that's been around for a long time in governments.

When you look at that number on a balance sheet, that's kind of, I guess, the net financial position. It doesn't take into consideration those capital assets that have a different value than what you would find in a private corporation. So the net debt number, along with what's called the accumulated deficit, are two key measures that we use when we're looking at the health of a government. This standard is the same one that's being followed all across Canada, so it is comparable, but there is a lot of debate in putting these types of assets on the balance sheet of any government. It's probably been in the works for I would say 10, 12 years — long time — and municipal governments are just moving to that measure now. Chris is correct. That's fairly new for municipalities.

Mr. Bayda: — So as mentioned earlier, volume 1 contains two sets of financial statements. The first is the General Revenue Fund, and it's the central accounting entity where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly. And for the most part these statements are prepared according to the government's budget estimates.

So these statements are intended to provide an accounting of the financial resources appropriated by the legislature, and they are not intended to provide a full accounting for all the financial affairs of the government. And their value is largely founded in their link to the estimates and the appropriation process.

And the government also provides summary financial statements, and those statements are intended to provide a full accounting for all the financial affairs of the government, and they include the financial operations of the General Revenue Fund and the financial activities of about 100 other organizations that are controlled by the government. And the financial reporting for both sets of these statements is basically the same, as they are both GAAP-based statements, but as I mentioned a few minutes ago, these statements do look different than a set of private sector financial statements and that's again because, you know, the goals for business are different than the goals for government.

So the set of government financial statements has five main financial statements, and I've just listed them out there. And inside volume 1 you'll find these five statements on both the General Revenue Fund and the summary basis, and the statement of financial position is one of the statements that looks different than its counterpart in the private sector.

And I also have highlighted there the statement of change in net debt. That's a statement that you will only find in government financial statements, and again that goes back to the discussion we were having earlier on the statement of financial position. You know, the government will list its assets like its cash and things first and then its liabilities and would come to a net debt number. That's a key number to focus on and that number's before taking into consideration things like the highways so, and that's done on purpose to make sure we don't lose our focus.

Government statements contain five important indicators. And I know most people like to focus on the annual surplus or deficit number, but to me there is no single measure that is enough to assess how the government is doing. All of the indicators are important in making this assessment and we don't really have time today to crack the cover very much, but you will find each of these indicators in each of the General Revenue Fund and summary financial statements. And I would say for the record, I have to tell you that my personal favourites are net debt and the change in net debt. And apart from these five indicators, there are lots of other financial indicators that can be derived using this information that are also important, so things like, you know, maybe net debt-to-GDP [gross domestic product] — those kinds of things.

Now because, you know, I actually enjoy perusing the government's financial statements, I went through both the GRF [General Revenue Fund] and the summary statements and summarized the financial indicators contained therein for 2006-07. And there are lots of interesting comparisons that can be made here. I'm not really prepared to do that today, but if the committee was interested at some point in the future we would be pleased to give the committee a fuller presentation on financial reporting and the public accounts, and perhaps then we could discuss some of the reasons for the differences in the General Revenue Fund and the summary results.

And you'll note that the public debt indicator is not one of the five indicators I mentioned earlier, but I have included it here because it's one of the many, many debt-related figures that does get a lot of attention.

Okay, we're almost done. This slide tells you that government accounting is in a period of considerable change and a number of recent accounting recommendations have significantly affected the government accounting environment. And I guess the most recent one would be the change to full accrual accounting, but the accounting profession does continue to examine a number of other areas that have the potential to significantly impact government accounting and our bottom line results.

The first of these is government grants. They comprise the largest category of government expense, and for that reason the potential implications of accounting changes are significant and the public sector accounting board of the CICA [Canadian Institute of Chartered Accountants] has issued a number of documents for comment that are related to accounting for grants, and they continue to work at finalizing the accounting guidance here. It's a project that's proved highly controversial and time consuming for PSAB, and I guess there are a lot of disparate views across the country between the different jurisdictions and provincially and municipally.

And I should mention that currently our office and the Provincial Auditor's office are not onside with how a transfer payment should be treated, and that fact comes out in some of the issues that will be brought to the attention of this committee in the auditor's reports. And, you know, we continue to provide feedback to PSAB and hopefully this issue will kind of see itself resolved in the next year or so.

Another project that will likely have a big impact on

governments is accounting for financial instruments. Financial instruments include things like the complex contracts we enter into when we hedge our debt to mitigate our exposure to the risks of the marketplace. And there's some changes being contemplated there. And there are several other accounting areas that are under examination, including environmental liabilities, which could be another big one, and also how we account for tax revenue.

And I would think that through your committee work that you will probably have some further exposure to those issues and those projects. So that ends my presentation.

I'd like you to notice that along with a copy of volume 1 of the Public Accounts, I've also distributed a booklet titled *20 Questions About Government Financial Reporting*. And it was published by the Public Sector Accounting Board for you as legislators, as a guide to the basic fundamentals of government financial reporting. And it's an excellent book, and it's easy to read. And so if you're so inclined, you know, I'd recommend it to you. And with that, I think we're . . . ends the presentation unless you have any questions.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Yes. Thank you, Mr. Chair. On page 1 of your summary here, under the responsibilities, it talks about controlling disbursements and supervising receipt recording and proper disposition of public money.

It seems in my history on this committee, we were always going after the deputy ministers of departments, saying that there was problems. Maybe we were going after the wrong guys. Did I misinterpret whose responsibility it was?

Mr. Paton: — You're going after the right guys, for sure. We're going after them too. Generally it is our responsibility to issue policy guidelines, procedures, and so on. Under The Financial Administration Act, it is the deputy minister's responsibility to deliver on those guidelines. So for the most part, I think it's through training, through education.

We do actually control payments to ensure that proper payments are being made, but there always can be problems. We've got a public service of, I always use the number of 10,000 people, and it's almost impossible to manage or monitor every transaction, everything that takes place, so . . . It is primarily the responsibility of departments to deliver on those rules and procedures.

Mr. Chisholm: — Thank you.

Mr. Paton: — You're going after the right guys.

The Chair: — I wonder if I could just make a comment with respect to accrual accounting and the changes that were made. And Mr. Reiter also raised the question of implementations for local governments because I think PSAB has also issued guidelines which suggest that local governments will also have to go to full accrual with respect to their assets.

And the observation that I would make, that the change to full accrual for government, by provincial government and I think

too for local governments, will mean that governments will have greater flexibility in terms of making investments in capital, as opposed to simply making investments in maintenance — that there's a real encouragement for governments to, because there's no more financial advantage to simply invest in maintenance as opposed to renewal of an asset. Am I correct in that, in terms of how it affects your statement of operations for the year?

Mr. Paton: — Yes. Mr. Chair, when you're looking at the difference between capital versus maintenance, for sure the maintenance costs are more direct and impact the bottom line more immediately than what an investment in capital would do.

I think one of the things this project has done or what this accounting standard's done is it's brought the information to the table. And I think you're going to see more studies in the future regarding a term that's being kicked around that they're calling the infrastructure deficit. So are we maintaining our capital at an appropriate basis? And that's one thing that the Public Sector Accounting Board is currently looking at, trying to see, are we reporting the right information now, now that we've got some of the historical costs, the acquisitions and amortization on the financial statements? What about the actual status of that capital? You can know the historical costs of a dam or a water treatment site or whatever it may be, but that doesn't necessarily tell you the, you know, the current status of needed repairs. And it's something that's being looked at currently.

The Chair: — Can I just ask you too about environmental liabilities. This is an area of discussion that PSAB is currently involved in. How far along are you in this in terms of making recommendations to governments as to how to account for environmental liabilities?

Mr. Paton: — Mr. Chair, that's in the very early stages. I don't believe that the project has actually been officially started yet. But it's one of the top three items that the board would be looking at in the future.

The Chair: — Mr. Nilson.

Mr. Nilson: — Yes. I was just meeting with a legislator who actually, I think, is on the accounts committee for Texas. And one of the issues that has come up in Texas is similar to this issue around structural or deficits and the way that communities end up not spending money on schools or roads and how it then affects their community.

The interesting issue that's come up in the last, I think, six to ten weeks is a social deficit. And how it surfaced was the fact that an economic development committee had made a proposal to have a very large employer — I think it was 5,000 jobs — come to the state of Texas. And they didn't get it, and so they tried to figure out why. And one of the reasons they eventually found out from this very large company was the health status of the community. In other words, they had too many people who were not very healthy and that this would actually directly affect the numbers of employees that would be part of this corporation, which then meant that another community that was actually a healthier community got the job.

The same kind of questions that you're raising in your PSAB

work on basically the structural deficit of Canada also can be raised when you start talking about people. And I'm not sure if that's been part of your discussion or not.

Mr. Paton: — To this point I don't believe it has been. The one thing I would like to mention, though, is that the Public Sector Accounting Board is always looking for meaningful input from others outside of the accounting bodies. We've been involved in setting accounting standards for 25 years approximately. And having been a past Chair of that board, we're always looking for input from others, from legislators and interested parties. It's always difficult to get people to engage. Some of these topics are fairly complex but any of those types of comments I know would be more than welcome at the board.

The Chair: — Any further questions for the Provincial Comptroller? If not, thank you very much, gentlemen.

Mr. Paton: — Thank you, Mr. Chair.

The Chair: — And we look forward to your continued presence and participation in the committee.

If we can just take a couple of minutes and we'll call forward . . . I see that the officials are here from the Workers' Compensation Board, which is scheduled next on our agenda.

Workers' Compensation Board

The Chair: — This afternoon our officials from the Workers' Compensation Board are here to deal with chapter 9 of volume 1 of the Provincial Auditor's report with respect to the Workers' Compensation Board. Mr. Solomon, if you could introduce the officials that are with you and then we'll go to the Provincial Auditor's office, and then come back to you for any comments that you might want to make, and then get into dealing with questions from the committee.

Mr. Solomon: — Okay. Thank you, Mr. Chair. With me is the chief executive officer of the Workers' Compensation Board, Peter Federko. And we were expecting a representative from Deloitte to appear around 4 o'clock. John Aiken is supposed to be here. He's on his way, I believe. Deloitte is our external auditors.

The Chair: — Okay. I assume that in the absence of that . . .

Mr. Solomon: — We're happy to proceed, yes, absolutely.

The Chair: — Just to proceed.

Mr. Solomon: — And, Mr. Chair, so I'd have an opportunity to say a few remarks before the questions started, if that's appropriate.

The Chair: — I think we're going to go to Mr. Ahmad from the Provincial Auditor's office and then provide you with an opportunity to make comments.

Mr. Solomon: — After the auditor. Thank you.

The Chair: — So Mr. Wendel and Mr. Ahmad.

Mr. Ahmad: — Thank you and good afternoon, Mr. Chair, and members of the committee. I will provide an overview of chapter 9 of our 2007 report volume 1. The chapter begins on page 107 and describes the result of our audit of the Workers' Compensation Board, that is WCB, and its pension plan for the year ended December 31, 2006.

The WCB's 2006 annual report includes its financial statements for the year. Those statements report a revenue of \$309 million, expenses of \$290 million and total income of \$76 million. The total income consists of operating and surplus of 19 million and net unrealized gains on investment of 57 million. At year-end the WCB had investments of about 1.2 billion and an accumulated surplus of about 212 million.

The pension plan for the employees of Saskatchewan Workers' Compensation Board, that is the WCB pension plan, includes its 2006 financial statement . . . [inaudible] . . . Those financial statements report contributions of about \$111,000 and pension of \$1.3 million. At year-end the plan had assets of \$38.8 million and owed pension benefits of \$31.2 million.

In our opinion the WCB had adequate rules and procedures to safeguard its public resources and those of its pension plan. The WCB complied with authorities governing its activities and the activities of its pension plan, and the financial statements of WCB and the pension plans are reliable. To form our opinion we worked with Deloitte & Touche, chartered accountants, the WCB's appointed auditor.

In this chapter we also report the result of our audit of the WCB's succession management processes. Succession management is a systematic approach to ensure an agency has a continuous supply of competent employees. Succession management develops strategies so that in future the agency will have people in the right place with the right skills.

Because of the aging population, many employers expect that a smaller supply of future employees will be available over the next two decades. Finding and keeping employees will become a challenge, particularly for positions that require specialized skills. The WCB's employees do require specialized skills for tasks like deciding on compensation for work-related injuries, performing actuarial functions, maintaining critical computer systems, and handling complex human resource issues.

The objective of our audit was to assess whether WCB had adequate succession management processes for the year ended December 31, 2006. To do our work we used the criteria described on page 111. The WCB agreed with the criteria. Pages 112 to 117 describe our detailed findings, together with our expectations for each of the criteria listed earlier. We concluded that WCB had adequate processes for succession management for the year ended December 31, 2006. And that concludes my remarks. Thank you.

The Chair: — Thank you very much. Mr. Solomon.

Mr. Solomon: — Thank you, Mr. Chair. Just before I commence I want to just point out that we've handed out four pieces of paper and documents: our annual report for '06; our stakeholder report for '06, just as information; and a sheet of paper which is entitled interjurisdictional performance

comparisons for '06; and a copy of the Meredith principles on which our organization is based.

So I'd like to just take a couple of minutes, maybe four or five, Mr. Chair, to explain who we are and what we do for some of the new members of the Public Accounts Committee. As you probably know, we employ approximately 430 individuals in two offices — our headquarters in Regina and our Saskatoon office. Annually this staff adjudicates about 40,000 claims. In addition to that we cover 34,000 employers for liability insurance against work injury. We cover over 350,000 workers in the province for work injury disabilities, which is just over 70 per cent of our workforce.

Workers' compensation is Canada's oldest publicly administered safety net, originating in Ontario 94 years ago. Workers' compensation preceded the arrival of the income tax system, of the unemployment insurance system, health care, social assistance, and other public pension plans.

Every province's workers' compensation system is based on the Ontario 1913 Meredith Royal Commission report. And the five Meredith principles are attached on the one of the handouts that I provided to you — in essence, compensation without fault, security of payment, exclusive jurisdiction of our operation to adjudicate claims, collective liability of pooling of funds by employers, and an independent, autonomous board.

The Saskatchewan WCB was established in 1929 as a result of the Anderson Royal Commission. Like all others, our WCB is a quasi-judicial administrative tribunal with delegated powers to make decisions about legal rights, entitlements, and obligations.

Administration tribunals like ours are designed to be non-adversarial and less costly than the courts. Tribunals are accessible and responsive to the needs of the parties. Tribunals must be fair, impartial, and be timely decision makers. We believe we meet these tests. As a final level appeal tribunal, my two colleagues on the board and I adjudicate on average about 250 appeals each year, as well as we're responsible for the governance of the organization.

The Saskatchewan WCB also meets the highest public accountability standards. We appear regularly at this committee, whenever asked at other committees of the Legislative Assembly, including Committee of Finance and Committee of the Whole. Our minister tables our annual report during the spring session.

We host a number of stakeholder meetings throughout the year. In March, we host the compensation institute, which is attended by over 300 individuals and companies and employers in Saskatchewan. We also host an annual general meeting every May, one day in Regina, the next day in Saskatoon. These are publicly advertised meetings. There's no charge for people to attend, and it provides an opportunity at both of those annual meeting and the comp institute with stakeholders to ask any questions they wish of the chair and the executive committee, the CEO [chief executive officer], and vice-presidents. So it's a very accountable, transparent organization.

We also, in the fall before we establish our final rates for the next year, conduct about 25 to 29 stakeholder meetings with

industries to let them know where we stand after third quarter financials and what we propose the rates will be for the following year. And this gives opportunities for stakeholders and employers in particular to raise questions about the workers' compensation system.

If you refer to that one handout entitled interjurisdictional performance comparisons, I have two comments to make about it, only very brief.

We believe that the Saskatchewan Workers' Compensation Board does many things well. But how do we compare with other Canadian WCBs? I focus on no. 2, which is something we do have control over — our administration costs. We're usually the second lowest administration cost per time loss claim of all boards in Canada. And that's something we do have a bit of control over. And as a matter of fact our administration costs in '07 are, in total dollars, equal to the year 2000. So over seven years we've sustained and maintained a very sharp pencil on our administration costs.

I refer to point 7 in that document where we announced just recently the average premium for 2008, which is an 8.2 per cent reduction over the '06 rate. And this puts us usually . . . It's the fourth lowest in Canada right now out of the territories and provinces, but we're usually the third or fourth lowest in the country. When you factor in the benefits that we pay, we have the lowest premium for the best benefit package in the country almost every year.

While we score high in many areas, we do face workplace injury prevention challenges. Only one province has a higher injury rate than Saskatchewan, and that's Manitoba. In 2002, Saskatchewan's injury rate hit a peak of 4.95 per cent, which means that almost 5 per cent of all workers had an injury claim with our board. Manitoba's rate at that time was 5.0 per cent. The urgency of a high injury rate compelled us as an organization in 2002 to add injury prevention to our vision statement. In serving injured workers and employers, our vision is to excel in the development and delivery of workers' compensation and injury prevention programs and services.

We also established a multi-pronged strategic plan to work with stakeholders to reduce the injury rate to 4.0 per cent by 2007 — which was a 20 per cent decrease — as a target. We're pleased that Saskatchewan workplaces met this goal. Our objectives for the 2007 injury rate came in actually at 3.8 per cent, a full 23 per cent lower than 2002 rates, and more than 3 per cent lower than our target — better than our target. Credit for this success of course goes to our employer and worker partners and workplaces everywhere, as well as our administration at the WCB and WorkSafe Saskatchewan, whom some of you may have heard about.

However every work injury is one too many. A new injury rate goal has been set of 3.5 per cent by 2010. Helping Saskatchewan workplaces understand that work injuries are foreseeable and preventable is a responsibility that we share with others. We believe attitudes must also change. Unsafe work practices must become a social taboo, like drinking and driving has become a social taboo.

That task — the task of changing workplace attitudes and

behaviour — is led by our program, WorkSafe Saskatchewan. But we still have far to go. We need everyone's help and participation to bring down an injury rate that's still about 50 per cent higher than the Canadian average.

Regarding the Provincial Auditor's chapter, our priority is to recruit and retain a qualified workforce. The board of directors is proud of two recent accomplishments with regard to our workplace, namely that we are an equity partner with the Saskatchewan Human Rights Commission and recently — actually in December — we were acknowledged by media corporation as a finalist in Canada's Top 100 Employers in the country. But in particular, we have been acknowledged as one of the top 10 employers in Saskatchewan. And I think that's a very good accomplishment so far.

That concludes my remarks, Mr. Chair, and gentlemen. I'm happy to answer any questions you might have.

The Chair: — Questions.

Mr. Michelson: — Mr. Solomon, you indicated that the injury rate went from 4.9 to 3.8.

Mr. Solomon: — Yes. Over five years.

Mr. Michelson: — 4.9 was the second highest in Canada at that time.

Mr. Solomon: — Yes. Manitoba was 5.0.

Mr. Michelson: — Where does the 3.8 come from, come in now? Is that . . .

Mr. Solomon: — We're still the second highest in Canada.

Mr. Michelson: — So we really, in that respect we really . . . Canada's average has gone down is what you're saying.

Mr. Solomon: — No, the average has always been low. It's always been around 2.5. Peter? 2.6.

Mr. Michelson: — Two point five?

Mr. Solomon: — Yes, or 2.6 or 2.8. It's up — 2.8 now. These rates, I caution members that I just raised them as information. We shouldn't rely heavily on them because some jurisdictions, for example there are three Atlantic Canada jurisdictions that have a three-day waiting period and injuries that occur that last three days or less are not counted in the rate, whereas we cover the injury from the day after the injury. So if you're injured today, your employer covers you today, but we cover you from tomorrow onwards. So those numbers, you know, there's some caution to be used around them.

We use it as an important milestone because we want to make sure that . . . I mean our objective as an organization is to have zero injuries in this province. It's an objective we haven't set officially because our strapped plan would require a lot more money and perhaps more legislation to implement that. But we're taking steps at a time, I guess.

Mr. Michelson: — Okay. It was mentioned that there was a

surplus of \$212 million. What happens to that surplus?

Mr. Solomon: — The surplus, if you look at our annual report — and this would be the green report — and page, Peter, is 35. The surplus comes in two forms. And maybe I'll have my chief executive officer, who's the accountant of the twosome here, explain more fully how that's broken up. But in essence we have realized income and then we have an accumulated market value adjustment which is an appreciation of our investments that have not been sold. So they're just almost theoretical. We don't count those as actual income until they're sold. So you combine that AMVA [accumulated market value adjustment] with our actual gains, net of losses of our market securities, we come up with a figure that we actually use in our cash flow. Peter.

Mr. Federko: — As John indicated, on page 35 is a breakdown of where all of our surplus is allocated. The Provincial Auditor referred to a surplus, to \$211 million which is the total number that you see there, the second-last column from the right. That 211 million then is included in our funded reserve. So we have a reserve, for example, for second injuries. If an employee sustains an injury that's related to the first injury, we will grant, through this reserve, relief to the employer for the cost associated with that second injury. We have a disaster reserve to cover costs that under our legislation exceeds a certain threshold that defines a disaster. That would come out of that disaster reserve.

The second column then is the Injury Fund. So if any of you are familiar with private sector financial statements, that Injury Fund is like your retained earnings. It's the accumulated operating surpluses that have not been allocated elsewhere.

The third column, that big number of \$185 million, in perhaps oversimplified terms, is the difference between the cost of the investments that we hold and the fair market value of the investments that we held at December 31, 2006.

So I can refer you to page 33, our balance sheet or statement of financial position. You'll see, under assets, the fourth item listed is investments with a value of almost \$1.2 billion. That represents the market value of all investments that we held at December 31, 2006. If you were to take off — again I'm oversimplifying this but we don't all want to be accountants — if you take off the \$185 million that's sitting in that accumulated market value adjustment account, you basically come up with the cost of the investments that we held at December 31, '06.

So that the change in the market value of the investments does not flow through our statement of operations. It simply flows through this account that we're calling accumulated market value adjustment, which makes up our total surplus for the year.

If you would flip the page to page 34, you will see our statement of operations for the year. So it simply shows our revenue, which are the premiums that we collect from employers, and you'll see a number of \$87.5 million in investment income. That \$87.5 million in investment income represents only the actual interests and dividends and gains that we have realized — rents on the real estate that we own as well — but it's the actual cash that we have received for interest,

dividends, rents and actual gains that we have realized through the year as a result of real transactions.

So the actual earnings off of our investments flow through our operating statement to come up with our operating surplus of \$18.9 million, which if you just look to the adjacent page, again page 35 under Injury Fund, you will see that \$18.9 million getting transferred into the Injury Fund. So it's just like the retained earnings that you would have in a private company. That change in market value of the investments does not flow through that Injury Fund or retained earnings, but flows through that accumulated market value adjustment account.

So as our investment managers sell stocks that we own or bonds that we own, the net gain of that sale comes out of that accumulated market value adjustment account and goes over into the income. As the market values increase, then the unrealized portion of that accumulated market value goes up. So it's increased by growth in the market value of the investments that we hold and it's decreased by the actual transactions that our investment managers undertake.

Mr. Michelson: — That's a lot more information . . .

Mr. Federko: — It's kind of like the equity that you might have in your house. You may have paid \$100,000 for your home, you know, but housing prices have increased dramatically and so you'll have a market value of something different. The difference between that 100,000 that you paid for your home and the 300,000 that it might be worth today would simply go through that accumulated market value adjustment account. Not until you sold your home and actually realized that gain would it show up in the income.

Mr. Michelson: — But isn't workmens' compensation, the employers pay into it and it's accumulated? When you need it, you use it. I don't understand the investments. I didn't realize there was any.

Mr. Federko: — Well certainly we hold . . . So again if I can refer you to the balance sheet, the statement of financial position — I'm sorry; I'm still old-school accounting — but statement of financial position, you'll see a very large number under our liabilities, called benefits liabilities. At December 31, 2006, it's \$933 million. That \$933 million represents the money that we owed at December 31, 2006 for all benefits related to all claims that were in the system at December 31, 2006. So under our legislation, under generally accepted accounting principles, we're required under the accrual method to set up the full amount of that liability for all claims that are in the system today.

So when we collect the premium from the employer, we're not just collecting the current year's costs of the claim. We're collecting enough to pay for all future costs associated with that claim. So just for example, if someone's 30 years of age and has an injury such that they're quadriplegic and can never return to the workplace, under our legislation we have 35 years of benefits to pay to that individual till age 65. We are required to set up in that liability today what the total future costs of that claim are.

So the money we collect from employers today is far greater

than the amount that we're going to need this year to pay the current year's costs. We invest that money at a certain rate and, based on those assumptions, that should be enough money to continue to pay all future costs related to those claims in any given year. So we have \$1.2 billion roughly in investments that we're holding against a \$933 million liability.

Mr. Michelson: — Thank you. I guess looking . . . And again I'll advertise my limited understanding of the process. From the auditor's report, there seems to be a lot of emphasis placed on managing succession. But there's a certain amount of information required for the administering of the Act, like . . . And I think you mentioned how many claims were there and what the cost was and ongoing. How many members are there on the board?

Mr. Solomon: — The legislation calls for up to four members plus a Chair, but there are three currently. And the members have to be equal numbers of employer and worker representatives. So we have one employer representative and one worker representative and the Chair. And we're full-time, and the reason that we're full-time is because the two board members spend about 70 to 75 per cent of their time adjudicating final level appeals. I participate in about 20 or 25 per cent of it, and I spend most of my time on governance matters and they spend about 25 to 30 per cent on governance matters. For example we're also the audit committee, the investment committee, HR [human resources] committee, governance committee, all those sorts of things that you have to do as a board — oversights and so on.

Mr. Michelson: — Can you tell me how the board is picked, selected?

Mr. Solomon: — Legislation is prescriptive. The Chair was chosen through a public competition, a five-year term. The board members are chosen from a list provided by employer organizations to the minister, and the worker representative is chosen from the trade unions from a list that they provide to the minister. The board members have four-year terms; the Chair is five years.

Mr. Michelson: — Thank you.

Mr. Solomon: — And there is also prescription for renewal. The prescription, Mr. Michelson, is that the Chair may be reappointed after consultation with stakeholders. And the board members — for example if it's an employer rep — the employer rep may be reappointed after consultation with the employer organizations.

Mr. Michelson: — There's a committee of review, isn't there?

Mr. Solomon: — One of the accountabilities that we are subjected to in a very positive way, to keep us contemporary in terms of legislation and programs, is in the legislation every four years a committee of review is struck by the minister to review everything within our organization as well as legislation. They hold public hearings around the province. It's usually three worker reps and three employer reps, again appointed by the minister from lists provided by the stakeholders, a neutral Chair, and we just had a committee of review completed in 2007. They tabled it with the government at that time. And

there's been no action on the committee re recommendations to date.

Mr. Michelson: — It was tabled in 2007?

Mr. Solomon: — Yes, it was.

Mr. Michelson: — Okay. And there's been no . . . When was it tabled then? At the beginning of the . . . You said there was . . .

Mr. Solomon: — I believe in March, April-ish . . . February, March, April, somewhere around.

Mr. Michelson: — And there's been no action on it?

Mr. Solomon: — What we do as an organization is we'll look at the recommendations that they make to improve the administration side, which we can do arbitrarily — and we're working on those recommendations within the organization — and then there are legislative recommendations which the government has an option to act on. There's been no action to date on the legislative side.

Mr. Michelson: — Okay. Okay. That's all the questions I've got.

The Chair: — Mr. Nilson and Mr. Reiter.

Mr. Nilson: — You've indicated there was an 8.2 per cent decrease this year. Can you explain how you come to the conclusion to make changes, either up or down? And we know that a few years ago that you had to move substantially up and now we're on a downward trend.

Mr. Solomon: — We have a rate-setting model, which is a computer-generated model, which takes all the costs of claims, actuarial adjustments for future claims costs, and other factors, and they come out with a rate. And we have these stakeholder meetings in the fall to talk to our stakeholders about what their rates may be.

The 8.2 per cent reduction this year, which was 16 cents on the rate, it was a result of three things in essence — efficiencies, earnings, and the economy. On the economy side, we had about a 12.6 per cent increase in premium growth that we had not budgeted for. We usually budget for about a 3 per cent or thereabouts, but it was 12.6 per cent greater than that as a result of the robust economy. So we had more payroll to take insurance premiums from.

Secondly, on the efficiency side, we talked about our administration costs being very low. Administration budget came under budget. As well, we had a duration of claims — which are part of the formula for factoring into our computer model — the durations have come down on a regular basis over the last number of years. Our injury rate had a modest decline. And of course when the injury rate goes up, our costs go up; when they come down, they go down.

And in terms of the investment earnings, we budgeted \$61 million for investment earnings to get to our break-even point. And as at the end of November, the latest numbers that the board has seen indicate that the investment revenues will be

probably over \$70 million more than we budgeted for. And so we had a 10 cent charge on that rate of the 15 cents decline.

The 10 cents charge was to replenish reserves that we had spent to meet the operation losses or shortfalls in '01 and '02 and early '03. So that 10 cent charge is supposed to be in effect for 15 years to recoup the surpluses over a long period of time. And we've retired that as a result of the investment earnings that we've earned, plus the other efficiencies and the economy.

So, sort of a nutshell, there's about four or five reasons. Any other, Peter, that I've missed?

Mr. Federko: — Our premium rate is driven by costs. Really mathematically it's as simple as what are your projected costs, divided by what your projected payroll is. And whatever that ratio works out to as a percentage is what our premium rate is. So all of the factors that John talked about have served to reduce the costs on the numerator side of the equation and the increased payroll from the economic growth has increased the denominator. And so when you've got costs coming down and your payroll going up, your premium rate just naturally falls.

Mr. Nilson: — Well and tied in with this then, I assume, we've seen lots of ads on TV about WorkSafe Saskatchewan and doing things in a new way. Can you explain how the budget for advertising has changed or is making a difference also in the premium costs?

Mr. Solomon: — Mr. Nilson, we do metrics or we do research after every spring and fall campaign in our WorkSafe campaign. We feel that the multi-pronged approach that we undertook five years ago — working with partners; a top 10 and a top 30 approach; we had a specific prosecutor dedicated to going after employers who were negligent in their reporting and therefore driving up costs; and a lot of things we've done . . . But the WorkSafe campaign has shown and our research has shown that 47 per cent of all people who have viewed these ads or are aware of the WorkSafe campaign — and it's very highly recognized — have changed their way they work. They work safer as a result of the ads that we're attempting to get across to people.

But the WorkSafe campaign is a behavioural approach. The advertising costs that we spend — we have budgeted this year about \$1.7 million for the WorkSafe campaign — it just doesn't include the ads; it includes a number of other things as well. For example we fund about \$95,000 for a ready for work program which goes into high schools. And these individuals go to high schools and talk about safe practices for youth because we find that the youth tend to have more incidents and more injuries than the average population.

So in essence, in summary, the WorkSafe campaign seems to be effective. It's part of the whole package. Ninety-three per cent of those people that we've surveyed clearly suggest that we should continue to invest in the WorkSafe campaign. That's a very good number by any stretch of the imagination. But the objective is to do the same kind of thing that Mothers Against Drunk Driving and students against drunk driving have undertaken over a long period of time to make drinking and driving an unacceptable social taboo. And we're trying to get the behavioural change over a period of time.

We have raised this with employers who pay for the program, when the injury rate was at 4.95 per cent and we said, this is something we're going to do; we're going to start with a half a million dollars and double it every year until we get that injury rate down. And the employers never blinked. They were very supportive. We haven't doubled it every year. We've just grown it over the years because of the impact it's had. We have a partnership with the Ministry of Advanced Education, Employment and Labour on this project.

Anything I've missed, Peter?

Mr. Federko: — If I could just add, it's very difficult to draw a direct line between the million dollar investment in the WorkSafe campaigns and what we're seeing in terms of a reduced injury rate. Because there are many other things that we're doing at the same time to support injury-prevention programs. Through a stakeholder committee we've very much so strengthened what we call our experience rating program to make individual employers accountable for their own injury prevention . . . or I'm sorry, their injury claim costs. And many other things that we're doing.

But the reduction in the injury rate from 4.95 to 3.8 that we're forecasting to the end of the year amounts to about 1,300 fewer time loss claims in the system, which may not seem like a large number. But when you take into account that each claim on average costs \$10,000, and you multiply that by, let's just say, 1,000 claims — that's \$10 million per year fewer claims costs that we're incurring because there are simply fewer injuries.

So all other things being equal, our claims costs would go down by \$10 million each and every year because of that reduction in the injury rate. So I know this isn't just an exact science but if you compare it from a cost-benefit perspective, \$1 million investment in WorkSafe programs compared to a \$10 million saving in compensation costs, there's a huge cost benefit.

The Chair: — Mr. Reiter.

Mr. Reiter: — Just looking at the notes to the financial statements, there's obviously a significant amount of money in investments. Just wondering how that's handled. I assume the board looks after the governance but the actual hands-on investment decisions — how much of that is made in house? How much is farmed out? How do you handle that?

Mr. Solomon: — We have an investment committee. The investment committee on an annual basis reviews what we call our SIP&G, our statement of investment policy and guidelines. It's a fairly thick document. And it's really a guideline for our investment fund managers. We have investment fund managers that manage all of our money. We get a quarterly report from them. We meet with them for half a day or thereabouts. We get a monthly report as well, as a board, at our monthly meetings. But it's basically investment fund managers. We have Greystone Capital, looking after about 83 per cent or 82 per cent of our total amount. And the balance is with Franklin Templeton. And they've been both . . . Greystone has been stellar in terms of their returns for us.

What our investment policy and guidelines outlines is what we don't want them to invest in in terms of certain derivatives, or

what we want them to focus on. It also gives a breakdown of how much we want in Canadian equities or foreign equities or US [United States] equities or bonds or real estate.

Mr. Reiter: — And did you say the investment committee meets quarterly then?

Mr. Solomon: — We meet quarterly, yes.

Mr. Reiter: — And who comprises the investment committee? Is it the board itself?

Mr. Solomon: — The board members plus the CEO and the CFO [chief financial officer], who are non-voting members.

Mr. Reiter: — Okay, thank you.

Mr. Solomon: — You're welcome.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Thank you, Mr. Chair. I just had a question on out-of-province treatments that are being handled, say, if you look back at this 2006 calendar year. How many of our injured workers had to go out of province to get medical attention?

Mr. Federko: — Diagnostics is where we have sought out-of-province assistance over the years. And for several years we were, on an expedited basis, shipping people primarily to Alberta to have their MRIs [magnetic resonance imaging] done on an expedited basis. So instead of waiting several weeks or months, usually within a few days we could get someone into the clinic in Edmonton primarily and have their MRI done.

Since 2000 we have entered into agreements with both the Regina Qu'Appelle and Saskatoon health regions to have the MRIs done in province on an expedited, after hours basis. So in the evenings, on Saturdays, our injured workers can access, with the same referral process as otherwise, can access an expedited MRI in either Regina or Saskatoon.

And I thought I had the numbers with me. I'm sorry. I can get you the exact numbers. But let me say on average there's about 700 MRIs that are done per year. We've gone from having, let me say, 90 per cent of those done out of province to probably having less than 40 per cent done out of province today because of those arrangements that we have with Saskatoon and Regina. The costs associated with those are approximately equal. It costs . . . In terms of actual out-of-pocket costs, the MRI itself is a little less expensive in Alberta, but you have the travel and accommodation costs that you have to incur, and we don't have those costs to incur here in Saskatchewan. So there's been significant progress made in terms of the reliance on out-of-province services.

Mr. Chisholm: — Okay.

The Chair: — Can I ask, just follow up to earlier comments about, I think the term was injury rates or claims, that these were high in Saskatchewan and high in Manitoba compared to a national average. You made mention of the fact that our injury rate seems to, or our injury claims seem to have gone . . . or have been reduced.

Why is it that Saskatchewan and perhaps Manitoba would have a high injury claim rate compared to the national average? Is that because of significant definition differences? You mentioned one in terms of difference between Saskatchewan and Atlantic provinces in terms of not being able to claim for the first, within three days of the injury taking place. Is it largely a question of definition differences or is it a question of the nature of the industry in Saskatchewan and Manitoba compared to other provinces? Or is it a combination of the two?

Mr. Solomon: — Mr. Chair, if you look on the bottom of this sheet of paper it sort of outlines three or four reasons. First of all, the weighting of individual rates by payroll. If you've got . . . Our maximum insurable is \$55,000 in Saskatchewan. Other jurisdictions like Manitoba is 79,000 ceiling. So you're getting premiums on 79,000 versus 55,000. So that has a modest effect. Alberta is 69,000 maximum insurable; we're 55.

Secondly, by industries. There is different industries that are weighted. For example, Alberta has a lot of white collar workers, office tower workers. They've got oil and gas workers that are in the offices, whereas we've got the folks in the field. We also have a higher percentage of our workers who are in health care compared to other jurisdictions, because of other economies are broader-based or they're larger. And there's a number of other things. For example the degree of funding of liabilities as well can be a challenge. We have legislation which says we have to have 100 per cent funded all future liabilities. That's the law. Other jurisdictions, not all of them I don't think, Peter, have that.

There's a number of factors, Mr. Chair, that fit in and that's why we caution comparisons, to use comparisons loosely as opposed to rigid signposts. But we do have an Association of Workers' Compensation Boards of Canada. All boards in all provinces and all territories are members. We share information and we have key result areas that we try to get some commonality on. One of them is the injury rate. And is it 12 key measures or is it 20 now, Peter?

Mr. Federko: — There's actually 14.

Mr. Solomon: — Oh 14, okay. There's about 14 now. So there's a number of reasons why the rates are like that. Not one influences the rates dramatically.

The Chair: — Okay. Thank you.

Mr. Solomon: — Is there anything you want to add, Peter?

The Chair: — Mr. Michelson.

Mr. Michelson: — I've got another question that just come to mind. When we send people out of province for treatment, are those public clinics? Are those public clinics that we send them too?

Mr. Federko: — Yes, they are.

Mr. Michelson: — Okay.

Mr. Federko: — They could be a combination of . . .

Mr. Michelson: — They could be a combination.

Mr. Federko: — Both publicly and privately owned clinics. The current one is part of the hospital in Edmonton. I believe it's called the Mayfair clinic.

Mr. Michelson: — Thank you.

The Chair: — If there's no further question, then we thank you both for attending here today. I would note that there are no recommendations as such from the Provincial Auditor, so no motion is required. And I think that, unless there's any other business, concludes our agenda for the day.

I might make note that these proceedings are being streamed live on the Legislative Assembly's website, on the electric Internet, Mr. Chisholm, and will be rebroadcast or broadcast on the legislative channel, I think, shortly before the legislature reconvenes in March. That then concludes our consideration today and we will be resuming our deliberations at 8:30 tomorrow morning. Thank you very much.

[The committee adjourned at 16:36.]