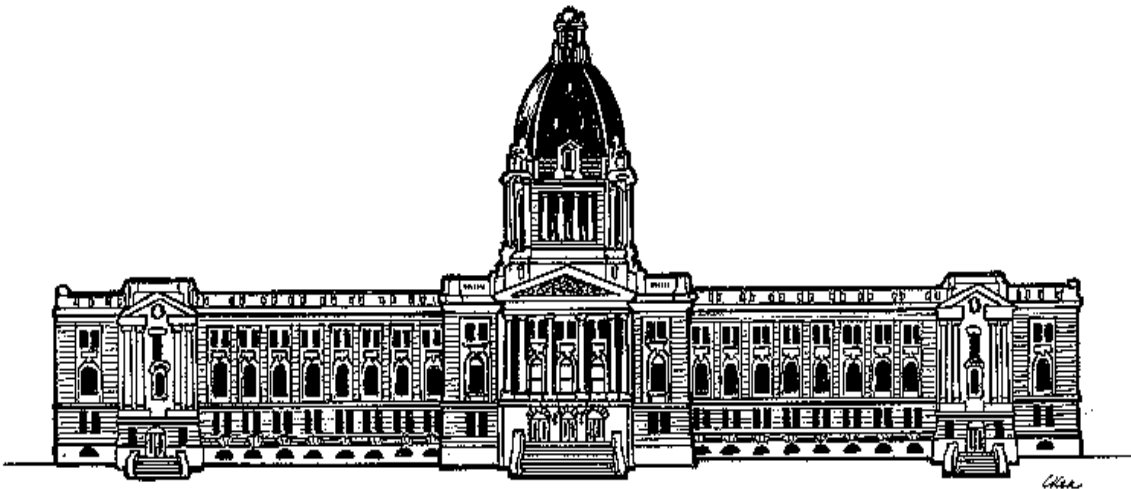




STANDING COMMITTEE ON PUBLIC ACCOUNTS

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 09:00.]

Executive Council

The Chair: — Good morning. This morning we are starting with consideration of the auditor's report with respect to Executive Council, which can be found on page 107. It starts on the auditor's report and with us is Garnet Garven, the deputy minister to the Premier and cabinet secretary. And I'm going to suggest, I'm going to ask Mr. Garven whether you can introduce the official with you. Then I'm going to turn to the Provincial Auditor's office, Mr. Montgomery, for his comments and then back to you for any comments you would like to make prior to entertaining questions from the committee.

Mr. Garven: — Well thank you, Chair. Good morning. It's my pleasure to be here. I have with me today Bonita Cairns, the director of corporate services. And I want to thank the committee for putting me on first thing in the morning. I've had a little bit of time and the Premier said the committee could have me for as long as they want me. I'm not sure what that meant here but I'm at your disposal.

The Chair: — Then I'll go over to Mr. Montgomery.

Mr. Montgomery: — Thank you, Mr. Chair. My comments on the Executive Council are very brief. Within our chapter we've only one new recommendation on the Office of the Executive Council for you to consider, and that's the same payroll point that you've seen a number of times yesterday. In the chapter we also report progress on two outstanding recommendations which had been previously considered by the committee but had not yet been implemented.

First, we recommended that the Office of the Executive Council table an annual report and a performance plan in the Assembly. The Public Accounts Committee did not concur with our recommendation. Management told us that they planned to publish a performance plan in the 2007-08 year and that they were considering tabling an annual report at some time in the future.

Second, we recommended that the Office of the Executive Council complete the development of systems to measure work performed and results achieved for its key performance measures. The committee concurred with our recommendation. Management told us they were making progress on that recommendation. And that ends my opening comments.

The Chair: — Any further comments? Mr. Garven.

Mr. Garven: — Well just let me say this is my first occasion to appear before the Public Accounts Committee as deputy minister. And as you know there were a couple of items before, in the report. And the payroll issue's been addressed now, I understand by previous point. As you know it's been now 30 working days since cabinet was sworn in and we haven't really had the full chance to really consider all the recommendations of the proponent's plan that was just developed during the, really the election period.

It's something here that certainly the annual report notion is one

that is different for Executive Council and our, you know, I guess Exec Council is not a ministry, it's not an office, it's a unique organization and this debate has gone on for I know a number of years back and forth. And let's say it's one that's exempted from tabling. It's a consideration that I'm not sure how cabinet would address that, whether that would add value or not and whether that's something that would enhance the performance management.

We had been looking at the last year. I understand that the previous administration was looking at the issue of a performance plan. I've seen a rough draft of that document now. I'm not sure yet whether it's really going to advance, tell much about what we do in the Executive Council, and this is an issue I think the committee's aware of in terms of the special nature of the committee. So I'll leave it there and perhaps answer any question that you have.

The Chair: — Thank you very much. Any questions?

Mr. Michelson: — I guess, Mr. Chair, the only question I'd have is on the . . . It was mentioned that previous recommendations for the annual report, and I'm not sure what the committee's thoughts were behind that. Could you fill us in on . . .

The Chair: — I think you'd be asking the wrong person, looking going through the, you know, the committee's deliberations. I'm not sure if there is anyone here today that was on the previous Public Accounts Committee. It may well be that, you know, like Mr. Garven says, that this is not a department as such; it's more of a coordinating function within government. That the question of whether performance plans would have the same kind of effect or would have the same kind of importance that it might for departments with specific objectives and other than the coordinating role within government — but so, you know, I'm just assuming that's what the committee's discussions were about.

Mr. Michelson: — Would the auditors have a comment on that at all, or . . .

Mr. Wendel: — I think our view was that every government organization should bring forward a plan to the Legislative Assembly, what they're planning to do and what's it going to cost, and make a report back as to what they achieved and what it did cost. And that's been our view. And if you're a public organization, we think that just goes to transparency and good accountability.

Mr. Montgomery: — I would just add that I believe the federal government executive council does do a report and I think also British Columbia and Alberta, and I'm not familiar with the others, but just for . . .

Mr. Michelson: — Well perhaps like you said, it's not a department like the rest of them and it's . . . All right. I was just kind of curious on the background on that. That's all I've got.

The Chair: — Any further questions? Mr. Reiter.

Mr. Reiter: — Mr. Chairman, just to clarify for me. The

current recommendation on payroll, that has been addressed now?

Mr. Garven: — Yes, that one's been addressed, I think, as we're one of 16 . . . [inaudible] . . . cited by the Provincial Auditor. With the new MIDAS [multi-informational database application system] payroll system, that's been addressed now. We're confident now that those payments will be reviewed prior to any payments made. So that's all, system-wide, has been fixed.

The Chair: — No further questions. And the recommendation is one that we dealt with yesterday through an omnibus motion for all departments. And so I want to thank you, Mr. Garven, for your attendance. That concludes consideration of the Executive Council, and look forward to seeing you again. Thank you very much.

I'll just remind those who are following the proceedings that we are making reference to the *Report of the Provincial Auditor*, the 2007 report volume 3. And that report is accessible on the auditor's website at www.auditor.sk.ca. And I would suggest that we recess until 9:30. Is that the next . . . till 9:30.

[The committee recessed for a period of time.]

Learning

The Chair: — So next on our agenda is the Department of Learning. And I refer members to chapter 16. With us is Audrey Roadhouse, the deputy minister of Education, along with a number of officials. I'm going to ask Ms. Roadhouse to introduce those officials. Then I'm going to turn it over to Ed Montgomery from the auditor's office for his comments on this chapter, and then back to you if you have any comments, and then entertain any questions from the members. So if you could introduce your officials, and then we'll go back to Mr. Montgomery. Thank you.

Ms. Roadhouse: — Thank you, and good morning, everyone. Joining me today are Helen Horsman, who is assistant deputy minister; Darren McKee, assistant deputy minister; David Tulloch, director, financial planning and management; Dawn Court, senior financial manager, financial planning and management; Gwen Mowbray, acting executive director, human resources; Duane Rieger, manager, audit services, corporate services, AEEL [Advanced Education, Employment and Labour] and Education.

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

Mr. Montgomery: — Thank you, Mr. Chair. In this chapter we report the results of our 2007 audits of the department and its special purpose funds. While we've completed our work on the department's special purpose funds, we have not yet completed our work on the department for 2007. If there are further matters to report for the department they will be reported in our next report scheduled for this spring. We will also report on the Teachers' Superannuation Commission in our spring report.

We make two new recommendations concerning the department. The first recommendation is the same payroll point that we've made for all significant departments. And I won't

say any more about that one.

Secondly, we recommend the Department of Learning follow its established procedures for user access to its systems and data. It's necessary to make changes to employee access when an employee leaves or when an employee is assigned different duties. The department has adequate procedures for removing user access to its systems and data; however, the department did not follow its established procedures. During the audit we found four instances when employee access had not been removed on a timely basis.

Finally I should like to point out that on pages 306 to 308 of our report we include a status report on outstanding recommendations of this committee that have not yet been fully implemented by the department or by the Teachers' Superannuation Commission. That ends my opening comment.

The Chair: — Thank you very much. Any comments, Ms. Roadhouse?

Ms. Roadhouse: — I am pleased to be here today to discuss the Provincial Auditor's 2007 report volume 3, released late last year. We welcome the auditor's report on our ministry operations and we enjoy a good working relationship with the auditor's office. We value the auditor's opinion and, in general, we agree with his findings.

As the auditor notes, he has provided an interim report on the ministry, pending the completion of his audit work. Upon completion of the report, if there are any additional findings they will be reported in a future report. I'll not speculate on those findings, so I'll limit our discussion today to the findings as noted by the Provincial Auditor.

As an opening comment, I would say the ministry accepts the findings of the auditor and agrees with each, with the exception of the finding related to the reporting of incorrect pension costs, where the Department of Learning is bound to follow the directions from the Provincial Comptroller's office, which guides the department in these matters. I would refer any questions that come forward on this matter to the Department of Finance.

Now with regard to the new findings by the Provincial Auditor: better control over employees' pay needed. I understand this is a systemic issue that many, if not all, ministries were cited. We agree with the finding and have moved to better control of employees' pay. The ministry is working with the Public Service Commission, which provides payroll processing services for the ministry, to make improvement to its payroll processes and procedures including the improved segregation of duties.

In addition to the system-generated monthly financial and other payroll reports, retro pay report, verification required reports that are reviewed prior to paying employees, there are also a number of reports that are run to verify the accuracy of the payroll — for example, pay paid report, pay not paid report. The ministry believes that with these improvements, employees' pay will be approved in accordance with The Financial Administration Act.

User access. Again we agree with the Provincial Auditor's recommendation. We have moved to put in place a system whereby we are reviewing on a routine basis the access to the system and are also ensuring that as employees leave the ministry that we are ensuring their access is discontinued in a timely way. We believe these actions will address the auditor's concerns.

This concludes my opening remarks. I would again thank the Provincial Auditor and his office for the work that they do. And I would invite the committee to put forth any questions that they may have.

The Chair: — Can I just ask, with respect to the user access, there is no indication that there had been inappropriate access? It's just a question of . . .

Mr. Montgomery: — No, it's just a question of removing some people who should no longer have had access.

The Chair: — Okay. I don't have any further questions. Mr. Chisholm.

Mr. Chisholm: — Just one question on the second recommendation. As I kind of overheard the conversation here that there was no abuses that were reported, it was simply that there was a loophole that has been ended. Would I understand correctly that that has been corrected now?

Mr. Tulloch: — Yes.

Mr. Chisholm: — Right. Okay. Thank you.

The Chair: — No further questions? Mr. Nilson.

Mr. Nilson: — Is my understanding correct, that all of the outstanding recommendations show up here because you haven't had a chance to actually do the full review this time and that a number of these are complete?

Mr. Montgomery: — Yes. Correct. Some of them are that we haven't come back to do a follow-up of a particular audit that we've done. They would be sort of, if you look at page 307 they'd be the second and third one there. There was a follow-up scheduled later.

The first one would be one where they're targeting new financial policies, etc., for the school boards beginning in 2009. So that one isn't . . . But that's generally the rationale for why they're still there.

The Chair: — If there's no further questions, I want to thank you very much for attending here today. And thank you for being here early, I guess. And we appreciate your attendance. Thank you very much.

We're not going to have to deal with the recommendation on payroll? No. And with respect to the second recommendation, what is the committee's wish in terms of how we dispose of this? Concur with the recommendation, we note the progress or that . . .

Mr. Michelson: — And note progress, yes.

The Chair: — Okay. Or would we note compliance?

Mr. Michelson: — Or compliance, yes.

The Chair: — Okay. Then Mr. Michelson is moving that we concur with the recommendation, note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Okay, that's it. Thank you.

The next department we have is Highways and Transportation. They were scheduled to be here at 10. So I'd suggest that we recess until that time, but if members could be available to discuss the procedures manual during that time, then we'll come back at 10 or shortly before. Thank you.

[The committee recessed for a period of time.]

Highways and Transportation

The Chair: — The next item on our agenda is consideration of the Department of Highways and Transportation, and again for those who are following the proceedings, I would refer them to www.auditor.sk.ca for the auditor's 2007 report volume 3, chapter 12.

With us is John Law, the deputy minister of Highways and Transportation, and various officials. I would ask you, Mr. Law, if you could introduce your officials, and then I want to go to Ms. Ferguson of the auditor's office for her comments and back to you for any additional comments you may have and then entertain questions from the committee. So please introduce your officials, and then we'll go to Ms. Ferguson.

Mr. Law: — Thank you, Chairman Van Mulligen, and with me today are Ted Stobbs, who is my assistant deputy minister responsible for corporate affairs, on my right, and Gary Diebel, who is the director of finance and administration for our department. Thank you.

The Chair: — Ms. Ferguson.

Ms. Ferguson: — Thank you, Chair. Good morning. Good morning, Chair, members, and government officials. Before us we've got chapter 12, and this includes the results of our audit of the Department of Highways for the year ended March 31, 2007. I'll guide you through the recommendations.

In this report we've got really five recommendations for the committee's consideration, but I understand that you've actually dealt with one already — and that's the first one that relates to the issue of the review and approval of payroll — so we won't deal with that one again. So it's already been dealt with.

The next two actually relate to weaknesses in the Highways' processes over users' access to its computer system. In our audit we determined one employee with conflicting roles within the human resource payroll system. The conflicting roles allow the employee to create and pay fictitious employees. This alerted us to a weakness in the ministry's processes. That is, the ministry

was not monitoring on an ongoing basis access to its computerized human resource and payroll system. This increases the risk of an inappropriate access to the system without ready detection.

To address the weakness in the Highways' processes, on page 256 we recommend that Highways monitor roles assigned to users in the human resource payroll system. When we advised Highways of the conflicting roles of the employee, Highways changed the roles assigned to this employee to remove the conflict. Neither Highways nor our office identified errors relating to the conflicting roles assigned to this employee.

The next point also relates to poor controls over access to its computer network. Its computer network contained sensitive information related to its planning and tendering. During the audit we identified that 165 users were stale accounts. That's users where accounts with individuals with access that had not accessed the computer system for an extended period. Upon further investigation Highways noted that most of these accounts related to its seasonal workers who were not currently in its employ. Not removing promptly access to its computer network increases the risk of inappropriate access to the system without ready detection.

To address this weakness, on page 256 we recommend that Highways promptly remove computer network access from former employees. Highways told us that it plans to obtain a report from the Information Technology Office to help it monitor its stale accounts.

The next point is also IT [information technology] related. Highways has significant computer systems. It relies on these systems to monitor construction and maintenance costs, and to manage the highway system. Since April 2005 Highways has received certain information technology systems from the Information Technology Office without a written agreement. Operating without a written agreement is risky in case of system failure or misunderstandings of responsibilities. Without an adequate agreement Highways may not know if or when ITO [Information Technology Office] could restore the Highways systems if a disaster occurred.

We recommend that Highways complete a service agreement with the Information Technology Office for information technology services rendered. In October 2005 management advised us that it was in the final stages of negotiating an agreement with ITO.

Highways provides the public with critical services such as highways maintenance, airport operations, and road information services. Business continuity plans are essential for agencies that provide critical services. Highways does not have a written, tested, and approved business continuity plan to help ensure it provides services in the event of a disaster. On page 258 we recommend that Highways prepare a complete business continuity plan.

Also on 258 we provide you with an update of a 2005 recommendation. We had recommended that Highways give additional information on its key plans relating to highways condition, safety, and reliability, as well as a comparison of plans to actual results with any differences explained.

Highways has met this recommendation with one exception. As it does not publish its targets, it does not provide the public with comparison plans to actual results as they relate to highways conditions. As noted in this report, the Highways follows the government's accountability framework, which did not require publishing of targets. That concludes my presentation. We're pleased to respond to questions.

The Chair: — Mr. Law.

Mr. Law: — Thank you, Mr. Chairman. I appreciate the opportunity to appear before the committee today. I'd just like to say by way of introduction that we appreciate the opportunity to work with the Provincial Auditor and I think the organization has had a good working relationship over the years in terms of making progress on a number of the recommendations that we've received from the Provincial Auditor.

My general comment would be that we're in agreement with the recommendations from the auditor and have for the most part, I think, either completed or made significant progress on all of the items that have been identified here. I'm certainly prepared to take questions and to speak to individual items if there's an interest at that level, but will reserve any further comments for questions that may have from the committee.

The Chair: — Questions? Mr. Chisholm.

Mr. Chisholm: — A quick one. You mentioned that you have made either progress or complied completely with most of them. I wonder if we could just run through them quickly and you could let us know again which ones have been complied with and which ones are in progress.

Mr. Law: — Certainly. The first item that Ms. Ferguson spoke to concerning the monitoring of roles in our human resource payroll system, we have put in place a process to ensure that we have an ability to review roles and responsibilities in the system as a result of the issue that was identified by the Provincial Auditor. We have a series of internal controls that have been put in place, but the summary description I would give you that is every time there is a change in the responsibilities or roles that are assigned in this regard, we have a protocol that kicks into place that requires a check on the system to ensure that there are no conflicts or problems in terms of assignments in roles and responsibilities.

On the issue of removing our former employees from access to the network, the numbers — which I admit I had heard for the first time this morning — sound pretty daunting, but with the number of seasonal workers that we have, this issue is largely one of timing in terms of the 30-day period within which we normally take people off the system. So there is a time frame there. And what we've done here, in addition to the normal process for removing those employees from the system which is an ongoing part of the work that we do, is that we've added an additional protocol that serves as the check on the work that we do with the ITO.

And consequently if for any reason somebody is not identified in that initial time frame, we have now an additional step that we go through that would catch any of those, particularly seasonal employees, who may have some time in the time frame

between when they may have left employment with our agency and the termination within that 30-day time frame of their access to the system, we have an additional protocol to ensure that that check is put in place.

The issue of our status with regards to the service agreement that was noted with the ITO has been a subject of some ongoing interest from our perspective — not from any concern with respect to having an agreement in place but to make sure that the nature of the agreement that we do have is one that does provide for the ongoing support of the systems that are important to us. That is to say that we have a system upon which the service levels are reflective of what the needs of the organization, particularly in the context of providing public safety to the motoring public.

So we are, as I understand it, down to final language in terms of what was referenced in the report in the discussions in October, and I think we should be in a position to conclude the agreement very shortly with the ITO. But it has not been for want of an interest in concluding the agreement, but rather our interest in ensuring that we have one that is customized to meet the needs of the organization with respect to the service levels that are there.

The final item, or second to the last item concerning the business continuity plan, we have over the course of the last year and a bit been working on an enterprise risk-management model across the department and have attempted now to integrate a business continuity plan as part of that risk model that we use for our department. So we engaged an outside consultant with some expertise in this area, not simply to help us develop the protocol for business continuity and how we might best respond to the recommendation from the Provincial Auditor, but also to make sure that it is integrated as part of a core component into our management system. And so that work is currently in progress. We've completed the first phase over the last number of months this winter, and have got the consultant engaged in working towards that integration process that I described to make sure that this is part of our ongoing strategic plan.

And the final item concerning public information disclosure is one that we will continue to work towards in co-operation with the Department of Finance as part of the overall performance plan protocols that are in place for government. Our department will be happy to continue to work within the framework of that performance plan and provide the information that is consistent with the levels that are requested and demanded in the reports we provide through the Department of Finance.

The Chair: — Any further questions? Then recommendation no. 1 we don't have to deal with, having dealt with that. Recommendation no. 2, is there a motion? Is there progress I think on recommendation no. 2?

Mr. Chisholm: — Right.

The Chair: — Then if someone would move that we concur with the recommendation and note progress towards compliance on no. 2. Mr. Bradshaw moved that. All right. Is that agreed?

An Hon. Member: — What's that?

The Chair: — No. 2, recommendation no. 2, that we note that there has been progress.

An Hon. Member: — Right.

The Chair: — Okay. And that's agreed?

Some Hon. Members: — Agreed.

The Chair: — No. 3, I deduce from your comments that in fact you have compliance on this then?

Mr. Law: — Yes.

The Chair: — Yes, okay. So Mr. Michelson moved that we concur with the recommendation and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. And no. 4, again listening to your comments, I think you're making progress on that particular recommendation as well. And if someone would move that we concur with the recommendation and note progress towards compliance. And that's moved by Mr. Chisholm. Okay. And is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay. And finally in terms of a complete business continuity plan, same thing, we note progress? Okay. So Mr. Chisholm is moving that we concur with the recommendation and note progress towards compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay. Any further questions, comments, anything on the public accounts? No. Then thank you very much for your attendance today. Thank you.

The committee will stand recessed until 10:15 at which point we will deal with the Saskatchewan Liquor and Gaming Authority, which was previously scheduled for 11 but they will be here at 10:15.

[The committee recessed for a period of time.]

Saskatchewan Liquor and Gaming Authority

The Chair: — We now turn our attention to the *Report of the Provincial Auditor, 2007* report volume 3, chapter 17, Liquor and Gaming. And for those that are following the proceedings, the auditor's report is available on his website at www.auditor.sk.ca.

Joining us from Liquor and Gaming is Barry Lacey and a number of officials. Mr. Lacey is the president and CEO [chief executive officer] of the Saskatchewan Liquor and Gaming Authority. And I wonder, Mr. Lacey, if you can introduce the officials that are with you, after which I want to go to Bashar

Ahmad from the Provincial Auditor's office for his comments, and then back to you if you have any further comments, and then get into questions from the committee. So if you can introduce your officials, and then back to Mr. Ahmad.

Mr. Lacey: — Yes, thank you, Mr. Chair. On my right is Rod Wiley. He's SLGA's [Saskatchewan Liquor and Gaming Authority] chief financial officer and vice-president of corporate services. Sitting to my left, Fiona Cribb, acting vice-president of gaming operations. And sitting behind me is Jim Engel, SLGA's vice-president of policy and planning.

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

Mr. Ahmad: — Thank you and good morning, Mr. Chair, and members of the committee. Chapter 17 of our 2007 report volume 3 begins on page 311. The chapter consists of two parts. Part A describes the result of our audit of the Liquor and Gaming Authority for the year ended March 31, 2007, and part B describes the result of our audit of Saskatchewan Indian Gaming Authority, that is SIGA [Saskatchewan Indian Gaming Authority Inc.], for the same year-end.

In 2007 Liquor and Gaming had revenue of \$789 million, expenses of \$419 million, and a net income of \$370 million. The net income includes about \$49 million net income from SIGA. Liquor and Gaming continues to monitor SIGA's operation closely and has implemented all our past recommendations relating to supervision of SIGA.

In part A we repeat one recommendation from our past reports and make two new recommendations for Liquor and Gaming. The repeated recommendation is on page 317, and it relates to the business continuity plan. Liquor and Gaming needs to prepare a complete business continuity plan for the board approval. In May 2006 your committee considered this matter and agreed with our recommendation. Liquor and Gaming continues to work toward addressing this recommendation.

Now to our two new recommendations. The first recommendation on page 316 asks Liquor and Gaming to provide better training and guidance to its employees. Doing so will help ensure employees understand and follow established policies and procedures. The risk of misappropriation and loss increases when employees do not understand and follow established processes.

The second recommendation, also on page 316, asks Liquor and Gaming to follow its approved information technology policies and procedures. Liquor and Gaming has approved IT policies and procedures that set out stronger security policies, including management of physical security and granting access to system and data. It must now ensure its employees follow those policies and procedures.

Page 318 shows the state of other outstanding recommendations of your committee. These recommendations relate to Liquor and Gaming processes for the responsible use of beverage alcohol. Our follow-up work plan for next year will assess and report Liquor and Gaming's progress toward assessing those recommendations.

Now moving on to part B of this chapter, this report, the result

of our audit of SIGA for the year ending March 31, 2007 and the result of our audit of SIGA's project management processes for the Dakota Dunes Casino from January to August 2007. We make no new recommendation for SIGA. SIGA has made significant progress in addressing our past recommendations. It has fully implemented 79 per cent and partially implemented 21 per cent of our past recommendations.

SIGA's board has not yet reviewed and approved data . . . draft IT strategic plan that SIGA senior management has prepared. Without doing so, the board will not know if the draft IT plan has addressed all the risks and effects. SIGA also needs to do more to ensure employees understand and follow established policies to do their work. We say so because although SIGA has established adequate processes, its employees did not always comply with those policies.

SIGA has made good progress to address our past recommendation to improve processes to build human resource capacity; however it has not yet fully documented its future human resource needs. Also it needs to provide better information to both relating to the effectiveness of employees' training programs. SIGA is currently developing a process to evaluate the effectiveness of its training activities.

On pages 328 to 334 we discuss the phase 2 of our audit of SIGA's project management processes for the Dakota Dunes Casino. Dakota Dunes Casino was a significant project for SIGA. The work on the \$61 million project began in 2005, and the casino opened to public in August 2007.

We completed phase 1 of this audit in 2006 and reported the result in our 2007 report volume one. In phase 1 we examined SIGA's project management processes from April 2005 to December 31, 2006. In that report we made four recommendations. We said SIGA should have adequate project plans before starting major construction projects, finalize financing arrangements before starting projects, have dispute resolution mechanisms with its key partners, and provide its board better reports. In June 2007 your committee considered and agreed with those recommendations.

For phase 2, we examine adequacy of SIGA's project management processes for the period from January 1 to August 31, 2007. We used the same criteria that we used for phase 1. SIGA learned from its experience and implemented two of our earlier recommendations for its new casino project in Swift Current. We concluded that SIGA had adequate processes for the Dakota Dunes Casino project except that it still needs to establish dispute resolution processes with its key partner and provide better reports to the board. Management told us that future progress reports to the board would include actual project costs reconciled to SIGA's accounting records. And that concludes my overview. Thank you.

The Chair: — Mr. Lacey.

Mr. Lacey: — Yes, thank you. First of all I'd like to say that SLGA appreciates the work the Provincial Auditor has done and accepts all of his recommendations regarding SLGA. I'd also like to assure this committee that we will be implementing all the recommendations that he has raised in his report. Regarding the Saskatchewan Indian Gaming Authority, or

SIGA, section of this chapter, we are pleased that the auditor has noted that progress has been made and accept the auditor's recommendations to further improve processes as he's mentioned in his report.

We're also pleased that there's no new recommendations, and we remain committed to working with SIGA to address those areas where the auditor has outstanding concerns. And with that my officials and I would be happy to answer any questions you may have of us. Thank you.

The Chair: — Questions.

Mr. Michelson: — Mr. Chair, when I read the report it says the Liquor and Gaming operates 80 liquor stores, and then the next paragraph down it says Liquor and Gaming audited 31 liquor stores, had found the employees of the stores did not always follow established procedures. Is that 31 out of 80 that didn't follow procedures?

Mr. Lacey: — No. Our audit shop has an annual audit plan, and every year they audit so many liquor stores. So last year 31 liquor stores out of the 80 were audited. And then within those audits, there would have been recommendations likely coming out of those store audits in those 31 stores. So some stores may have had one or two or none. Others would have more recommendations depending on the outcome of that review.

Mr. Michelson: — Yes. I was just a little concerned when they had that many were out of compliance. I was wondering why. Would you have necessarily had a training process for the employees or would it be a management process? I think you've answered that.

On the outstanding recommendations, I noted that the — on page 318 — the Liquor and Gaming Authority should formally assign responsibilities for encouraging responsible use of beverage alcohol. How is that done? Is that like an advertising campaign?

Mr. Lacey: — That recommendation has been met by SLGA. We have assigned formal responsibility to two individuals in the organization. And how that was done specifically, as through a process of updating job descriptions, we've included a direct reference to that responsibility within those individuals' job descriptions.

Mr. Michelson: — I see. Thank you. I recognize that it's federal law gives First Nations the ability to pass band bylaws regarding smoking in the reserved lands. Did the government try to negotiate or discuss the issue of smoking in casinos when it had the opportunity to do so when the government approved the casinos for Dakota Dunes or Swift Current? And more recently when the government signed agreements for the gaming framework agreement, was the smoking ban discussed at all? Was that part of the discussions?

Mr. Lacey: — When SLGA was negotiating amendments to the gaming framework agreement and the casino operating agreement with respect to the two new casino sites at SIGA — which were negotiated, I guess, a couple of years ago — as well as the more recent negotiations with the gaming framework agreement amendments which occurred this past summer, fall,

when SLGA was negotiating those at the table with the FSIN [Federation of Saskatchewan Indian Nations], there was no discussions on the table with respect to smoking and smoking at SIGA casinos. So that was not part of the negotiation process. SLGA had not received, I guess, direction. It's not part of our mandate when we went to the table, so the issue of smoking was not discussed.

Mr. Michelson: — I see. In regards to the Saskatoon Prairieland Park Corporation, the agreement to sell that operation to Dakota Dunes and then buy back as many as 12 of the lottery machines, is there a reason why only three were allowed in that particular . . .

Mr. Lacey: — Perhaps I'll provide a little bit of background to that piece . . .

Mr. Michelson: — Sure.

Mr. Lacey: — And then get to, perhaps attempt to answer that question. When Emerald Casino closed or when SIGA was in the process of developing the Whitecap Casino and was in discussions with Emerald Casino with respect to Prairieland Park with respect to the closure of the Emerald Casino, there was a terms of closure document that both Prairieland agreed to as well as the Saskatchewan Indian Gaming Authority. And there were two pieces to that that were, I guess, relevant to this discussion. One piece was that Prairieland agreed to close the Emerald Casino that had 100 VLTs [video lottery terminal] in it at the time. SIGA agreed to provide compensation to Prairieland Park in the amount of 2.6 million as compensation for the closure of that casino, which was about 500,000 more than what SLGA was guaranteeing the Emerald Casino would make in the past.

The second piece in that closure document was that the parties agreed that SPPC [Saskatoon Prairieland Park Corporation] could have up to 12 VLTs at its location pursuant to the province's VLT program and the policies surrounding the VLT program. So that's one piece of the background piece there.

The second piece is that SLGA's VLT policy, I guess, for some time now has had a policy that new sites would initially receive three VLTs and then could earn or could receive up to 12 depending then on future earnings. So over a period of a number of years they can move from 3 to 12.

And perhaps the third piece, which is unique to this situation, is at this particular location there is parimutuel betting on horse racing at this facility that's replaced the casino. And as well I think there's been some thought on Prairieland Park's perspective that the VLT revenues, whatever would be earned, would be dedicated to horse racing.

So Prairieland Park has requested VLTs for that location that's replaced the casino. The initial decision that SLGA made late last summer, late fall, was to provide three. I guess the rationale around that decision was essentially following the VLT policy. An interpretation had been made that this was a new site, not a continuation of an existing site, and so the VLT policy, I guess, was applied directly and literally. And as a result, that's where the three comes from.

I should mention that Prairieland Park has asked SLGA to reconsider its decision. It has, you know, it's indicated the terms of closure speaks up to 12 machines, and it, you know, has advanced some arguments with respect to those VLTs and how they might be used to support simulcast racing and the horse racing industry more broadly. So we're in the process of re-evaluating that decision with respect to Prairieland Park's request to revisit that decision.

Mr. Michelson: — Is the standard of three machines in any new location, is that complied with?

Mr. Lacey: — Yes, that has been.

Mr. Michelson: — Regardless of where it was?

Mr. Lacey: — I guess as far as I can recollect at my time at SLGA that that has been standard practice that's been followed consistently in the past with respect to new sites.

Mr. Michelson: — Thank you. That's all the questions I've got, Mr. Chair.

The Chair: — Any other questions? Mr. Chisholm.

Mr. Chisholm: — Just one question on the B part of the report regarding SIGA's role in the Dakota Dunes Casino. Maybe you could just kind of inform me how that exactly works. Like it says that SIGA established the Dakota Dunes Casino, my notes say. Well who's the actual owner of the casino and just how that flows through?

Mr. Lacey: — I'll take a crack at that.

Mr. Chisholm: — Okay.

Mr. Lacey: — And if need to, I'll defer to my colleague, Fiona Cribb. SIGA is the owner and the operator of the casino which resides on the lands of the Whitecap First Nation. And essentially how the relationship works is SIGA actually has a lease arrangement with that First Nation. So the First Nation is responsible for building the shell, so to speak, the exterior structure of that facility. So the building itself is owned by the Whitecap First Nation.

SIGA then enters into a lease agreement with them to lease that building. SIGA then goes in and adds some refurbishments. And so really the fixtures of a casino are then added as leasehold improvements by SIGA, and then SIGA has essentially a lease arrangement with that First Nation. And in fact I think it might be with the Saskatoon Tribal Council or is it with the . . . I'm not certain who the actual lease agreement is with, but they actually have a lease arrangement whereby then SIGA owns and operates the casino in that building owned by the Whitecap First Nation.

Mr. Chisholm: — A supplementary question was . . . There was considerable cost overruns in the project that we were informed about during the cost of the project. Who actually ended up having to borrow more money to make that thing come together? Does SIGA have a large debt related to that project, or is it the tribal council has the debt, or is it Dakota Dunes has the debt?

Mr. Lacey: — The Dakota Dunes Casino project — and I forget the number — initially came in at an estimate . . . Just a point of clarification with respect to cost overruns because I just want to be clear on that piece if I could.

SIGA initially, when it was developing the concept of the Dakota Dunes Casino, had come in at a certain price point with respect to what it believed it would cost to develop that casino, and that included what their partners would cost them as well with respect to building the shell. And I can't remember what that number was initially, but I think it was probably in the range of about \$30 million.

When they actually went out to architects and actually got a lot more costing information and materials . . . I'll backtrack. Cabinet then approved that casino at that initial price tag of around 30 million. When SIGA actually went out to actually develop the project and kind of got into the detail, they soon discovered that they couldn't build the casino for 30 million as they initially thought, so they came back. And I think the price tag at that point was around \$61 million. So before they even started the project, so to speak, they realized that there was an incremental cost to this project. So they came back to SLGA. SLGA went back to cabinet, and there was a subsequent approval for an additional . . . for that casino now at a \$61 million price tag. SIGA at the end of the day delivered on that \$61 price tag, and in fact, I think, they came in a little bit under the 61 million that was approved through the second process. I just want to clarify that with respect to . . . The actual project came in on budget with respect to the revised approved budget.

Who picked up those extra cost? That extra cost would have been shared between SIGA and the landlord, so both of them would have had additional financing requirements is my understanding. Now I don't have the specifics on what share there was there. And we don't have that here today. But certainly through that second approval process, there would have been a recognition that additional financing would have been needed, and both of them would have had to go back to their financiers to obtain that financing.

Mr. Chisholm: — Okay. Thank you very much.

The Chair: — Any further questions? Mr. Nilson.

Mr. Nilson: — In response to the earlier question about smoking in the casinos. Would I understand you correctly to say that, if there had been direction from the government around negotiating that as part of a condition for the licence, it would have been possible to include it in the licence?

Mr. Lacey: — If that would have been part of SLGA's negotiating mandate to link this smoking, I guess, issue on reserves, recognizing the fact that under First Nation law, they can pass their own laws with respect to that issue. Certainly SLGA would have brought that issue to the table and would have entered into discussions with the FSIN with respect to the issues under negotiations and how that smoking issue might be advanced per the mandate provided to SLGA within the context of those negotiations and what the FSIN and the province would have been looking for.

Mr. Nilson: — So in the future, this may be an issue then that

would come back at . . . the next time there's a project, or there's something there as the provincial government and obviously federal government policies change in this area.

Mr. Lacey: — Certainly as when you enter into these type of significant agreements with the province, SLGA would seek a mandate direction from government in . . . so certainly if different direction was provided, that would be part of the mandate then that we would need to try and fulfill.

Mr. Nilson: — Okay. Thank you.

Mr. Michelson: — I guess with that said, I'm kind of disappointed that that wasn't part of it because, you know, if it's something good for the province of Saskatchewan, why should it be segregated from that negotiation at that point? It's just a comment. Thank you.

The Chair: — The first recommendation we have is on page 316: "... improve employee training so that employees understand and follow approved . . . procedures."

I sense from your comment that there has been progress made in terms of compliance with this.

Mr. Lacey: — Yes, certainly. We have been actively working on it. This is an issue that we want to see improvement on and we want to address that recommendation. And we have been actively working on that since the report was issued a month ago.

The Chair: — Okay. If someone could then move that we concur with the recommendation, note progress towards compliance.

Mr. Bradshaw: — Concur and note progress.

The Chair: — Moved by Mr. Bradshaw and we all agree?

Some Hon. Members: — Agreed.

The Chair: — The second . . . well I think that's it for recommendations, is it? Or is there one more? Oh same page:

We recommend that Liquor and Gaming Authority follow its approved information technology policies and procedures.

Any comments specifically on that?

Mr. Lacey: — The only sort of comment I'll make here is that in the past year we've hired an individual specifically dedicated to reviewing our IT security — an IT security coordinator — and that position has gone a long way towards us addressing this recommendation, and we're continuing to work towards fully addressing it.

The Chair: — So, progress. Someone like to move then that we concur with the recommendation and note progress towards compliance? Moved by Mr. Michelson. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That then concludes the recommendations. Any further questions or comments for the authority? If not, thank you very much for attending here today and coming a bit early to facilitate our schedule. Thank you very much, Mr. Lacey.

If we can recess for approximately five minutes just to give some final consideration to the procedures manual, and then come back and dispose of that item. So we stand recessed until quarter to 11.

[The committee recessed for a period of time.]

Standing Committee on Public Accounts Procedures Manual

The Chair: — I'd like to call the meeting back to order. The only outstanding business we have today is consideration of the procedures manual for the Standing Committee on Public Accounts.

The procedures incorporate standing practices that have been developed over time by the Legislative Assembly and the committee. It includes: terms of reference; mandate of the committee; the process of reviewing the estimates of the auditor; the examination of Bills related to the Provincial Auditor, which is a new item in terms of procedure for the committee; recommendation of appointment of an audit committee; and there's been a suggestion of a change that is now incorporated in the motion that we'll be dealing with, a suggestion that we consider not just members who are members in good standing of the Institute of Chartered Accountants and the Society of Management Accountants, but additionally also someone who could be a member of the Certified General Accountants Association of Saskatchewan.

The operating practices and procedures, there's one small deletion to make it consistent with the membership of other committees and with respect to substitution of membership of the Chair. And I think that's an overview of the issues.

For those that are following the proceedings, this procedures manual at some point will be posted on the website of the Legislative Assembly. I think that's www.legassembly.sk.ca for those that want to access this information. So if there's no comments on this procedures manual, then I do have a motion by Mr. Michelson:

That the Standing Committee on Public Accounts adopt its procedures manual.

Any discussion on that? No. Are we agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. Mr. Chisholm.

Mr. Chisholm: — I would just like to commend Margaret on her assistance in the actual drafting of this. I know her and Elwin worked together on that during the last session, and we certainly appreciate the assistance and direction that we get from the Speaker's office. Thank you.

The Chair: — I certainly concur with that and I think all

members do. So thank you very much for that comment and thank you, Ms. Woods, for your work on this.

There not being any further business, I would just advise you that I will be meeting with the Deputy Chair to plan work during the course of the coming session at which point we'll be meeting again. And at this point I would entertain a motion to adjourn.

Moved by Mr. Bradshaw that we adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Thank you very much.

[The committee adjourned at 10:49.]