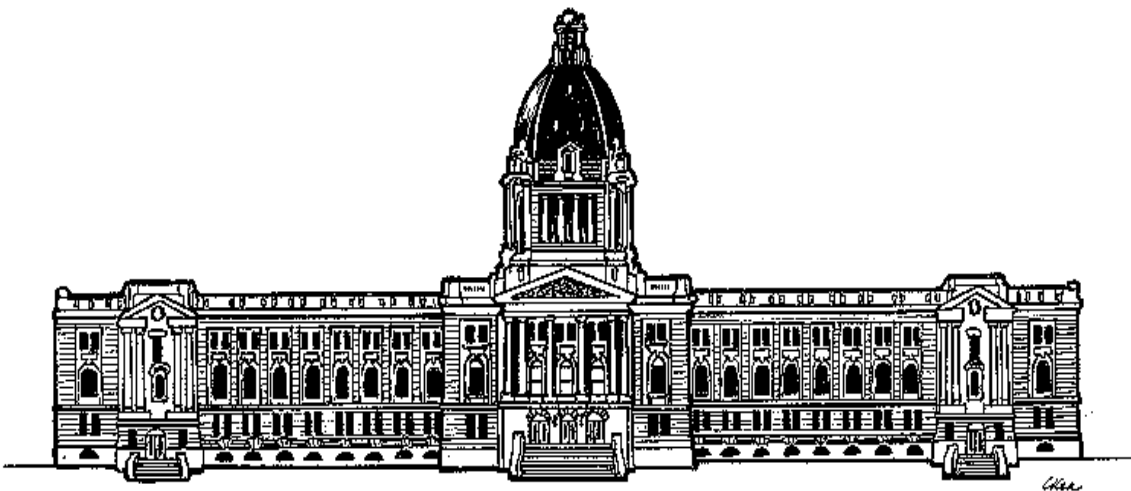




STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Legislative Assembly of Saskatchewan

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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 08:30.]

Education

The Chair: — Good morning everyone. We are meeting today as Public Accounts Committee to consider a couple of chapters from the auditor's report, the 2008 auditor's report volume 1. And for those that are so inclined they can access that report at www.auditor.sk.ca. Today we have two departments — Education, and secondly, Justice and Attorney General.

First the Department of Education. We're joined by the deputy minister, Audrey Roadhouse, and I wonder if Ms. Roadhouse could introduce the officials that have joined us here today, and then we'll go back to the auditor for his comments.

Ms. Roadhouse: — Good morning. It's my pleasure to introduce Shirley Robertson, who is the acting executive director of the Teachers' Superannuation Commission, and David Tulloch, who is the director of finance for the Ministry of Education.

The Chair: — Mr. Grabarczyk.

Mr. Grabarczyk: — Good morning, Chair, and members. I will provide an overview of chapter 3 for 2008 report volume 1. This chapter describes the results of our audit of the Teachers' Superannuation Commission for the year ended June 30, 2007. In this chapter we make eight new recommendations and continue to make one recommendation.

Good governance processes help to ensure the plans pay the pensions and other benefits promised. We make three new recommendations related to governance processes. First we recommend that the commission develop and implement a strategic plan that includes goals and objectives, a summary of key risks it faces, and key strategies to manage those risks.

Second, the commission develop and implement an information technology strategic plan based on its strategic plan.

Third, the commission comply with its governance manual, for example by defining the financial and operational information it needs to oversee all of its operations.

We also continue to recommend the commission develop and implement a communication plan. The Public Accounts Committee agreed with this recommendation in September 2004.

To help the commission to have the human resources it needs to achieve its goals and objectives, we recommend the commission identify its human resource needs and develop strategies to address any identified competency gaps.

The commission is responsible for ensuring only eligible plan members receive benefits, benefits are properly authorized, plan members pay their share of costs, and adequate management reporting and monitoring processes exist to ensure the plan administers it properly.

We found the commission does not have adequate processes to

administer its disability, dental, and group life insurance plans. As a result, we recommend the commission maintain proper financial records, establish and communicate to staff policies and procedures to control public money relating to its benefit plans, and as well, obtain approval for bank overdrafts as required by The Financial Administration Act.

To help the commission prepare accurate interim and annual financial statements, we recommend the commission establish complete and written guidance for preparing its interim and year-end financial statements.

We also report that the commission needs to improve its accountability. As a result, we recommend the commission include in its annual report a report on its activities and financial statements of each benefit plan the commission administers.

We also recommend the commission provide its annual report to the Legislative Assembly by the date required by law.

And that concludes my overview. Thank you.

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

Ms. Roadhouse: — Thank you. I'm pleased to be here today to discuss the Provincial Auditor's 2008 report volume 1 released May 14, 2008.

We welcome the auditor's report on the Teachers' Superannuation Commission operations, and we enjoy a good working relationship with the auditor's office. We value the auditor's opinions and agree with his findings.

As an opening comment, I would say that the commission accepts the findings of the auditor. There are several remarks I wish to make on the findings in this report.

Governance processes need improvement. With regard to the Provincial Auditor's findings concerning improvement to governance processes, I would advise that recently the commissioners did considerable work to address the Provincial Auditor's concerns regarding governance. Members have completed conflict of interest declarations and have scheduled meeting times for other annual review processes. Commissioners completed the risk assessment document which now integrates with the strategic plan developed in 2007. The draft communications plan was reviewed and enhancements made taking into consideration goals, objectives, and plan risks. The commissioners then approved the final documents.

An information technology plan was completed earlier this year. This plan has been reviewed by an outside agency to ensure it addresses significant risks to the commission's operations.

Processes for preparing financial reports needed. Written guidance was developed for the preparation of interim and year-end financial reports which will enhance the commission members' ability to carry out their fiduciary responsibility for the programs they administer. Taken together, we expect the

Provincial Auditor will accept the work done as addressing the concerns noted.

The commission continues to work on the following issues and is looking to implement procedures to comply with the Provincial Auditor's requirements during the 2008-2009 year.

The human resource plan. A human resource plan will be developed, and the commission will work with the ministry and Public Service Commission to ensure competency gaps are filled. I would advise that this has been a difficult year for the commission which suffered the loss of several key personnel, including the executive director, which serves to place an additional emphasis on the need for a strong human resource plan.

I would at this point give recognition to the commission's administrative team who have pulled together to ensure the needs of the plan members have been met and the work of the commission has continued.

The administration of benefit plans needs strengthening. With regard to the improvement in administration of benefit plans, the commission will continue to research the processes and reporting structures of group life insurance and dental programs. They are working with the comptroller's office and the Ministry of Justice to ensure appropriate controls are in place and that reporting is acceptable and in compliance with legislation.

Processes for preparing financial reports needed. Even though the Provincial Auditor found the teachers' superannuation plan's financial statements reliable, there's always room for improvement and additional work to be done. We will be developing appropriate processes for the preparation of financial records and communicating these policies and procedures to commission staff.

The timeliness of the annual report. Lastly, we will also ensure that the annual report of the Teachers' Superannuation Commission will be tabled on time and will comply with the requirements of tabling documents Act, 1991.

This concludes my remarks. I'd like to thank the Provincial Auditor and his work for the work they do and invite the committee to put forward any questions they have.

The Chair: — Thank you very much. Questions. Mr. Nilson.

Mr. Nilson: — I appreciate all the work that's been done. Obviously this was a fair wake-up call when the auditor came in and took a look at everything here. So there's lots of recommendations but work to be done.

One of my questions would be when the plan was operating or when it is operating — and over the last couple of years — how did you decide on what the cost would be, the premium, in this whole situation? Because it doesn't sound like there was a method for doing that. And even now I think it's this part about, you know, the administration of the benefit plans and what kind of costs you would have because obviously each year you'd have to figure out — or each contract — figure out what kind of contribution should come from both employer and employee.

Ms. Roadhouse: — I will have Shirley Robertson respond to that question.

Ms. Robertson: — The group life insurance program, the premiums for that are through a contract with the Sun Life Insurance Company. And the premiums are based on a ratio of dollars per thousand, and it is a self-covering program. The premiums are matched by government, but the premiums do cover the cost of deaths and dismemberment claims throughout the year.

As far as the dental program goes, those are a direct draw on the GRF [General Revenue Fund]. They're paid directly by government. And that is determined based on the fee codes that are established for that program.

Mr. Nilson: — So then basically the answer is that you didn't have to worry about balancing that until the auditor asked some questions now and, I guess, we are too. Okay. Thank you.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Yes, just a question for the auditor's office. When was the last audit done on the teachers' superannuation fund? Like could you tell me approximately how many years ago we had a look at this particular fund and if there's any of these recommendations that are still there that were weaknesses then that had not been addressed because it does seem that there has been some weaknesses in this process.

Mr. Grabarczyk: — The previous audit was June 30, 2006.

Mr. Chisholm: — 2006?

Mr. Grabarczyk: — That's correct.

Mr. Chisholm: — Right. And were many of these same recommendations in that report? I should have checked that.

Mr. Grabarczyk: — There are some similar ones. The focus was more on the pension plan. So the recommendations around governance were around the pension plan. And one of the ones that continued, strictly related to the pension plan but also to the benefit plans, is the communication plan.

Mr. Chisholm: — Okay.

Mr. Grabarczyk: — That is a carry-forward recommendation. The other recommendations were in the past aimed at the pension plan.

Mr. Chisholm: — Okay. Thank you.

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

Mr. Michelson: — Yes. I would like to comment on your response. I am encouraged by what you're taking on. When I look through this report and I see things — and I think my colleague kind of hinted at it on the governance process needs improvement — and this went back to in September 2004 and October in 2006 where the Standing Committee on Public Accounts agreed with it and it wasn't performed. Nothing was done on it. And when I look at the human resource plan needed

— and that goes back to 2004, I believe it was — and now that’s been sidestepped too.

And I’m wondering, and there’s a couple more here. The employees did not reconcile the recorded bank balance with the bank’s records throughout the year. It seems to me that that’s something that needs to be done and should have been done. It’s a common sense thing, but it wasn’t done.

And when I look at an interim report coming in March but nothing at the end of June, I think for the taxpayers’ money that goes into Education, which is a huge part of the budget, that it really reflects bad on the ministry of the past administration. That goes right up to where the minister was in this, and I’m wondering where the minister was and why the decisions weren’t made. But I’ll leave that at that.

And I just want to comment I think you’re on a great track. I’m encouraged by your report, and I’ll look forward to things vastly improving in this department. Thank you very much.

The Chair: — Let’s get into the recommendations, recommendation no. 1, unless there’s any further questions. The first recommendation recommending:

... the Teachers’ Superannuation Commission develop and implement a strategic plan that includes its goals and objectives, a summary of the key risks it faces, and the key strategies to manage those risks.

Listening to the deputy I think some progress has been made there. And could we have a motion?

[08:45]

Mr. Michelson: — I move that we concur with the recommendation and note progress.

The Chair: — And note progress. That’s been moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That’s agreed. The second recommendation, similarly, listening to the deputy I think progress has been made on implementing an information technology strategic plan.

Mr. Michelson: — I so move.

The Chair: — And Mr. Michelson moves that we concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — No. 3, “We recommend that the Teachers’ Superannuation Commission comply with its governance . . . [model].” Again, listening to the deputy I think progress has been made. And Mr. Michelson is moving?

Mr. Michelson: — Yes, please.

The Chair: — That we note progress and . . .

Mr. Michelson: — Concur with the recommendation and note progress.

The Chair: — Or we concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — No. 4, recommending “. . . that Teachers’ Superannuation Commission identify its human resource needs and develop strategies to address any identified competency gaps.” I think the deputy noted working with the Public Service Commission on this.

Ms. Roadhouse: — On the human resource plan? Yes, and I am pleased to report that we do have the executive director position filled.

The Chair: — Okay. And so I think that’s progress. And so if someone can move that we concur with the recommendation and note progress.

Mr. Chisholm: — I would like, Mr. Chairman, I would suggest that we concur with the recommendation on that particular recommendation because the comment that I understood was that this subject will be addressed — not necessarily that it has been, but it will be. So if that’s acceptable, I’d just . . .

The Chair: — Yes.

Mr. Chisholm: — Thank you.

The Chair: — Mr. Chisholm is moving that we concur with the recommendation. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — No. 5, recommending that:

... the Teachers’ Superannuation Commission:

maintain proper financial records

establish and communicate to staff policies and procedures to control public money . . .

obtain approval for bank overdrafts . . .

Again that there’s some indication that there’s progress being made here I think it’s fair to say.

Mr. Chisholm: — Yes. Yes. I would move that we concur and note progress.

The Chair: — Mr. Chisholm has moved that we concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And no. 6, “We recommend the Teachers’ Superannuation Commission establish complete and written guidance for preparing its interim and year-end financial reports. What is the committee’s wish? Again . . .

Mr. Chisholm: — I'll move that we concur and . . .

The Chair: — Note progress.

Mr. Chisholm: — Note progress, yes.

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And then, recommendation no. 7, recommending:

. . . that the Teachers' Superannuation Commission's annual report include a report on the activities and the financial statements for each benefit plan the Commission administers.

Where are we at on that? On recommendation no. 7 have we in fact been able to do that or we in the process of . . .

Ms. Roadhouse: — Undertaking work to address it.

Mr. Michelson: — I would move we concur with the recommendation.

The Chair: — Okay. Recommendation no. 7. So this is something that you're planning to do for future reports. So Mr. Michelson has moved that we concur with the recommendation? Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And recommendation no. 8, I guess here we can move that we concur with the recommendation, and we'll see how we make out in terms of the tabling by year-end. And that's moved by Mr. Michelson. Right?

Mr. Michelson: — Yes.

The Chair: — And we're agreed?

Some Hon. Members: — Agreed.

The Chair: — We're agreed. That concludes our consideration of this chapter and certainly want to thank you and your officials, Ms. Roadhouse, for joining with us today to consider this chapter. We want to encourage you and the good work that you're doing in this respect. Thank you very much.

Ms. Roadhouse: — Thank you very much.

Justice and Attorney General

The Chair: — Well good morning. We're joined by officials from the Department of Justice. We're going to be considering chapter 8 of the Provincial Auditor 2008 report volume 1. And again, that report can be found at www.auditor.sk.ca.

We have with us, Ken Acton, the assistant deputy minister for the Department of Justice and Attorney General. And I wonder, Mr. Acton, if you can introduce the officials that have joined you, and then we're going to the auditor for his comments and

then back to you for any comments that you might have.

Mr. Acton: — Certainly. Good morning. I'm Ken Acton, assistant deputy minister for courts and civil justice. And to my immediate right is Allen Snell, the CEO [chief executive officer] of the Legal Aid Commission and to his right Jerome Boyko, who is the director of finance for Sask Legal Aid Commission. And behind me is Gordon Sisson, director of admin services for Justice and with him Jeff Markewich, also with administration in Justice.

The Chair: — Mr. Kress.

Mr. Kress: — Thank you, Mr. Chair. Good morning everyone. This morning I'm here to discuss chapter 8 of the 2008 volume 1 report. Chapter 8 begins on page 95 of the report. The Saskatchewan Legal Aid Commission provides over 21,000 applicants in financial need with legal advice and representation. The commission has 14 area offices that provide legal services to clients. The commission uses information technology systems to help deliver these services. To protect the commission's IT [information technology] systems and support their effective use, the commission must have adequate processes. Unauthorized disclosure, loss, or inappropriate modification of information could harm legal aid clients.

The objective of our audit was to assess whether the commission had adequate processes to secure its information technology environment for the period from November 1, 2007 to January 31, 2008. We concluded the commission had adequate processes to secure its information technology environment for that period except for six recommendations we made to strengthen its IT environment.

We recommend that the commission update its IT security policies and procedures based on a risk assessment, physically secure its network computers located in area offices, follow its password standards, and monitor user access to its systems. Recommendation no. 4 is to adequately configure, update, and monitor its computers and network equipment. Recommendation no. 5 was to store, secure, and test its backup information stored on its computers, and the final recommendation was to develop and test a disaster recovery plan for its information systems and data.

Thank you. That concludes my opening remarks.

The Chair: — Thank you for that. Mr. Acton, any comments you might have for us.

Mr. Acton: — Thank you very much. I'll just turn this over to Allen for his comments.

Mr. Snell: — Thanks, Ken. Mr. Chairman, we'd like to thank the Provincial Auditor representative, Mr. Kress, for his very thorough report and as well for his willingness to discuss his recommendations with respect to IT management with our internal committee.

The commission acknowledges the security report and has in fact replied to it, and we are already beginning to implement processes that will assist the commission in meeting the standards described. While some of the recommendations may

take longer to implement than others, it is our present plan to address each and every one of the recommendations by March 31, 2009.

We do of course at the Legal Aid Commission comply with the security requirements set out by the Law Society with respect to confidentiality generally. However, we willingly accept the standards, the highest possible standards that are set out in the report. We should be, as a commission, satisfied with nothing less than absolute security — at least as close to it as we can come — with respect to client information, and we take that very seriously.

We do have an IT management committee which consists of three members from our central office: the director of finance, director of planning and administration, and an administrative assistant system administrator. We also on that committee have two staff members consisting of a legal director and a legal secretary, and as well, rounding out the complement of the committee is a support services contractor who will be very much involved with responding to the recommendations.

The improvements suggested basically fall into two areas, that is update of policies — and while we do have policies in place, again we willingly accept that they can be updated, and they will be updated. Also the second area is securing the IT environment, and again the highest standards possible are what we are aiming at.

We have not had any breaches of security resulting in any compromise of client information or indeed any confidential information within the commission. With that, Mr. Chairman, I would like to refer to Mr. Boyko, our director of finance who, as I noted, sits on the committee.

Mr. Boyko: — Thank you. I'd also like to respond more specific to these recommendations, but first off I'd also like to thank the Provincial Auditor and especially his representative Mr. Kress for meeting with me several times throughout the whole process and also with meeting with the commission's information technology management committee.

The committee has met prior to the release of the IT security letter and memorandum and have recently met again to address each of these recommendations and assign tasks for these recommendations.

The first recommendation, the auditor recommends “. . . the Saskatchewan Legal Aid Commission update its information technology security policies and procedures based on a risk assessment.”

The management of the commission agrees that our current threat risk assessment, herein I'll refer to as TRA, is outdated. The director of planning and admin and I have met and have begun the task of reviewing the assets of the organization. These assets aren't going to be just restricted to the information technology assets. It will be all the assets that we consider important to the organization.

We'll continue using the RCMP [Royal Canadian Mounted Police] methodology of doing the threat and risk assessments. The completed document will be shared with all of our legal

directors throughout the province and will be taken to the members of the commission as information. Once this TRA is completed, the IT policies will be updated and new policies created as necessary which then we will be sharing and communicating to all our staff.

The second recommendation, the auditor recommends “. . . that the Saskatchewan Legal Aid Commission physically secure its network computers [that is the] (servers) [more specifically] located in its area offices.”

The IT committee acknowledges that the area offices, that several of the area offices do not have secure, locked rooms specifically for the server. It is determined that each area office will have one staff person responsible to ensure that the computer server is locked up when not in use; that the backup tapes used in rotation will not be visible to visitors and shall be kept in locked drawers or filing cabinets away from the server; and even though the likelihood of someone removing the server from the premises is remote, the server itself will be in a locked room where possible or cabled to the table or desk where it is located.

The auditor recommends that “. . . the Saskatchewan Legal Aid Commission follow its password standards and monitor user access for its systems.”

The IT committee has begun investigating the change of administrative passwords at each of the area offices. The committee is also reviewing processes to where it can monitor user access and establish policies.

The auditor recommends that “. . . the Saskatchewan Legal Aid Commission adequately configure, update, and monitor its computers and network environment.”

During the audit it was reported that some of our firewalls did not have the updated firmware. The committee recognizes this and notes that the commission infrastructure includes multiple levels of security which includes the use of workstation server operating system security, the internal firewall security, the government email services firewalls, the CommunityNet infrastructure and its firewalls, and the SaskTel infrastructure and its firewalls.

The committee recognizes the importance of ensuring that the assets have the most recent security updates, and will be working with the contractor to develop processes and policies.

The auditor recommends that “. . . the Saskatchewan Legal Aid Commission adequately store, secure, and test its backups of information stored on its computers.”

The recommendation ties very closely to the earlier recommendations and the commission is reviewing and developing policies to ensure that the backup information is adequately stored, secured, and tested.

The auditor's final recommendation is “. . . the Saskatchewan Legal Aid Commission develop and test a disaster recovery plan for its information systems and data.”

The commission's director of planning and administration has

taken responsibility of updating our current disaster recovery plan to reflect the current environment. This will include updating the business continuity plan, and it will also include testing prior to complete implementation.

We value the information provided by the auditor and recognize the significance of this audit. In conclusion, we agree with the recommendations outlined by the auditor. We are also planning on sharing the issues of the security audit with all our staff at our in-house seminar this fall. A security of any system is only as good as the staff who are also aware of the importance of securing the commission's information technology infrastructure.

This concludes the specific response to recommendations of the Provincial Auditor's IT security audit, and we are open to any questions of the committee.

The Chair: — Questions? No questions. Okay.

Mr. Michelson: — Mr. Chairman.

The Chair: — Mr. Michelson.

Mr. Michelson: — Mr. Chairman, it would seem to me that they are genuine in understanding the recommendations and I, you know, commend them for understanding them and taking the steps they've taken already. So let's carry on.

The Chair: — Recommendation no. 1. As I listened to the presentation I see progress being made in that particular area. And could we have a motion to concur with the recommendation and to note progress? Mr. Bradshaw.

Mr. Bradshaw: — I'll concur and note the progress.

The Chair: — So moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Similarly, recommendation no. 2. You've taken some steps to physically secure the servers, and so I would see that as progress. And can we have a motion then to concur with the recommendation and note progress?

Mr. Bradshaw: — I'll concur and note progress.

The Chair: — Mr. Bradshaw. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Also, recommendation no. 3. If I have listened correctly, there is some progress being made in this area, and so if we can have a motion to concur with the recommendation and to note progress? Moved by Mr. Bradshaw. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay, recommendation no. 4. I'm not quite sure what was said with respect to that specific recommendation and how we should treat that.

Mr. Michelson: — Had there been . . . You've concurred with

that, but I didn't sense that there was a lot of work done at this point.

Mr. Boyko: — We have established a . . . Part of that recommendation 4 was the configuration monitoring of the computer network. One of the things was the firmware of our firewalls, and we have now investigated to upgrade the necessary firmware at our offices throughout the province. One of the things we are doing is that we do preventative maintenance throughout the province. And we are scheduling our contractor to attend to all the offices in making sure that the most up-to-date firmware is on our firewalls.

Mr. Michelson: — We concur with progress, yes.

The Chair: — Motion is that we concur with the recommendation and note progress. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. Recommendation no. 5, I think here we can concur with the recommendation. I'm not sure about progress in this particular case.

Mr. Boyko: — Recommendation 5 is, we're dealing with the backup procedures. That is one area that we are working on right now. The IT committee have met and suggested some procedures. We haven't implemented specifically procedures as yet, but we plan to again try to meet the recommendations before March 31, 2009.

The Chair: — I think if we can have a motion then, just to concur with the recommendation.

Mr. Michelson: — Certainly.

The Chair: — Moved by Mr. Michelson. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. And similarly no. 6, can we have a . . . You're still in the process of testing a disaster recovery plan?

Mr. Boyko: — We're in the process of updating our current plan. Our plan's been quite outdated and as identified by the auditors. Our first steps are to look at the disaster recovery plan, bring it up to date, and then also, then once we've done that, update our business continuity plan. That goes, ties very closely with it and then test and make sure all the procedures are in place and that starts to follow through.

The Chair: — If we can then have a motion to concur with the recommendation, I think it would be appropriate.

Mr. Michelson: — I so move.

The Chair: — Moved by Mr. Michelson. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. That concludes our consideration of this chapter, and I want to thank you very much for joining with us

today in helping us in our consideration. Thank you very much.
Mr. Bradshaw, are you moving to adjourn?

Mr. Bradshaw: — Yes, I'll do that.

The Chair: — Is that agreed? That's agreed. Thank you.

[The committee adjourned at 09:08.]