



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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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 09:30.]

The Chair: — Good morning, everyone. Welcome to another meeting of the Public Accounts Committee. For those that wish to follow the proceedings online at some future opportunity, I would direct you to the Legislative Assembly website which is www.legassembly.sk.ca and then follow the links to the various committees, and this is the Standing Committee on Public Accounts. We will also be referencing various reports of the Provincial Auditor, and for those that wish to see those reports they can be accessed at the Provincial Auditor's website which is www.auditor.sk.ca. In the main we will be referencing — and will be in a few minutes — the 2008 report volume 3.

And on that note we are joined by the Department of Finance to consider chapter 7. And I wonder if at this point I might ask the deputy minister, Mr. Doug Matthies, to introduce the officials that have joined us and then go to the Provincial Auditor's office for their comments.

Finance

Mr. Matthies: — Thank you very much, Mr. Chairman. With me this morning for consideration of chapter 7 I have on my left Brent Hebert. Brent is the acting director of financial services branch. On my right is Mr. Brian Smith. Brian is the assistant deputy minister responsible for the public employees benefits agency. And of course staffed to the committee are representatives from the provincial comptroller's office, Terry Paton and Chris Bayda.

The Chair: — Thank you. Ms. Ferguson. Or Mr. Wendel. Who is going to . . . Okay.

Ms. Ferguson: — Good morning, Chair, members. I've got a brief presentation on chapter 7 here. In chapter 7 we report the results of our audit of the Ministry of Finance and the entities it controls for the year ended March 31, 2008. The chapter contains actually 17 recommendations, 11 previously reported and 6 new.

So with respect to the previously reported recommendations as noted on pages 106 to 110, we have significant concerns with the accounting used for the General Revenue Fund. The statements contain significant errors because of the government's continued use of inappropriate accounting policies to record pension costs and transfers to and from the General Revenue Fund.

Exhibit 2 on page 108 shows the impact of the use of the inappropriate accounting policies. The reported net debt of 5.95 billion should be 9.41 billion. The reported annual surplus of 641 million should be 853 million. The government's continued focus on the General Revenue Fund makes it even more critical that it uses proper accounting policies.

Also Finance and two of its pension plans — the public employees pension plan and the public service pension plan — have not prepared complete business continuity plans. And Finance, with its staff of over 400, does not have a complete human resource plan.

Since 2001 we have reported that the public service superannuation plan has not complied with the law. We have recommended that the government either comply with the law or change it. In March 2008, the government introduced Bill No. 9 into the Assembly. This Bill, if enacted, would allow retired members of the public service superannuation plan to work for the government without impacting their pension. As of yesterday, the Bill had received only first reading.

Moving on to the new recommendations. The six new recommendations relate to four of the pension and benefit plans that the ministry administers. First, Finance, on behalf of the Ministry of Justice, administers a disability benefit plan for judges, however it does not have the legislative authority to do so. As well, it does not keep complete financial records for this plan. And neither it nor Justice has determined the amount owing for this program. Without financial records, the complete cost of the program is not known.

On pages 111 and 112, under the title of judges of the provincial court superannuation plan, we make three new recommendations. We recommend Finance make payments from the plan in accordance with the law, seek legislative authority to administer the disability benefit plan, and third, prepare audited statements for the disability plan and submit them to the Assembly.

The second area, the Public Employees Benefit Agency — commonly referred to as PEBA — provides critical services to 13 pension and benefit plans it administers. If you look on page 113, exhibit 3, it provides a listing of these various plans. Services it provides includes collecting and recording plan contributions from employees and determining and accounting for employees and pensioner transfers and benefits. PEBA must ensure it provides these services if a disaster disrupts its operations. On page 114, we recommend PEBA complete a business continuity plan for the pension and benefit plans it administers.

For the third area, we noted a similar concern for the public employees pension plan and the Saskatchewan Pension Annuity Fund. Both plans have significant investments and hire investment managers to help them make investment decisions. In addition, both plans hire a custodian to hold their investments, collect investment income, and record investment activities. To make sure its accounting records are complete and accurate, each plan must regularly compare the amount reported by the custodian to that reported by the investment manager and follow up differences. Both did not do so properly.

On page 115, we recommend the public employee pension plan reconcile its recorded investments to those reported by its investment managers and the custodian, and document resolution of significant differences.

On page 120, we recommend the Saskatchewan Pension Annuity Fund board establish procedures to regularly reconcile the investments reported by the investment manager to the investments reported by its custodian and investigate differences. This concludes my presentation and we'd be pleased to respond to questions. Thank you.

The Chair: — Mr. Matthies.

Mr. Matthies: — Thank you, Mr. Chairman. Mr. Chairman, just I think the first thing I would say is that, as I've read the report, I would characterize the chapter to contain six new recommendations as are described by the Provincial Auditor and five that are repeat items for a total of eleven.

I would indicate that in terms of the items that are repeat that have come before the committee before, two of those items dealing with the reporting for pensions and dealing with the accounting for transfers between what is now the Growth and Financial Security Fund and what was, when the recommendation was first made, was the Fiscal Stabilization Fund, those two were previously before this committee and the committee did not agree with the Provincial Auditor's recommendation.

The other three recommendations that are bring forwards — if I can describe it that way — dealing with the business continuity plan, dealing with the disaster recovery systems and how we document that with the Information Technology Office, and completion of the human resource plan for the ministry, those, I would note for the committee, we have made progress on. We have not, I guess, completed the work on those areas, but those are areas that we are making progress on and moving forward.

In terms of the six new recommendations, these are all essentially in the domain of the Public Employees Benefits Agency. And I would provide the committee with sort of an overview as follows, I guess.

The first three of these recommendations deal with the judges' disability benefit program. And I think what we would observe is, the auditor has correctly identified that as we have been administering these payments, that first of all, it was not in accordance with the stipulated legislation. Judges were to be paid, however the authority of where the payments were to be made from has not been done in accordance with the legislation. So the recommendation is, do it in accordance with legislation. The second recommendation is that we look at potentially amending the legislation so that Finance, through PEBA, would administer that. And then the third one deals with the financial statements in that respect for the disability benefits.

The approach that the government is pursuing would actually take us down a slightly different course. Rather than continue to administer the payments through Finance — and if we were to do that then perhaps the recommendations of the auditor would be appropriate — what we will instead look to do is, we are working with the Ministry of Justice in the first instance where it is described as, make payments in accordance with the law. That is our preferred approach. So in essence the payments would be made through the Ministry of Justice, not through Finance through PEBA. So we are in the midst of working this out with Justice so that they will make the payments and not Finance. So certainly we intend to comply with the Provincial Auditor's recommendation that we adhere to the legislation.

As it relates then to the second recommendation which was to seek the legislative authority, I think our response would be, because we intend to go down a different route, then we don't think that this recommendation needs to be followed. We're not

going to change the legislation to do it that way. We're going to look for a different solution.

And on the third recommendation regarding preparation of appropriate financial statements or financial information, I think what our advice to the committee would be, given the direction that we are now intending to pursue with Justice, that it is probably not appropriate per se that Finance prepare the financial information, but that we will work with Justice to ensure that the appropriate financial information is prepared.

Certainly we agree with the auditor that there are some records that need to be prepared here. We think however that we need to work with Justice to determine who the appropriate agency is and what the format of that information would look like. So the points the auditor has raised are all right in principle. We think the solution that we're working on will take us down a slightly different track.

In terms of the fourth recommendation or fourth new recommendation in terms of a business continuity plan, we certainly note that the auditor has made this recommendation in a number of government agencies. And what we are doing is the Public Employees Benefits Agency is contracting for some external expertise to help us complete this continuity plan for PEBA, and that is in progress.

Regarding the fifth and sixth recommendations, these relate with reconciling investments, both for the public employees pension plan and for the annuity plan, the annuity fund. And what we would observe is that certainly, while PEBA folks monitor the investment pieces on a daily basis, we would note that the auditor has identified areas where we can strengthen and improve our documentation of some of the oversight and controls and reconciliation pieces. And so we will be moving forward to act on his recommendations in those two regards as well.

With that, Mr. Chairman, I would conclude the opening remarks from the ministry.

The Chair: — Thank you very much. Questions?

Mr. Michelson: — One question, Mr. Chair. On the overview of the ministry's finance, there seems to be a discrepancy for the transfer of government entities. The estimate was 583.2 million and the actual is 641.8. Could you comment why there's such a — that's on page 101 — why there would be such a discrepancy in that regard?

Mr. Matthies: — Mr. Chairman, I've just got the page. Could I could ask you to repeat the question for me?

Mr. Michelson: — The transfer of government entities, the estimate was 583.2 and the actual was 641.

Mr. Matthies: — This represents . . . And I'll just get information out of the Public Accounts document. So if I can, just bear with me for a moment.

Mr. Chairman, the difference between the transfers from government entities . . . This is information that is included and disclosed in schedule 10 to the Public Accounts, so on page 56

for people who are perhaps viewing at home and looking to reference the information. There is a listing here of transfers from government entities which includes CIC [Crown Investments Corporation of Saskatchewan], so there would be dividends that we receive from Crown Investments Corporation. There would be Liquor and Gaming transfers, and then there are transfers from sort of other entities which would perhaps be Sask Gaming Corp, etc.

And in essence the increase in the actual over budget relates to improved performance primarily through Saskatchewan Liquor and Gaming. And so that's really what we're reflecting in that number from the transfers from government entities if I've got my information right here.

[09:45]

Mr. Michelson: — Thank you.

Mr. Matthies: — Okay.

The Chair: — With respect to these first three recommendations, if I can move to those. Perhaps the committee might want to consider an alternate recommendation to cover all three to the extent that the Department of Finance be encouraged to take such steps as may be necessary to ensure that whether it or any other department has the appropriate legislative authority to administer the Provincial Court superannuation plan . . . or to ensure that payments made from the Provincial Court superannuation plan are being made properly, and that the appropriate legislative authority be in place to administer the judges' disability benefit program, and that the appropriate authority prepare the audited financial statements for the judges' disability benefit program.

Based on what you're saying, you know, I don't know if we want to concur in the recommendations if you're going to do a, how shall I put it, a lateral transfer here.

Mr. Matthies: — Mr. Chair, if I could just speak to that. I think the massaging of messaging that I might put on there is, and just by background, in terms of the payments on these judges' disabilities, we're talking about making payments to two individuals. And so I would just perhaps suggest to the committee that the appropriate accounting and reporting be reviewed and developed. I'm not sure at this point that I would say that it would be a full audited financial statement when we're talking about disbursements to two individuals, but we certainly agree that we need to review and determine what the appropriate accounting reporting should be.

The Chair: — Okay. I've got Mr. Nilson and Mr. Chisholm.

Mr. Nilson: — Are there other plans that the Department of Justice administers related to pensions?

Mr. Smith: — No, Mr. Chairman.

Mr. Nilson: — Are there other departments that administer pensions or disability plans?

Mr. Smith: — Mr. Chairman, the Ministry of Education administers the teachers' superannuation plan, yes.

Mr. Nilson: — And so that would be the only other one that's not administered under your pension management area.

Mr. Smith: — That's correct, Mr. Chairman. In terms of pension plans, yes.

Mr. Nilson: — So the rationale for moving this into Justice as opposed to sorting out the appropriate legislation in Finance is what?

Mr. Smith: — Mr. Chairman, since 1998 when *The Provincial Court Act* was changed, and this is a bit of background, the Ministry of Justice at that time asked us to make the disability payments. And being a service organization, we have been making the payments and then charging the amount back to the Ministry of Justice. And so in terms of the accounting, the appropriations in the Ministry of Justice have been paying the payments. We've been making the payments and then being reimbursed by the Ministry of Justice. So the authority is already there in *The Provincial Court Act* for the Ministry of Justice to make the payments.

In terms of administrative efficiency, we think that there's only two people involved. It would be easier for the Ministry of Justice to keep them on the MIDAS [multi-informational database application system] payroll system instead of having us pay them or change the legislation to have the Public Employees Benefits Agency pay them. It would be administratively more efficient to just have them on payroll.

This is a different program than the other disability benefit programs that we administer, where we hire outside adjudicators to make the decision of whether a person is disabled or not, and we hire outside organizations to make the disability payments from a fund where premiums are paid into. There are no premiums for this plan. The Judicial Council makes the decision and payments are made to disabled judges, and there are two of them. And so we think that it's administratively more efficient to have the Ministry of Justice just make the payment from their payroll system. That's where it's being paid from now. We just make the payment and get the money back from the Ministry of Justice.

Mr. Nilson: — Okay. So it is quite a different program in a way, so maybe we should use different language to describe it so that it doesn't get confused with all of the other plans and how they're administered. So I don't have any problem with the suggestion of how to do it. I just wanted to understand what the rationale is.

So effectively what you're saying is, given the nature of that program, it makes more sense to keep them on the payroll system and provide some kind of assistance through the payroll, and then clearly the budget amount then stays right in that Provincial Court's budget and is paid there and accounted for there.

Mr. Matthies: — That's correct.

Mr. Chisholm: — I just had a quick question. Yesterday on page 260 when we were in Justice and Attorney General, no. 4 was to do with long-term disability benefit liability and how it was recorded. Are we dealing with the same, to do with judges?

Here it's called disability and there it was referred to as long-term disability, but we're talking about the same . . . Are we talking about the same thing?

Mr. Smith: — Mr. Chairman, they're exactly the same thing.

Mr. Chisholm: — Okay, thank you. If I could just continue . . . Because Justice, we recommended that how they record that in their records, so obviously their . . . Well they would have been recording this at any rate via a kind of a transfer thing rather than a direct entry. Okay, okay, that's fine. I was just thinking out loud, I guess.

The Chair: — I wonder, with respect to these first three recommendations, you know, we can concur and then I guess next year they'll . . . But that's not quite appropriate either. I wonder if we might, during the break, attempt to have members of the committee maybe draft an appropriate recommendation to cover those three recommendations and then deal with that later on.

Mr. Nilson: — Why don't we just say something like we recommend that the Ministry of Finance work together with the Ministry of Justice to set up the appropriate administrative and . . . I guess the administrative and accounting record for this area. You know, it's something . . . I think it's relatively simple in that we put all three of those into that.

The Chair: — Well would you care to draft something like that and put it down? Does that sound okay to the committee if Mr. Nilson works on that? Then let's move on to the recommendations 4, 5, and — not 4, I guess — recommendations 5 and 6 with respect to information technology.

I guess 4 would also be then the responsibility of Justice if that's . . . No? Okay, no. 4. What is the committee's wish? Mr. Chisholm.

Mr. Chisholm: — I would move that we concur and note progress as was explained earlier.

The Chair: — Any discussion on that? Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay. And recommendations 5 and 6 and 7 I suppose, dealing with Information Technology . . . [inaudible interjection] . . . No? I'm in the wrong chapter here. That's what it is. It would be helpful to get in the right chapter.

All right, now we're back on track here. And no. 4 has been dealt with. We're dealing with the public employees reconciliation of investments recorded.

Mr. Michelson: — I would make a motion that we concur with the recommendation and note the progress.

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

An Hon. Member: — That's on 5?

An Hon. Member: — That's on 5.

Mr. Michelson: — I think we can make the same recommendation for no. 6.

The Chair: — Okay. Move that we concur in the recommendation and note progress.

Mr. Michelson: — And note the progress.

The Chair: — Agreed. I was just looking at the Public Employees Benefit Agency to make sure it's got a business continuity plan in the event of a disaster, but I don't know what you can do when the markets crumble as they have.

Mr. Smith: — The continuity plan, Mr. Chairman, will not deal with the markets going down.

The Chair: — Is that one of those cases where time heals a lot of wounds?

Mr. Smith: — Correct.

The Chair: — So yesterday we dealt with some outstanding recommendations from the committee in chapter 21, or we didn't deal with them. And I note now that there's a recommendation, an outstanding recommendation from this committee in chapter 21 which goes back to 1999 and deals with cross-government pensions and that the government should study the legislation for its pension plans. And I'm not really quite clear what the recommendation pertains to. And I'm not really clear either why it's been on the books here for approaching a decade now and whether this is something we might attempt to clear . . . I'm looking at page 372. And I missed doing this yesterday, but . . .

Mr. Matthies: — Mr. Chairman, if I might offer a comment. I'm not familiar with exactly what the issue might have been back in 1999, but my observation would be that the government pension plans do prepare annual reports, and there is some guidance provided to them in terms of the type of information that should be included in those annual reports.

So unless the auditors could perhaps provide some further insight into anything that might be lacking, my sense would be that I'm not sure that the concern that might have initiated this item may still be in existence. Or if it does, it might have morphed into a new piece. And that is, the pension plans do provide public reporting. Chapter 20, that we'll be discussing shortly, deals with the type of information government includes in its performance planning and then by extension then into annual reporting. And so perhaps that chapter may cover this issue in a broader perspective.

But my sense is that perhaps this issue in isolation is not an isolated issue any more and that we've moved forward from that time. But I might either ask the auditor or perhaps the comptroller staff has memory back to this. Terry.

The Chair: — Mr. Paton.

Mr. Paton: — Yes, Mr. Chair. My recollection of this back in 1999 was that the committee recommended that a formal study

be done of those pension plan reports. While the study hasn't been performed, I think that over the years we've seen improvements to the annual reports and the statements that are prepared by the public employments benefit agency, and I think they've been improved vastly over the years.

I think we should be looking to the Provincial Auditor as to his review of current statements and current annual reports. I think this item continues to be brought forward because the recommendation was that a study be performed, and a formal study wasn't done. But I would argue that perhaps those statements and annual reports have improved over the years.

[10:00]

The Chair: — Mr. Wendel.

Mr. Wendel: — Mr. Chair, I was just refreshing my memory with Rod Grabarczyk there. He's our pension expert.

But one of the other problems that we had mentioned at that time was there was a lot of detailed information provided for some pension plans and less so for others. And some of the detailed information were kind of private information and we wondered whether that should be done in all of the plans or none of the plans and we thought people should look at that.

So off the top of my head, I'm not sure if that's all corrected yet and maybe the Ministry of Finance could speak to that. I don't have that information at my fingertips.

Mr. Matthies: — Mr. Chairman, thanks to the Provincial Auditor for identifying that concern. As I understand it then, the issue that the auditor raises is we do disclose individual payee information in a number of the plans. That is actually an item that would be addressed in Bill No. 9 that was introduced this spring and then carried forward into the fall session. I think it's been moved to the committee piece and so will be resolved in the spring session of the Legislative Assembly.

And in that legislation, we actually are proposing to remove the disclosure of that, essentially what would in some cases may be deemed as fairly private type of information. And so the Bill before the House would remedy that concern and that would be, I understand it's to be voted on in the spring.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Just a quick comment on that. On page 372 that we're discussing there, 10.67, it doesn't say, or I don't read it, that a study need to be done. It said the government should study it.

And the fact that we have progressed, my guess is there had to be some study involved. So I think maybe that kind of addresses it. Obviously somebody did study it because we've moved in the right direction.

Mr. Wendel: — Well my view is that when the committee asks someone to study something, the government would come back and give you a study, and they'd explain why they made the choices they made or didn't make. That would be my view on that, and when your committee asks for a study, we always keep

doing that until they provide a study.

The Chair: — Mr. Michelson.

Mr. Michelson: — Mr. Chairman, I'm thinking, just by the evolution of, you know, that were consummated, it doesn't say a formal study for committee or anything like that. And as we've evolved, the study has been put into it and come up with the reports as they've seen today.

I would like to make a motion that we concur with the recommendation and then have the auditors look at it, and they can go from where it is now. Would that be in order?

Mr. Matthies: — Mr. Chairman, perhaps I might suggest that the auditor revisit the issue in terms of its assessment of the reports and determine if this recommendation is still relevant or if there is a new recommendation that it might prefer to frame, and maybe that might be an approach, that they review it in sort of a current context.

The Chair: — Yes, I'm amenable to that. So we take the approach that we'll leave it here for now, but you come back to us and let us know whether it's still relevant or whether there's any other issues that arise out of that.

Mr. Wendel: — We'll undertake to do that, Mr. Chair.

The Chair: — Great. I appreciate that. Committee agree with that?

Some Hon. Members: — Agreed.

The Chair: — All right. Then we have the motion by Mr. Nilson.

Mr. Nilson: — I can suggest that we deal with all three of the recommendations of the Provincial Auditor, the first three with this motion instead.

We recommend:

That the Ministry of Finance and the Ministry of Justice work together to make the appropriate arrangements to have the judges of the Provincial Court superannuation plan administered in accordance with the law, with the Ministry of Justice preparing audited financial statements for the Judges of the Provincial Court disability benefit program and submitting them to the legislature.

Mr. Matthies: — Mr. Chairman, I would request perhaps that that wording be amended to, rather than refer to audited financial statements, that it refer instead to prepare the appropriate accounting records. Again, for the nature of this individual item with the two payees, we agree that there is an appropriate accounting that's required. We're not perhaps today comfortable saying that it should actually be a separate financial statement when it's just an issue of disbursements, if I can describe it that way. Well disbursements and a liability.

The Chair: — I'm going to recommend we recess for about five minutes. Is that agreeable? Okay.

[The committee recessed for a period of time.]

The Chair: — I'm going to reconvene the committee here. And we're now in a position as a committee to deal with recommendation no. 1 in Department of Finance, and if we could have a motion to include in the recommendation. Made by Mr. Nilson. And is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay. And then with respect to recommendations 2 and 3, Mr. Nilson is proposing that we adopt an independent recommendation.

Mr. Nilson: — That recommendation is:

We recommend that the Ministry of Finance and the Ministry of Justice work together to make the appropriate arrangements to have the Judges of the Provincial Court disability benefit program administered in accordance with the law, with the Ministry of Justice preparing the appropriate accounting records.

The Chair: — Any discussion? It has been moved by Mr. Nilson. Are we agreed?

Some Hon. Members: — Agreed.

[10:15]

The Chair: — Agreed. And that's moved. So that concludes the recommendations with respect to Ministry of Finance. Are there any other questions or comments with respect to this chapter? If not, what is the committee's wish? Do we want to proceed to the next chapter, government accountability? I see that Mr. Matthies, the officials, the relevant officials are here for that. Mr. Nilson.

Mr. Nilson: — I have one question just on the part about the administration. Do I understand it correctly that what was happening is that there was all kinds of contact between the monitoring people and the actual investment people on a regular basis? It's just when the auditor came there weren't records of all of those contacts. Would that be an accurate way to describe it?

Mr. Smith: — Mr. Chairman, for the Public Employees Pension Plan, I think the issues was timeliness of the reconciliations. They were done. They weren't done on a timely enough basis.

Mr. Nilson: — Okay.

Mr. Smith: — We agreed.

Mr. Nilson: — Yes, so that once this has been identified, then that's been changed?

Mr. Smith: — Right. Yes.

Mr. Nilson: — So that this one . . . Okay.

Mr. Smith: — Mr. Chairman, we monitor the assets daily

because we do daily unit values for each of the funds in the public employees plan. So we pay a lot of attention to that. It was the reconciliations that weren't done on a timely basis.

Mr. Nilson: — Okay.

The Chair: — So are we agreeable then to moving on to the next chapter, which is chapter 20, government accountability, at this time? So we'll do that. Then the next chapter we'll be considering is chapter 20, government accountability. And we'll take a few minutes for people to take your appropriate seats here.

Government Accountability

The Chair: — So the next chapter that we'll be dealing with is indicated as chapter 20 of the Provincial Auditor's report for 2008 volume 3. And again we're joined by the deputy minister of Finance, Doug Matthies, but some new officials. And, Mr. Matthies, if I could ask you to introduce those officials and then we'll go to Jane Knox of the auditor's office for the auditor's comments.

Mr. Matthies: — Thank you, Mr. Chairman. With me to review this chapter I have, on my left, Raelynn Douglas. Raelynn is the director of our performance management branch within the Ministry of Finance. And we have also invited to attend as well this morning Marian Zerr. Marian is the associate deputy minister for cabinet planning and works with us, I guess, in relation to the issues covered by this chapter.

The Chair: — Thank you very much. Ms. Knox.

Ms. Knox: — Good morning, Mr. Chair, members, and officials. The purpose of this chapter is to support all legislators as they continue to improve the government's accountability. Accountable governments have public plans, public reports of results, and public reviews of those reports.

Mr. Chair, with respect, we see opportunities to improve the extent to which the government makes its plans public and its arrangements for a public review of its plans. We encourage improvements to the accountability of government across all ministries and all Crown agencies, whether they are CIC agencies or Treasury Board agencies. Thank you, Mr. Chair.

The Chair: — Mr. Matthies, any comments?

Mr. Matthies: — Mr. Chairman, I would remark I guess that there are no new recommendations for the committee in this chapter. The auditor I think is observing that, as the government has transitioned to a new administration, that there is work that is being done to develop sort of a new set of guidelines in terms of what type of information should be developed and disclosed.

And this is a bit of a transition year in that we are working with ministries and with the Executive Council folks to determine the content of what should be included in performance planning information, and then the subsequent reporting of those results against that plan. And it is certainly the intention of the government to continue with its performance planning initiatives. But you won't actually see new material until the next budget cycle because the plans will be released in

conjunction with the budget.

So I think the auditor is, I think, continuing to advocate that we go down this road. And it is the view of the government that there is merit in doing performance planning and reporting on it. But it's a bit of a work-in-progress at this time, and you'll see the results starting when the budget material comes down next spring.

The Chair: — Questions. Mr. Harrison.

Mr. Harrison: — Yes. Thank you, Mr. Chair. I guess one question I would have for the deputy minister is with regard to a comparative sort of analysis between Saskatchewan's accountability practices compared to other provincial jurisdictions.

Mr. Matthies: — Mr. Chair, I'm going to ask Raelynn to speak to this. She's quite familiar with, sort of, this whole area.

Ms. Douglas: — Thank you, Mr. Chair. I would say that we have been reviewing other jurisdictions. It's a standard practice for us to continually be looking at other areas that are doing work in this area.

Manitoba is somewhat behind us I would say. Alberta and BC [British Columbia] are clearly the leaders in Canada for this kind of work. And we look to them for, you know, advice and ideas as we move forward.

Mr. Harrison: — All right. Well if I could, Mr. Chair, one of the comments I would make is, I guess, in congratulating the officials on the accountability models and publications. I know having served in Ottawa as an MP [Member of Parliament] and senior official on the political side of government that the disclosure in terms of the provincial government is a model of good practice in comparison to the federal government, in my experience anyways. I mean it's very much possible to look in the Public Accounts and have ready access to information that would be much more difficult to find in Ottawa.

So I'd just like to congratulate the officials and government on doing a very good job, in my view, on the accountability side of things.

The Chair: — Have you got a question? Mr. Nilson.

Mr. Nilson: — From what you've indicated, it sounds as if you're building on the development of public accountability that's happened over many years and that that's continuing, that what's a little different this year is that the overall plan is being re-evaluated in light of the new administration. Would that be an accurate way of describing it?

Mr. Matthies: — Mr. Chairman, that is indeed accurate.

Mr. Nilson: — One of the, I think, concerns that the public would have is that there would continue to be progress, and I guess I'm seeing that that's what's here. What you're also indicating though is that we won't be able to really see what the progress is until the budget next year.

And so we may actually want to, as a committee, come back

and take a look at this particular chapter or this concept after the budget in the spring because it is one, I think, where this committee has a special role in understanding how this works and where it goes. So that would be a suggestion.

And I also have a question for the Provincial Auditor or for the deputy. There's a comment on page 360 related to the committees of the legislature. And it appears to indicate that the committees haven't reviewed the plans and reports in quite the same way since the rules were changed to give committees a much greater role in reviewing legislation and budgets.

And is this something that we as legislators can try to address, or does it mean that we should specifically schedule this kind of work within the committees? Or is it something that should come to the Public Accounts Committee to do as opposed to some of the other committees given the amount of work that they have? I'm not sure. Maybe I can ask the Provincial Auditor's office for the first comment and see what others have to say.

Mr. Wendel: — I think, under the committee structure, the annual reports of various government agencies are referred to specific committees for review. And as we say in the report, the committees are very busy when the session's on and you don't get a chance to review. And probably the only way they could review them would be intersessionally. And then that's up to the legislators if they want to do that review.

Of course it's always up to them to do that. If they want to hold the government accountable for their actual performance, not just the dollar amounts but what they're achieving, what they plan to achieve, then they should review the annual reports.

Mr. Matthies: — Mr. Chairman, just to offer some further response. There were two items that were raised. The first one dealt with whether or not the committee would come back to this chapter in the spring. And my sense would be you won't have to because I'm sure the auditor will be reviewing what we prepare, and you'll have a new chapter next year. So the topic will continue. And I suspect the auditor at that time will have some further comments in terms of what comes out, so I think the opportunity doesn't go away.

Secondly, in terms of this particular issue of the reviewing the reports separately, certainly it's up to members of the committee to determine their direction. I would just offer that in the over 20 years I've been appearing before the committee, I have often, I think, seen members with those reports in their hands and responded to questions that have come out of material that was in those reports. So while the auditor may identify that they perhaps aren't specifically reviewed, I can advise that from first-hand experience I know that you have asked me questions of the contents of those materials.

Mr. Nilson: — I guess my question is, that may not be sufficient in an overall performance plan because to actually have a formal review of reports then gives them more importance than the structure. And speaking from the other side, sometimes you wondered where those reports actually went because they weren't used that extensively in some ways in sort of making further plans.

Mr. Harrison: — Yes, just to echo one of the points that the deputy made with respect to the review of reports, I think MLAs [Member of the Legislative Assembly] from both sides of the aisle are quite diligent about reviewing reports, whether they're formally considered in committee or not. We have a lot of these reports coming out, and we could be sitting in this committee room reviewing them for days on end. And I'm sure that would be great fun, but we have responsibilities to be in our ridings and represent our constituents in those ways as well. So I think the point made about MLAs reviewing those reports, I think is well made, and from both sides of the aisle I know members are quite diligent about that.

The Chair: — Any further comments or discussions on this chapter? So can I just clarify, like when you talk about your . . . see this as a transition year, and we've had performance plans articulated in the past for departments, is it a question of changing the specific performance indicators, given new direction to departments and therefore new expectations for departments? Or is it a change in terms of what it is that we expect generally from departments, i.e., greater emphasis on performance outcomes as opposed to stating here's the objectives that we're concerned about and the activities we would like to see?

Mr. Matthies: — Mr. Chairman, I'd ask Marian Zerr to speak to that.

[10:30]

Ms. Zerr: — Good morning, Mr. Chair and members. It is in fact both of those things in a sense, Mr. Chair.

The Chair: — Can you use the mike please.

Ms. Zerr: — Sorry. It is in fact both of those things, Mr. Chair. It is aligning with government strategic direction, and so with the undertaking of the platform and the Throne Speech, making sure that ministries are not just marching to their own drums but marching to a common drum, so there is some work under way to enhance that approach. But it is also fair to say that moving to strategic outcomes is where we're going and that's not an easy process. As Mr. Harrison mentioned, it's an over time process. We're not going to see an absolute change to that in the next fiscal year. It will take a couple of years.

It's hard for government organizations to move to that kind of work because outcome-based work is generally longitudinal. And at the same time there is much work to be done in terms of improving the matrix and that again is longitudinal work, as BC and Alberta are finding out. So we intend to learn from best practices and continually improve our process.

The Chair: — Any further questions or comments? Then that concludes our consideration of chapter 20. I want to thank you very much for being with us and helping us in our consideration of this chapter of the auditor's report. Thank you very much.

I suggest that in light of the fact that our next delegation is planned for 11:15, that at this point we recess until 11 o'clock and see if we might be able to get the appropriate department, in this case the Public Service Commission, here a little bit sooner than the 11:15 start.

So we stand recessed until 11 o'clock.

[The committee recessed for a period of time.]

Business and Financial Plan of the Provincial Auditor

The Chair: — So the business then for the committee is consideration of the Provincial Auditor's business and financial plan for the year ended March 31, 2010. And it's incumbent upon the committee to deal with the specific question of estimates for the Office of the Provincial Auditor and then to forward these to the Speaker as Chair of the Board of Internal Economy. So what is the committee's wish? Mr. Harrison.

Mr. Harrison: — Yes. Thank you, Mr. Chair. I guess firstly, I know we had talked about this with some brevity yesterday. But just in terms of the new spending, I've carefully reviewed the report or the submission from the Provincial Auditor, but I just wanted to clarify. There are some functions that are new that the auditor is undertaking, but there's also some that have been, that are no longer needed to be done by the Provincial Auditor. Maybe if you could just explain that in some detail.

[11:00]

Mr. Wendel: — I'm not sure that I understand the question yet, but I don't think there's any activities that we've undertaken that are no longer necessary. I'm not sure I understand.

Mr. Harrison: — My understanding had been that some audit functions that you had performed in previous years will no longer be done this year.

Mr. Wendel: — Oh all right, yes, now I understand. What we included in the report is reduction of our resources because there's an appointed auditor for Saskatchewan Indian Gaming Authority and Saskatchewan Gaming Corporation. There's no need. Now we are still auditing there — we're not finished, but it's been a reduction.

Mr. Harrison: — Right, and what was the dollar level of that reduction? Was it around \$150,000 or something around that?

Mr. Wendel: — The reduction that's noted there is \$199,000 on page 5.

Mr. Harrison: — All right. Well, I'm speaking on behalf of government members. We would like to have . . . I mean there'd been a direction that had come from the Minister of Finance to limit the growth and spending to about 4.5 per cent over the course of the next year. We would ask that the auditor examine the operations of his office and the Provincial Auditor's office with an eye to looking for efficiencies. I know the other ministries are often asked to do that by the auditor.

We would like the auditor to undertake that examination, report to the committee at our next meeting, which I understand is going to be in late January, and with an objective to coming forward with a proposal to limit the growth and spending in the office to at minimum four and a half per cent. And this proposal is higher and taking into account lessened functions, is significantly higher from my understanding. So I would ask that we do that, and if that needs to be in the context of a formal

motion, we'll move it.

The Chair: — Mr. Nilson.

Mr. Nilson: — I'll ask some questions. I think if you actually read the whole paragraph on page 5 and 6, it quite clearly explains that there may be a reduction of 199,000 on page 5. But on page 6 there's an increase of 179,000 because of the change in the rules around audit and training so that in fact all of the amounts are explained and that the total amount here is 4.6 per cent. So I guess I'm wondering, is the request to take off point one per cent of what's being proposed here? If that's what's being suggested, I think it makes more sense to recognize that the auditor over many years has a good record of being very careful with their budget requests, and basically just approve what we have here.

Mr. Chisholm: — I'd just like to make a comment too. I certainly also agree that the auditor's performance in the past, at least ever since I've been associated, has been commendable, but I also think a time does come when a person doesn't just add a percentage to what was last year as a standard budgeting practice. And that's what . . . We're interested in going back, seeing if there are any other efficiencies in a reasonable period of time so that we're not late with our budget process but that it does fit in with the kind of budgeting that we're trying to do across government completely.

The Chair: — I'd just ask, does that delay to January 20 provide any challenges for the Board of Internal Economy that we're aware of?

Mr. Michelson: — Apparently not. That's not a problem there.

The Chair: — That's not an issue. Are members, recognizing that the provincial government itself is . . . The Minister of Finance is indicating to departments that their budget for the coming year can reflect a 4.5 per cent increase in salary costs, as I understand it, and the auditor is recommending 4.6 per cent even though his salaries to recruit employees have increased far beyond 4.5 per cent. Is the committee thinking that the auditor should look at the scope of what he does in terms of . . . that the auditor should be less engaged somehow in consideration of government activities? Mr. Harrison.

Mr. Harrison: — No I don't think that's the suggestion at all, Mr. Chair, but we feel that perhaps a review of the operations of the auditor's office is in order and would be appropriate at this time.

And, you know, obviously the financial and economic situation in this province is much better than most jurisdictions around the world, but we're not an island and there's going to be challenges in the coming years with respect to the economic position or financial position of the government, which isn't always going to be as rosy as it was this year. So we think that looking for efficiencies and reporting back to this committee is appropriate and we would ask that that be undertaken.

The Chair: — Mr. Nilson.

Mr. Nilson: — So as I understand it, your issue was point one per cent here, based on what the Minister of Finance has

recommended, which is about \$6,700.

Mr. Harrison: — No, I think that's an inaccurate characterization of what we're asking for. I think that the important piece of this is looking for the efficiencies in the operation of the office, and I don't think that's an inappropriate suggestion. We offered that number as a direction that was given to other ministries. We're not saying that that, you know, is a goal for the auditor's office, but we would like to see a review undertaken of the operation.

The Chair: — So what you're recommending then at this point, that we table the *Business and Financial Plan* until our next meeting?

Mr. Harrison: — That's right.

The Chair: — Okay. Someone want to move that then?

Mr. Chisholm: — I'll move it.

The Chair: — Moved by Mr. Chisholm. That agreed?

Some Hon. Members: — Agreed.

The Chair: — That's tabled until our next meeting.

Public Service Commission

The Chair: — The next chapter that we will be considering is with respect to the Provincial Auditor's office . . . Oh no, sorry, the Public Service Commission. And I think we'll deal with them in the order that we see them on our agenda, and so the first chapter we want to deal with is the chapter 20 of the 2007 report volume 3.

At this point I might ask the officials from the Public Service Commission to come forward and ask the Chair of the Public Service Commission, Clare Isman, to introduce the officials that have joined us. Then we'll go to the Provincial Auditor's office for their comments, and then back to you for any comments that you might have. Ms. Isman.

Ms. Isman: — Thank you very much, Mr. Chair. Thank you for the opportunity to be here. And I'd like to introduce to you, on my left, Rick McKillop, assistant Chair of the Public Service Commission. On my right is Karen Aulie, the assistant Chair of the Public Service Commission. And behind me on my far right is Raman Visvanathan, the executive director of the employee service centre, and Mike Pestill, our director of corporate services.

The Chair: — Mr. Martens.

Mr. Martens: — Thank you, Mr. Chair. I think it'll be easier if I give an outline of all three chapters that are before you today, at the outset.

First, chapter 20 of our 2007 report volume 3 includes the results of our annual audit of the Public Service Commission for the year ended March 31, 2007, the results of the follow-up audit of PSC's [Public Service Commission] processes to lead HR [human resources] planning across government ministries,

and the results of our audit of the MIDAS HR payroll system for the year ended December 31, 2006.

For the year ended March 31, 2007, we found that PSC had adequate controls except in three areas. First, PSC did not review its payroll for accuracy prior to paying employees to ensure that all employees' pay was properly approved. This weakness allowed employees to be paid incorrect amounts. This is the same matter that has been raised in other ministries. This matter has since been resolved.

Second, PSC did not have a written agreement with the ITO [Information Technology Office] for IT [information technology] services that it receives. This matter has also been resolved.

Third, PSC did not update the HR plan for its own organization. Due to a government reorganization that occurred in October 2007, PSC has not yet prepared an approved and updated HR plan. Therefore in our 2008 report volume 3, we continue to recommend that PSC revise its human resource plan to include the following: one, a prioritized listing of HR risks specific to PSC, two . . .

Mr. Nilson: — Hold on a second. Where are we starting? What order are we going here? I think we need to follow the order that's on the agenda.

The Chair: — We're on the second report volume 3.

Mr. Martens: — I am in that report.

Mr. Nilson: — Well you just referred to volume 2008.

Mr. Martens: — I indicated that the recommendation that we had in the first chapter is being repeated in 2008.

Mr. Nilson: — Oh, okay. I'm having a hard time following where you are. Carry on.

Mr. Martens: — Okay. The HR plan should include three things: a prioritized listing of human resource risk specific to PSC; two, detailed strategies to bridge identified gaps in human resource needs specific to PSC; and three, assignments of responsibility and deadlines for implementing major strategies.

With respect to our follow-up of the commission's processes to lead HR planning, we had recommended that PSC communicate to ministries a manageable number of HR priorities and use a risk-management framework to identify and analyze HR risks and set reasonable risk targets. We are pleased to report the commission has addressed these recommendations.

I think I'll stop there, because that deals with the first chapter, before I go on to the other reports.

The Chair: — So we have then two recommendations, two recommendations. And the first recommendation in twenty-oh-three is on which page in the 2007 report? On page 354:

We recommend that the Public Service Commission adequately review the payroll for accuracy prior to paying

its employees . . .

That's resolved. Okay. So we don't need to deal with that one.

Then we move to recommendation no. 2 . . . [inaudible interjection] . . . Yes, let's do that too. Ms. Isman, any comments on these recommendations, I guess, recommendations 2 and thereon from the 2007 report volume 3?

Ms. Isman: — Mr. Chair, I think as noted, as the Provincial Auditor's office was speaking, that this report is somewhat dated. And so we have actually resolved the outstanding issues that were reported in this chapter.

The Chair: — Then let's deal with those. The first recommendation that:

. . . the Public Service Commission have policies and procedures for monitoring user access to MIDAS HR payroll.

What can the Provincial Auditor tell us with respect to that recommendation? Whether we have compliance . . .

A Member: — Which one are you referring to? Which one are you referring to?

The Chair: — I'm referring to the 2007 report, volume 3, page 361. No. 1, that was the standard recommendation we had with respect to all departments and has been resolved. So the question is, where is . . . The Public Service Commission is indicating now a year later that that particular recommendation has been resolved. Is that the case in your view?

[11:15]

Mr. Martens: — The last audit we did on the MIDAS was for December '07, so it might have been corrected after that and we haven't audited, or we're still in the process of auditing for December 2008.

The Chair: — So the motion to concur in the recommendation and note progress . . . [inaudible interjection] . . . We don't know.

Mr. Michelson: — It would be up to them in the next report to comment on the compliance or not, because they've done as much as they can do at this point.

The Chair: — Yes. Okay, note compliance?

An Hon. Member: — Agreed.

The Chair: — So Mr. Michelson has moved that we concur on the recommendation and note compliance. The next recommendation then is with respect to its disaster recovery plan. And so the question is testing that, and did you test it?

Ms. Isman: — Yes we did.

The Chair: — You tested it. It went okay? So can we have a motion that we concur in the recommendation and note

compliance?

Mr. Michelson: — So moved.

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

And the next recommendation that the public service . . . no. 4, on page 363, that the Public Service Commission document and test changes to the MIDAS HR payroll system. It indicates that PSC at that point had started to develop processes for managing that. And were you able to document and test those changes to the HR payroll system?

Ms. Isman: — Yes we were.

The Chair: — And, Mr. Chisholm, you want to move that we concur in the recommendation?

Mr. Chisholm: — And note compliance.

The Chair: — And note compliance. And that's agreed?

Then the next recommendation is that the Public Service Commission provide user agencies with reports from the MIDAS HR payroll “. . . to help them monitor the accuracy of payroll and approve payroll payments . . .” And it indicated in that report that the reports are being developed to provide additional detail. Also told us that they considered additional database edits, but decided not to introduce such as because they were not supported by the software vendor. What can you tell us about that?

Ms. Isman: — That we did implement the reports and establish processes for checking them.

The Chair: — Okay. Thank you very much.

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

The Chair: — That's been moved by Mr. Michelson. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Okay. Then the next chapter we want to deal with is the 2008 *Report of the Provincial Auditor* volume 1. Mr. Martens.

Mr. Martens: — Thank you, Mr. Chair. With regard to this report, I would just make a comment on the recommendation on page 361. We recommended that PSC should have policies and procedures . . . The recommendation, sorry, is on page 113 of that report, regarding policies and procedures for monitoring access. The only item we're continuing to or had continued to comment on was that each agency that uses this system should follow up on inactive accounts and remove access where it is no longer required. And we've made that recommendation. And that may be fixed now. I'm not aware of that, however . . . [inaudible interjection] . . . Those have all been dealt with.

The Chair: — What can you tell us about recommendation no. 1 that “. . . the Public Service Commission have policies and

procedures for monitoring user access to MIDAS HR/Payroll”?

Ms. Isman: — We established processes to deal with those.

The Chair: — Okay. What is the committee's wish.

Mr. Michelson: — That we concur with the recommendation and note compliance.

The Chair: — Mr. Michelson has moved that. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. And then with respect to the other recommendation, the auditor notes that all those recommendations have been complied with.

Mr. Michelson: — They both be concurred with the recommendation and note compliance.

The Chair: — Okay. So we don't really need to deal with those recommendations. Or can we have a motion to note we concur and note compliance?

Mr. Martens: — We have to deal with no. 2.

The Chair: — We have to deal with no. 2. Okay. So recommendation no. 2 that:

. . . the Public Service Commission provide user agencies with written guidance on the processing and approval of payroll payments in accordance with *The Financial Administration Act, 1993*.

Any comments on that?

Ms. Isman: — Thank you, Mr. Chair, yes. Both the Provincial Comptroller's office and the Public Service Commission sent out correspondence to all of the ministries in terms of complying with the legislation, and that's all now been posted on our website as well. And we also have service level agreements in place with all of the ministries.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — I would move that we concur with the recommendation and note compliance.

The Chair: — And that's agreed? That's agreed. And recommendation no. 3. That's a repeat, and so do we need to deal with that then? No. Okay. Then the next chapter we'll be dealing with is chapter 15 of the 2008 report volume 3. Mr. Martens.

Mr. Martens: — Thank you, Mr. Chair. Chapter 15 reports the results of our annual audit of PSC for the year ended March 31, 2008. It notes that PSC had adequate controls and complied with its governing authorities except for two matters. One is the need for preparation of an updated HR plan that I mentioned earlier. The second is an update of past recommendations we made concerning criminal record checks.

In our 2005 report volume 1, we recommended that the

Department of Community Resources and Employment and the Department of Environment assess the risk of loss of public money by employees in positions of trust, i.e., those responsible for the collection, receipt, disbursement, or expenditure of public money, and reduce this risk to an acceptable level. Requiring criminal record checks is one way of reducing this risk.

In 2005 PSC was given the responsibility to implement a policy on obtaining criminal record checks across the public service. On page 295 we set out a list of the types of positions where PSC now requires a criminal record check. PSC is still in the process of evaluating government staff positions to determine which ones need a criminal record check. To September 2008, PSC has evaluated 9,600 government positions, or about 63 per cent. And so far it has determined that 7,100 positions require a criminal record check.

It has begun to receive criminal record checks, but we are unable to report if progress since 2005 is satisfactory because PSC has not told us how many of these 7,100 positions have filed a criminal record check. And we encourage Public Service Commission to complete its implementation of this policy. That concludes my remarks.

The Chair: — Ms. Isman.

Ms. Isman: — Thank you very much, Mr. Chair. With regard to the first recommendation of the auditor regarding the human resource plan for the Public Service Commission, I am pleased to report that our human resource plan has been completed. As noted we did a fairly major restructuring of human resource service delivery as of April 1 of this year and it's based on our new organization that we now have a plan complete. And it's ready to be shared with the auditor's office.

With regard to criminal record checks, I think I would note that we are very satisfied and feel confident that we will have all of the work done and completed by September 2010, which is the final year with regard to the implementation of this policy.

I would note that the reason I feel confident is multi-fold. First of all, with regard to the designation of the positions in the public service that need criminal record checks, we are over two-thirds of the way done that process and are in the final stages of the rest of the jobs that need to be noted.

As well, as we implemented the policy the first step we undertook was to ensure that all new hires coming into government do have a criminal record check done before they are employed, which was seen to be the highest risk area with regard to criminal record checks. So that's done on a 100 per cent basis, and all new hires in those positions submit criminal record checks.

With regard to the auditor's concern that we aren't able to report how many of our current employees in the jobs that are designated have actually completed it, the rationale is twofold. First of all our employees have five years to submit their criminal record checks to us, so by September 2010 would be the final date they can submit them and we aren't tracking against that number.

Secondly, we're actually maintaining the information in two different parts of our human resource system and those two things aren't linked, which is why we weren't able to provide the auditor with the information. It would have taken a lot of manual intervention to do that, that linkage; however we are keeping track of them individually and so we have those records and that's what's been provided.

The Chair: — Questions. Mr. Chisholm.

Mr. Chisholm: — I've got a question just on the page 292 on the main points. It says, "In October 2007, PSC went through a significant reorganization that more than doubled its staff."

Could you just explain that to me? That seems like quite an increase.

Ms. Isman: — Yes, Mr. Chairman. The Public Service Commission actually did increase staff, but that's because we transferred them in from the other ministries. So in the former model, the human resource staff were actually part of the ministry complement and we simply took them out of the ministry complement and put them into the Public Service Commission complement.

Mr. Chisholm: — I'm very pleased to hear that that is the explanation.

The Chair: — Mr. Michelson.

Mr. Michelson: — Keeping with that — and I appreciate your explanation — just going through this, October '07 there was a significant reorganization. In the report for October '07, we went through significant reorganization. And then you had mentioned as April 1, there was another. How often do we reorganize this?

Ms. Isman: — Same reorganization. The process was that we actually did the transfer basically, technically in October 2007 and we moved the resources in. After we had done that, then we reorganized our service delivery model within the Public Service Commission. So it was simply then how we were structured and delivering the service effective April 1.

Mr. Michelson: — Okay. Would that explain, when you're looking at the financial overview, employee relations policies and planning with the estimate of \$2.187 million to the actual of 17.576 million?

Ms. Isman: — Let me just grab the number for you.

Mr. Michelson: — That's on page 293.

Ms. Isman: — The difference with regard to, Mr. Chair, under the employee relations, policy and planning increase, that actually relates to funding and a payable that was set up last year to deal with a lawsuit on non-perm pension. And so there was a special warrant a year ago that secured that funding with regard to that.

The monies under the human resource client service, that increase is with regard to the transfer in of the employees from the other ministries.

Mr. Michelson: — Thank you.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Yes. I'd appreciate a little more explanation on that, the lawsuit thing, just if you could just bring me up to date. Did we win? Lose?

Ms. Isman: — Mr. Chair, I think I'll let Mr. McKillop answer that question.

Mr. McKillop: — We have negotiated a settlement with the SGEU [Saskatchewan Government and General Employees' Union] in hopes of settling outstanding legal claims brought against us by a number of non-permanent employees who believed they were denied pension benefits for periods of non-permanent employment in the period 1981 through 1998.

At that time, participation in the pension plan for non-permanent employees was optional. And some of those employees have claimed that they were not properly explained what their option was and as a result were denied participation in the plan.

[11:30]

We have settled a number of these things over the years. Then a lawsuit was brought on behalf of a significant number of employees and we've now negotiated settlement terms. The \$15 million that was set aside and is reflected in this budget is to anticipate future costs involved in settling those individual claims through the framework agreement that we've negotiated with the union.

Mr. Chisholm: — Thank you very much.

Mr. Nilson: — Just for clarification, I think the first one that revealed itself was a pasture manager in the Department of Agriculture?

Mr. McKillop: — That's a long outstanding file from a pasture manager that was settled through the courts quite a number of years ago. Then there was a claim brought by an employee from the Education department where we settled. And then we settled a number of individual, one-off kind of claims for employees out of Environment and then came the big group. And so it's from there that we've negotiated this framework agreement.

The Chair: — Mr. Michelson.

Mr. Michelson: — I notice that the incumbents in designated positions are required to submit a satisfactory criminal check within five years. Isn't that a long period of time?

Ms. Isman: — Mr. Chair, yes. In some ways it is a long time frame, but the reason behind it was multi-fold. One was to allow us the time to get through the process that we're undergoing to designate the positions which, as we say, we're about two-thirds of the way through now. As well, it's a very significant change to the terms and conditions of employment with regard to the employees and that's why we selected a five-year time frame by which the current employees in their current jobs could submit them.

Mr. Michelson: — Who pays for the criminal checks?

Ms. Isman: — The policy is twofold. For the current employees in current jobs, the government pays for it. For new employees, for people bidding on new jobs, they pay for them. And for our current employees that are bidding on a new job as well, they pay for them.

Mr. Michelson: — I see. You had mentioned that all new employees now need a criminal check before they start. When did you start that policy?

Ms. Isman: — That was implemented in September 2005 when the initial policy was implemented.

Mr. Michelson: — I see.

Mr. McKillop: — And that was all new employees in positions where there is a reason to require a criminal record check.

Mr. Michelson: — Okay. Thank you. That's all the questions I had.

The Chair: — Mr. Nilson.

Mr. Nilson: — From what you said, it appears that you know how many people have submitted record checks right now. What is that number?

Ms. Isman: — Well what we know is that we've received 11,045 criminal record checks since the policy was implemented.

Mr. McKillop: — Some of those though will be for people who have come and gone through term assignments, some people will . . . might be for current employees who moved into jobs that required a criminal record check, and they've subsequently moved on to other jobs perhaps that don't.

So at this point we haven't married the list of positions designated to current people that actually have them. And there's actually no need for us to do that until we get closer to the final compliance date, at which time we'd need to know have we reached our target. We're working through both of these processes independently at this moment, and we'll marry that information in the last year in which we're moving to September 2010.

Mr. Nilson: — Yes. Well I thank you for that information because it does indicate that lots of people have filed their criminal record checks. It might not be the total number of the 7,100 designated positions — or it must be a little bit higher than that now, given your process — but it does show that this isn't a major problem for the civil service to actually complete the task. But because we don't have the number here, we didn't know whether, from this information, whether it's 1,000 or 11,000. But that number is, I think, quite good progress, and I appreciate the answer.

The Chair: — Are there any further questions or comments? If not, I want to thank you very much for joining with us today to help us go through these three chapters of these various reports. Thank you very much.

Ms. Isman: — Thank you very much.

The Chair: — And the committee stands recessed until 1:30 p.m.

[The committee recessed for a period of time.]

Government Services

The Chair: — Good afternoon. We are here to deal with the next chapter on our agenda for the Public Accounts Committee meeting and that is chapter 9 of the *Report of the Provincial Auditor*, the 2008 report volume 3. And for those who are viewing this and want to access the report, I would encourage them to go to www.auditor.sk.ca and download the report or the appropriate chapters. Also for those that are viewing the proceedings, if you want a copy of the *Hansard* for the committee or to view the proceedings at some later date, I would encourage you to go www.legassembly.sk.ca and follow the links to the committee. This is the Public Accounts Committee.

Joining us today are officials from the Ministry of Government Services. And I would ask the acting deputy minister, Mr. Phil Lambert, to introduce the officials that have joined us and then we'll go to the auditor for their comments. Mr. Lambert.

Mr. Lambert: — Thank you. The ministry officials who are with me here today, on my left is Ms. Debbie Koshman. She's the assistant deputy minister of corporate support services. And on my right is Mr. Lloyd Brierley who's our director of central vehicle agency. And behind me is Ms. Shelley Reddekopp, she's our director of financial services; and Ms. Cathy Drader who's our director of telecommunications and IT services.

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

Mr. Deis: — Thank you. Good afternoon, Chair, members, and officials. We're going to cover chapter 9 in our 2008 report volume 3. Chapter 9 of the Ministry of Government Services begins on page 133 of our report. The chapter describes the results of our audit of the ministry for the year ended March 31, 2008.

On pages 136 and 137, we make three new recommendations. The first recommendation requires the ministry sign a service level agreement with the information technology office for information technology services.

The second recommendation requires the ministry properly segregate duties of its employees to ensure the same employee cannot initiate payments and approve the same payments.

The third recommendation requires the ministry establish and use policies to monitor its fuel expenses made with its credit cards to ensure fuel purchases are for government purposes.

On pages 137 to 141, we also provide an update on nine previously reported recommendations. Your committee has considered all these matters in the past and agreed with our recommendations. And that concludes my overview of the chapter.

The Chair: — Thank you very much. Mr. Lambert, any comments?

Mr. Lambert: — I would like to first take this opportunity to express my thanks to the Provincial Auditor and the staff of his office for the comments that were provided to our ministry. And I'll just go through each one of the recommendations.

The Provincial Auditor recommended that Government Services sign a service level agreement with the Information Technology Office for information technology services. We agree with this recommendation. And in March 2008, Government Services entered into an agreement partnership with the ITO for the provision of information technology services. The ministry and the ITO are finalizing the transition, and our next step is to develop a service level agreement. And we expect that this agreement would be in place by the end of this fiscal year.

Another recommendation noted was that the ministry should properly segregate the duties of employees so that the same employee cannot enter invoices into the payment system and approve payment for those invoices. We agreed with this recommendation, and Government Services policy is that an employee who approves an expense must be a different employee than one who enters that expense information into the financial system. This policy continues to be enforced.

However, the MIDAS financial system allows an employee with approver status to also data enter invoices. We are working with the Ministry of Finance to address this situation. Until a solution is found, the Ministry of Finance is providing reports that identify any instances where the data enterer and the approver were the same employee. These reports have been provided for the past two months, and no instances were found.

The Provincial Auditor also made a recommendation regarding the central vehicle agency's monitoring of fuel expenses made with credit cards to ensure that the purchases were used for government purposes. The ministry acknowledges the auditor's concern in this area. CVA [central vehicle agency] has the capability to monitor individual fuel transactions and is in the process of hiring a resource to develop an audit plan and implement solutions to address the issues identified. In addition, CVA plans to proceed with the acquisition of a new fleet management IT system pending budget approval. A modern system will provide management and staff with enhanced reporting in areas such as the monitoring of fuel purchases.

The Provincial Auditor also commented on areas which had been noted in the previous reports that had not yet been addressed. While the improvement was noted in the preparation and review of various reconciliations at CVA, the auditors found that car rental billing reconciliations were not timely or independently reviewed. Reconciliations will be independently reviewed by our financial services area, and they will ensure that this is done on a timely basis.

Government Services does not have an information technology strategic plan. We recognize the importance of this. When our service level agreement with the ITO is finalized, this will be a top priority for our ministry.

The Provincial Auditor had previously recommended that Government Services complete a business continuity plan. The ministry is making progress in this area. A plan has been completed for three service lines and these will be tested by the end of this fiscal year. As well it is our plan to have three additional program areas completed by the end of this fiscal year.

The ministry is also making progress on its public reporting of the use of its infrastructure such as facilities, vehicles, and aircraft. The annual report now includes the information on the status of major capital and facility maintenance projects as well as relevant information about the ministry's fleet of vehicles and changes in the complement of aircraft.

In addition, major new construction projects are posted on our ministry's website. This site will include the status of major maintenance projects by the end of this fiscal year as well as general information on government-owned facilities.

The last area noted by the Provincial Auditor concerns vehicle safety standards and reliable maintenance and repair reports. Progress has been made in these areas. As of April this year, CVA requires all vehicles in its fleet to be inspected twice a year. An electronic system now tracks which vehicles have been inspected and which are overdue for inspection. Reminders are then sent to customers when an inspection is due. The information generated by the system is now being sent to senior management for a review.

So again I would like to thank the Provincial Auditor and his staff for these comments. And my officials and I welcome any questions the committee members may have at this time.

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

Mr. Harrison: — Yes. Thank you, Mr. Chair. One area that I'd ask for additional clarification on from the auditor's office actually has to do with the recommendation no. 3, and the performing of random audits and whatnot to ensure that fuel purchased is being used for only government business.

I think there's some that might look at this and say, well geez this is a recipe for creating a whole bunch of new bureaucracy, and a burden on both those doing government work and also on the institution. So I'm maybe just asking for some additional clarification as to how you see this working in practice, and whether it would possibly lead to a tremendous amount of new work having to be done by civil servants?

Mr. Wendel: — Mr. Chair, no, we're not looking at a tremendous amount of work. I think we need to monitor it just generally. They see something out of line, they need to make some inquiries and find out what's going on with the . . . Say you find some vehicles that the usage seems to be a lot more than the mileage that's being reported, that you would look into that.

Mr. Harrison: — Well maybe just as a supplementary. Have there been problems in the past? Is this recommendation coming out of specific instances?

Mr. Deis: — There have been, actually, in the past. There have

been . . . the ministry's reported that in, you know, the fashion they report that in. So I'll leave that to the ministry to speak to perhaps.

But in terms of what we observed is that there needs to be more controls in this area. So there needs to be more controls said about the purchases that occur in the vehicles including the bills that come in from the major oil companies, you know, on a monthly or periodic basis. You know there has to be support for what they're doing, that you're actually . . . Those are services or fuel that's actually been purchased for government purposes.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Maybe we could go back to purple gas or something like we used to keep track of . . . [inaudible interjection] . . . No, it's okay.

The Chair: — In case of government it would be red gas. So any further questions? But that's not unusual for government agencies where you have many transactions, and there's value attached to each of those transactions that you have random audits to do checks from time to time, you know, in addition to any reconciliation that you would do.

Mr. Wendel: — You certainly couldn't check them all in detail, so you'd have to have some kind of a process, a sample or watch for ones that seem to be out of line and make the investigations.

The Chair: — Okay. So what is the committee's wish with respect to recommendation no. 1?

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

The Chair: — Yes. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. And recommendation no. 2?

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

The Chair: — Yes. That's agreed. And that's similar to a number of recommendations we had in the same vein that are being . . . where responses are being coordinated through the comptroller's office I guess. Yes.

And recommendation no. 3?

Mr. Chisholm: — Once again, I would concur and note progress.

The Chair: — That's agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay. Any other questions or comments with respect to this chapter? No? If not, I want to thank you very much, Mr. Lambert, you and your officials, for joining with us and helping us through this chapter of the auditor's report.

Thank you very much.

Mr. Lambert: — Thank you.

[13:45]

Highways and Infrastructure

The Chair: — The next chapter that we are considering in the auditor's report is chapter 11 dealing with the Ministry of Highways and Infrastructure. And joining us is the deputy minister, John Law, and a number of officials. And I wonder, Mr. Law, if you could introduce those officials to us.

Mr. Law: — Thank you, Mr. Chair. It would be my pleasure. On my left is Mr. Ted Stobbs. Ted is our assistant deputy minister of corporate services. On my right is Terry Schmidt. Terry is the ADM [assistant deputy minister] of operations at Highways, and behind me, Gary Diebel, who is our director of finance.

The Chair: — Thank you very much. Ms. Wendel.

Ms. Wendel: — Thank you. Good afternoon, Mr. Chair, and committee members. This chapter includes the results of our audit of Highways and Infrastructure for the year ended March 31, 2008. We have no new recommendations for the committee's consideration.

With regards to our recommendation on the need for a service agreement with the Information Technology Office, we report that Highways signed an agreement with ITO on October 20, 2008. We will assess the adequacy of the agreement in our next audit.

We continue our recommendation on the need for a complete business continuity plan. Highways has completed the first phase of their planned three-phase approach, and that's a business impact analysis.

We also report the loss of public money totalling more than \$13,000. The loss resulted from the use of stolen fuel purchase cards.

This concludes my presentation. We would be pleased to respond to your questions.

The Chair: — Mr. Law, any comments.

Mr. Law: — Just quickly, Mr. Chair, that we are in agreement with the recommendations from the auditor's office and have taken action in all of the areas that were recommended to us by the auditor. We have, as was mentioned, have entered into the service agreement with the Information Technology Office.

The business continuity plan is well into development and we're moving towards the final phase now of implementing that, and have undertaken further remedial actions in respect to the loss associated with the stolen fuel cards. The investigation that involved the city police and the investigative services unit from Government Services has resulted in the laying of charges against the individuals who are not a part of government or associated in any way with the government.

The Chair: — Questions or comments. Mr. Michelson.

Mr. Michelson: — The only comment that I would have is the cards, for the stolen cards were over a two-month period. Is there any way we could've noticed that before two months?

Mr. Law: — We've implemented some new procedures, but the safeguard that was in place to account for the cards was in fact successful to the extent that part of the process involves a review and an accounting of the accounts associated with those cards. And it was really a timing issue as to when it was initially discovered, and then finally verified. So we were aware of it somewhat earlier than that, but in terms of finalizing it, and coming to terms in ensuring we had accounted for all of those circumstances that might have been in effect at that time, it took us the two months to do that.

Mr. Michelson: — That's all I've got.

Mr. Bradshaw: — All I was wondering, how did they get the PIN [personal identification number] numbers — unless they wrote them right on the cards?

Mr. Law: — That's exactly how they got them. They were left on the two cards at the time. We already had in place a protocol that they were to be separated. They simply weren't followed. So in that instance we had to go out and re-verify that that was in fact being following in all the other areas, and undertook an awareness campaign with all of the front line staff as well as doing some reassignment directly to individuals of those cards rather than having them attached to vehicles where, you know, multiple users might have access. We assigned them directly to individuals and hold those people accountable for that.

Mr. Bradshaw: — Okay.

The Chair: — Any further questions or comments? If not, thank you very much, Mr. Law, for joining with us. I appreciate that. Thank you.

Information Technology Office

The Chair: — The final chapter on our agenda pertains to the Information Technology Office of the government, and joining us is the deputy minister, Don Wincherauk, and a number of officials. And I wonder if you could introduce those officials to us and then we'll go to the auditor's office for their comments.

Mr. Wincherauk: — On my right is Rory Norton, our assistant deputy minister of corporate information services. Left are Richard Murray, executive director of policy and planning. And behind us is Darren Hoewing, our director of business development.

The Chair: — Mr. Kress.

Mr. Kress: — Thank you, Mr. Chair. Good afternoon everyone. We describe our findings and recommendations for the Information Technology Office in chapter 12 of the 2008 volume 3 report. The report starts on page 235.

We have two new recommendations. Our first recommendation on page 238, we recommend that the Information Technology

Office's human resources plan quantifies future human resource needs, provide details on the human resource gap between actual and required resources, provide measurable indicators and targets for its key strategies, and provide details on plans to implement the major strategies.

In the chapter we also describe our findings for the information technology security audit starting on page 239. The security audit covers the period from September 1, 2007 to February 29, 2008. We have one new recommendation for this audit. We recommend the Information Technology Office establish information technology security policies for its clients.

We have two repeat recommendations as part of the security audit. The first one is that we continue to recommend that the ITO protect its systems and data from security threats. The second continuation is we continue to recommend that the ITO have a disaster recovery plan for its data centre and client systems. We first reported these matters in our 2006 report volume 3. The Public Accounts Committee agreed with our recommendations in April 2007.

On page 247 of our report, we describe a follow-up on how the ITO manages IT service delivery. We continue to make two recommendations. The first is that we continue to recommend that the ITO sign service level agreements with its clients prior to delivering information technology services. The second recommendation we continue to make is we recommend that the ITO sign agreements with its clients that address security and disaster recovery processes, expectations, and reporting requirements. We first reported these matters in our 2005 report volume 3. The Public Accounts Committee agreed with these recommendations in May 2006.

That concludes my overview. Thank you, Mr. Chair.

The Chair: — Thank you very much, Mr. Kress. Mr. Wincherauk, any comments?

Mr. Wincherauk: — A few comments. First of all, thank you for having us here. Looking forward to it.

The auditor's first point makes recommendations regarding improvements to future HR plans. Our most recent plan was intended to address the significant issues associated with the integration of 300 employees into the ITO. We agree with the auditor's points and will work with the PSC to include these improvements in next year's plan.

The second recommendation concerns the establishment of security policy for our clients. We again agree with the auditor on the importance of establishing security policy for all client partners. To this end, we have dedicated a full-time resource and a detailed work plan that will see 24 key policies created and communicated to client ministries over the next 12 months.

On the topic of service level agreements, the ITO has worked hard to gain sign off on client ministry SLAs [service level agreement] over the past year. There are currently only two ministries remaining that have not signed SLAs, and negotiations continue with both.

Finally, I'd like to address two points that have been raised here

in this committee room over the past two days. The auditor has recommended to a number of our partner ministries that they sign adequate disaster recovery agreements with our office. In order to address this concern, we have hired a sector firm to assess and recommend ways that we can strengthen our disaster recovery stance. We are expecting that report shortly. We have also added data storage services to our service catalogue that can be customized to suit the disaster recovery needs of our partner ministries and we will work with those ministries to assist them in developing disaster recovery plans.

Finally, there have been recommendations around the need for improved security reporting for our partner ministries. We have contracted with a third-party vendor to monitor firewall logs to identify security weaknesses, breaches, and notable attacks. We have also allocated a permanent full-time resource to continue to ensure that all firewalls are properly configured to defend against malicious attacks. We will now provide each ministry with monthly reports that summarize stale accounts, outages due to virus attacks, and notable security incidents.

Additional reporting details will be developed in the 2009-10 fiscal year based on the firewall monitoring changes described above and incorporated into all our monthly reports. This should address the recommendations discussed previously with our partner ministries.

And thank you for the opportunity to address the committee, and we look forward to your questions.

The Chair: — Questions. Mr. Nilson.

Mr. Nilson: — Well I appreciate that report, because one of the goals I'm sure of your office and many offices is moving towards less paper. And I'd have to say that the work in your office has created more paper in this report than probably any other place because we've had these issues in every single area. So I think that solving the particular issues that have been identified will help all of us.

I have a specific question and that relates to the overall progress of the IT services. It looks to me, you know, you report . . . I think it is 20 ministries that are working together with you, and I assume then it's probably just Health that's not included because of the kind of the nature that they have, and you obviously work with them as well. Will we now start to see some reorganization in a sense as you get everybody on board with ITO so that, as we look forward at the plans for say a five-year period, there'll be some other issues rather than just the managing of trying to get everybody together?

[14:00]

Mr. Wincherauk: — I think that's one of the key things we have to do over the next fiscal year is sort of stabilize our organization. We've gone through a massive consolidation — there's now 24 departments and agencies under our umbrella — so now we've got to make sure that we can deliver those services to the ministries that we have laid out in our service level agreements. And there's a lot of work to be done in that area, but I think we're up to the challenge and I think the ministries are also very accepting of what we can do for them.

The Chair: — Mr. Michelson.

Mr. Michelson: — Just a quick question. Does the IT service, is it provided to the Crowns as well? Are they part of the agencies?

Mr. Wincherauk: — No. The CIC Crown corporations are on their own. Most of them have their own respective units, and the same with the Treasury Board Crown.

Mr. Michelson: — Thank you.

The Chair: — What is the committee's wish then with respect to recommendation no. 1?

Mr. Michelson: — Since the ministry has concurred with the . . . We would concur with the recommendation and I think note progress for no. 1.

The Chair: — Okay, that's agreed. And recommendation no. 2?

Mr. Michelson: — Also concur with the recommendation and note progress.

The Chair: — And that's agreed? That's agreed. Are there any further questions or comments with respect to Information Technology Office? You know, this is your last chance because after this we adjourn. Okay. If not, thank you very much for joining with us and helping us with this chapter of the auditor's report. Thank you.

Mr. Wincherauk: — Thank you.

The Chair: — Fred's moved that we adjourn. Okay. Well before I put the adjournment motion, I just want to thank the members for their diligence in covering these many chapters of this report. I appreciate the work that you have done and wish you now all a very Merry Christmas and look forward to seeing you in the new year. Thank you very much.

And are we agreed with the motion to adjourn?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. We are adjourned. Thank you.

[The committee adjourned at 14:03.]