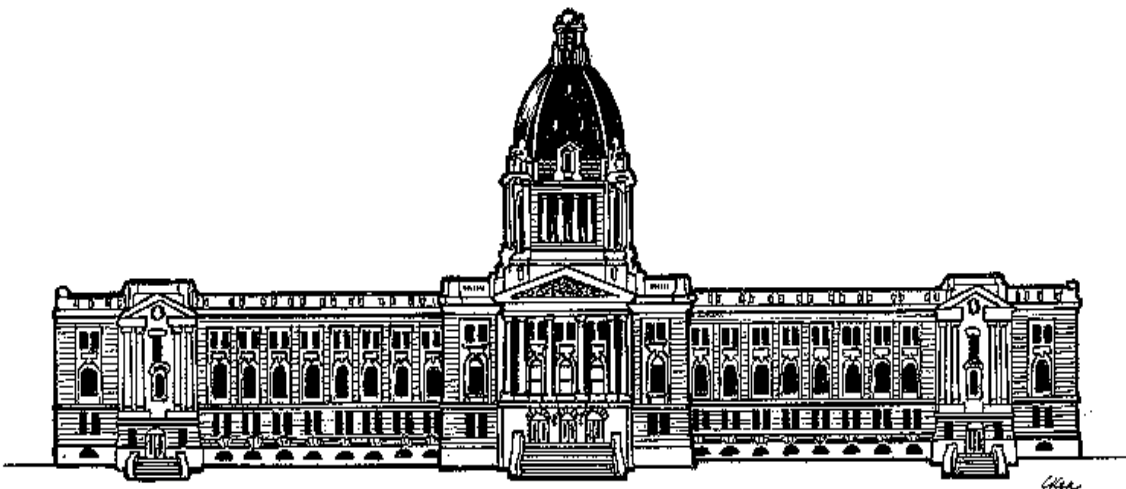




# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**Hansard Verbatim Report**

**No. 19 – September 1, 2009**



**Legislative Assembly of Saskatchewan**

**Twenty-sixth Legislature**

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr. Trent Wotherspoon, Chair  
Regina Rosemont

Mr. Michael Chisholm, Deputy Chair  
Cut Knife-Turtleford

Ms. Pat Atkinson  
Saskatoon Nutana

Mr. Dan D'Autremont  
Cannington

Mr. Warren Michelson  
Moose Jaw North

Ms. Laura Ross  
Regina Qu'Appelle Valley

Mr. Lyle Stewart  
Thunder Creek

[The committee met at 10:00.]

**The Chair:** — All right, welcome to the Standing Committee on Public Accounts. Today's primary business is to review and question and vote on recommendations related to the Provincial Auditor's report 2009 volume 1.

For anyone who might be catching this at home, we thank you for paying so close attention to the Provincial Auditor's report and we would ask you to look at [www.auditor.sk.ca](http://www.auditor.sk.ca).

Members that are in attendance here today are Mr. Chisholm as Deputy Chair, Mr. Michelson, Ms. Ross, Mr. D'Autremont, Ms. Atkinson, as voting members of this committee. As a non-voting but participating member, we welcome Mr. Quennell to the table here today. And just as it relates to tabling of documents, at this point I'll make notice that document 18/26, which is the report of public losses from the Ministry of Finance distributed to members on August 4, is tabled at this point in time.

I welcome members, staff from the Provincial Auditor's office, and Provincial Auditor Mr. Wendel. I might ask Mr. Wendel to briefly introduce his officials here today.

**Mr. Wendel:** — Well thank you, Mr. Chair. I have three officials at the moment. There'll be different officials coming as different ministries come forward to the committee. To my left is Ed Montgomery. He leads our work at the Information Technology Office. Mark Anderson, to his left, he'll be making the presentation on the Information Technology Office. And seated is Kim Lowe, and Kim attends all our meetings and coordinates our office to make sure we're here when we're supposed to be here, and works with the Clerk to make sure everybody's here to serve the committee.

**The Chair:** — Thank you, Mr. Wendel. I'd also like to welcome Provincial Comptroller Mr. Paton, and Mr. Bayda. Thank you for being here today. And at this point I'll ask Deputy Minister Fiske, Mr. Fiske, to introduce his officials.

#### Information Technology Office

**Mr. Fiske:** — Thank you. I'd like to introduce Phil Lambert who's my assistant deputy minister of Information Services, and Richard Murray who's the executive director of corporate services.

**The Chair:** — Thank you very much, Mr. Fiske. So as the report relates to the Information Technology Office, I'll ask Mr. Wendel or his staff to provide their presentation.

**Mr. Anderson:** — Mr. Chair, members, colleagues, good morning. This chapter begins at page 91 of the report, volume 1 of our 2009 report.

Now this audit is about the consolidation of information technology services from ministries into the Information Technology Office. The consolidation had a number of aims but, overall, the government's intent was to improve IT [information technology] services and save money.

By March 31, 2008, the consolidation was more or less complete. We decided to examine whether as of that date the ITO [Information Technology Office] had improved IT services through consolidation and had provided those services at a lower cost. We found that in the absence of reliable performance measures and costs relating to IT services for periods before and after consolidation, in the absence of that information, we were not able to determine whether the ITO had improved IT services and provided those services at a lower cost.

Our intent was to examine evidence comparing changes in services and costs to a baseline or starting point. However the evidence was incomplete and not verifiable.

We made several recommendations for improvements. First, we recommended that the ITO resume regularly measuring ministry satisfaction as agreed upon with ministries in service level agreements. Second, we recommended that the ITO work with ministries to prepare joint action plans to address issues identified in satisfaction surveys, again as required by the service level agreements. Third, we recommended that the ITO assist ministries to build capacity to analyze their — the ministries' — information technology requirements. Fourth, we recommended that the government evaluate whether the ITO should provide ministries with application support for complex and custom applications. And finally, we recommended that the ITO agree with ministries on relevant service delivery measures and targets.

Mr. Chair, that concludes the presentation.

**The Chair:** — Thank you, Mr. Anderson. We'll now look to the ministry and Mr. Fiske and his officials to respond.

**Mr. Fiske:** — Thank you very much. I'm pleased to be here this morning. This is my first opportunity as deputy of ITO to appear in front of this committee. I'm looking forward to discussing the ministry's operations and the auditor's findings and recommendations.

Before we begin I'd just like to make a few brief comments. As members will know, over the past several years the IT operations of executive government — except for Health — and a number of agencies have been moved under the umbrella of ITO. Consolidation, however, is really only the first step toward transforming the IT services across executive government.

The ITO is now turning its focus toward creating a culture of customer service, not only within our organization but throughout government. If done properly, information technology can act as a catalyst for changing the way government interacts with its citizens and the customers. And while there will always be a need for person-to-person service, IT can serve as a backbone for far more effective and cost-efficient customer service delivery model.

To set a stage for the work to be done in the coming months, the ITO has seen some changes over the past few months. I've been there about two months. The Hon. June Draude was appointed the Minister of ITO in late May and I was brought on board two months ago to oversee the day-to-day operations. In addition,

Phil Lambert came over from Government Services to lead our operations branch and we've hired an executive director of customer service, Bill McMorris.

Our new management team has already taken a number of important measures designed to lead us on this new journey of customer service.

First off, we've met with most all the heads of our ministries — I think we've met with 16 so far — and agencies and clients to listen to their concerns about our current customer service and explore how the ITO can better meet their needs. As well we have appointed a customer service team made up of some of our key staff, senior staff, to lead those efforts on a day-to-day basis.

Secondly, our entire management team has been collaborating on the development of a comprehensive strategic plan to guide the ITO. This is based on feedback from our customers and other stakeholders and this includes staffing, service delivery, and customer service. This plan will be finalized in the next few weeks and we'll be presenting that back to our many stakeholders for comments.

The auditor has raised some legitimate points about the ITO's current operations and we're generally in agreement with the recommendations in the report. I'm confident that the recent steps that we've taken and the plans being put in place will address those issues.

I thank you, and now my staff and I would be delighted to answer any questions that you might have.

**The Chair:** — Thank you, Mr. Fiske. Questions from the committee?

**Ms. Atkinson:** — I have one.

**The Chair:** — Ms. Atkinson.

**Ms. Atkinson:** — Thank you. Can you indicate when Health is going to become part of ITO — the Ministry of Health?

**Mr. Fiske:** — I can't give you a date on that. Right now I think with the consolidation of 22 ministries, I think there's much work that still needs to be done to be able to really transform those 22 ministries into one service delivery. I think ITO's got lots of work to do there.

I think the other thing that we haven't done to date is we haven't consolidated any of the applications. Today we have about 959, I think it is 949 applications running. And I think what we need to do is think about how we can try and consolidate those down into a smaller number. I don't know what that ideal number is, but that's a major, major piece of activity.

So I think we need a lot of work to be done there. I think there is still opportunity to be made if we rolled Health under this and still savings to be made with that, but I think we've got a pretty good plateful right now to deal with.

**Ms. Atkinson:** — Thank you, Mr. Chair. The other question

that I have has to do with client satisfaction, and I'm interested in knowing if you have any understanding of why client satisfaction seemed to decline from 2006 to 2007. There's some reference to the fact that these were newer people coming on stream, but I'd be interested in knowing — have you done further client satisfaction surveys, and has there been any improvement?

**Mr. Fiske:** — There wasn't a satisfaction survey done last year. However in the last two months, as I said, we've met with 16 of the ministries, and with that said, the deputy minister level went down and we have a very good idea what the customer issues are. One of them is responsiveness — responding to their requirements quickly enough.

So part of what we've done with our new customer service model is to have more customer-facing senior people in our organization that are dealing with ministries on a day-to-day basis. And we'll be dealing with addressing some of those concerns.

I think that there's also some process re-engineering we can do inside our own organization to be more responsive to the customer as well. And I think, you know, what happened when you bring 22 different organizations together. It's a fair bit of work just trying to bring it all together. Now I think we're at the point where we need to start to look at efficiencies inside of that. And I think we can do that through some process re-engineering and focusing on the customer.

[10:15]

**Ms. Atkinson:** — Mr. Chair, the third question has to do with the ability for the public to provide information online through government forms and various applications. And I'll give you one example. In the Ministry of Immigration, they have forms that potential newcomers would fill out, but they have to photocopy them and then send them off to the ministry. And I'm wondering, one of the things that I was aware of was this, working with ITO to see if you could find some sort of interactive way with some security system to it so that people could apply under the nominee program online.

This was a huge issue for ITO and nothing really was accomplished when I understood this issue. So I'm wondering, has anything been accomplished in terms of, for instance, in immigration, that newcomers can apply online under the nominee program?

**A Member:** — Are you aware of anything?

**Mr. Murray:** — No.

**Mr. Fiske:** — I'm not familiar with that. We'll take a look and see where that went or what the issues were.

**Ms. Atkinson:** — Okay. And other, you know, other forms, are they interactive? Can people apply online and send them off? So for instance, you know, you're changing information on your marriage certificate or your vital statistics. Is there any ability now to fill out complete forms and forward them to the government or is it still snail mail?

**Mr. Fiske:** — With the 949 applications that we got, there's a lot of issues, and I think some of the applications are pretty old. Like they're 10 years old; probably half of them are 10 years old. And so I think there's some real investment issues we're talking about here.

**The Chair:** — Is the ministry at this point going to resume the surveys, customer service surveys?

**Mr. Fiske:** — Yes, we will. We'll have one before the end of this year. We'll survey each of the ministries. You know, this is something that's sort of second nature to me in my previous roles, where you go out, survey your customer base, and based on the feedback then you put together a plan as to how you are going to address those issues. And it's a great way to improve your business to your customers, by going and talking to them. So yes, that will happen this year.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — Yes. Back in 2004 the intention of putting together the organization was two part: improve services, which I think there's been certainly some positive comments. The second one was to save money. It seems like when this was put together there was no measurement of either of those outcomes and no measurement at all of whether this was actually saving money. And I'm wondering now, is there a measurement system going to be in place that addresses the fact that this is a competitive system that is serving . . . or is there still no measurement against the cost of this system to the people of Saskatchewan versus some different system?

**Mr. Fiske:** — Well we think there is a considerable saving. We think that there's as much as 12 or \$13 million a year of savings that has resulted from this. And it may not be able to be proven, because there was no baseline taken before this whole process started. So if you don't know where you started from, it's hard to argue it now.

If you take a look and compare what Saskatchewan spends per user on information technology, it's lower than every other province in Canada except Prince Edward Island and Newfoundland. So our annual spend for IT is less than 10 of the other provinces.

The other thing, maybe to answer another question that you've got, what we're doing now is we're looking at our costs per delivery of service. So let's say, to use an example, to deliver a desktop, we're determining what our costs are to deliver that and we will compare that against industry average. There's lots of, lots of metrics out there on industry average. So our intent is to measure ourselves against that so we can determine how well we're doing against the average.

**Mr. Chisholm:** — Thank you. Second question. When you are comparing the cost across Canada, you mentioned per user. Does this mean per number of departments or per capita?

**Mr. Fiske:** — We can measure it by the number of employees. So typically each employee would have a desktop for example, so if there is 12,000 desktops in Saskatchewan, we could take that number and divide it by that number. Or we can do it by citizen as well. And in either case we're lower than 10 other

provinces.

**Mr. Chisholm:** — Okay, thank you. That's all the questions I have right now.

**Mr. Murray:** — Just for a point of clarification as well, it's probably worth knowing that we spend about half of what Manitoba spends. And Manitoba would be comparable to us in terms of number of users, number of citizens, type of work done. So we're clearly under-investing, we believe, in this area.

**The Chair:** — Ms. Atkinson.

**Ms. Atkinson:** — Just in terms of the baseline, going back to 2004, I remember the policy discussion on this. And there were numbers that were available in terms of what government was spending overall and all the various platforms that government had and email addresses and so on. So is that a problem, sort of using some of that data that was pretty significantly documented when the public policy decision was made to create ITO.

**Mr. Murray:** — Yes, I think we had a little bit of discussion with the Provincial Auditor's office on this topic. We are able to show that prior to consolidation, government as a whole spent approximately \$80 million a year on IT. We know that we now today spend approximately \$56 million a year on IT. And so hence the . . . [inaudible interjection] . . . Oh sorry, plus Health, which puts us at about \$65 million a year, which is \$15 million a year in savings.

Now the Provincial Auditor's chapter notes though that the bundle of services has changed. And so we're not comparing apples to apples, we're comparing one set of services to a different set of services. And hence they were unable to arrive at a conclusion on savings.

But we do have numbers that show that we have about \$15 million a year in savings through the consolidation effort. And that only makes sense. We've seen a 21 per cent reduction in IT FTEs [full-time equivalent]. We've eliminated 13 help desks, 18 server rooms, enterprise volume purchasing savings in the millions of dollars. So yes, we're quite comfortable that we have saved money here.

**The Chair:** — As it relates specifically to some of the recommendations specifically to . . . which talks about joint action plans, working with ministries — no. 3, assisting ministries to build capacity to analyze their own requirements; and no. 5, agreeing with ministries on relevant service delivery measures and targets — is it fair to assume that the progress on this is going to occur within the strategic plan development that was alluded to, and that this stems from the meetings with 16 ministries? Are these three items being progressed, I guess is the question?

**Mr. Fiske:** — Yes. Now I think that's a good assumption. One of the things that we are promoting as well is making sure that each of the ministries has their own business analyst. And there's some discussion — I think depending on which ministry you talk to — that the business analyst function was actually moved out of the ministry into ITO. I don't think anybody that had that job description wasn't moved into ITO, but anyway,

some function was moved in.

We have been promoting within the ministries that the ministries need to have their own business analyst and they need to reside in the ministry. They shouldn't be in ITO unless the ministry's too small and can't afford to have a business analyst. Then we would have a small pool that we could sell them, basically. But the ministries need to have their own business analysts to help them determine what their business requirements are.

The other thing that we're going to do is we've announced that we're setting up a centre of excellence. So we will establish a centre of excellence for business analysts, so that we'll have common processes and tools and methodologies, and it'll be a co-operative across the ministries of business analysts so they can function in this co-operative unit. We think that over time that will drive more efficiencies across the ministries, and they'll have a common practice and processes that they can draw on.

There was maybe one that I didn't answer here, and that was the service level or the measurements. We've been talking to ministries about the measurements as well. We measure certain things today, I think we need to talk to the ministries and determine what determines value to the ministry. And those are the things that we should be measuring and reporting back to the ministry on a monthly basis, rather than some of the things that we are reporting now like the number of phone calls and that kind of stuff. So we're focussing today I think a little bit more on sort of action workload rather than outcomes. And we have to focus on outcomes.

**The Chair:** — As it relates specifically to recommendation no. 4 requesting that government evaluate whether ITO is best suited to provide sort of complex and custom applications. Is your ministry aware of whether or not government is taking such a review?

**Mr. Fiske:** — No, I don't think they are. I think that what's happened is we've just consolidated 949 applications into one location. I think to try and unravel that now would be a mistake. I think it would be costly. I think there's a lot of things we can do to improve on what we're doing today.

And, you know, one of the things that we're doing is we're going to hire an enterprise architect. The province needs to have an enterprise architect that can look at the various components of information technology. So you've got application development. You've got data. You've got infrastructure. You've got security — all those components. And we need to develop ourselves a framework, an architecture where, when we go and build applications, they fit inside a particular framework. It's like building a city without having an architect, without having a city plan.

So that's really what we're going to make happen. We're interviewing people this week on that. It's a tough job to find people to fill, but we're determined to do that. We think that will go a long way to helping this question.

Most of the custom work and complex applications are really done by private sector firms that have that expertise today. We

today would maybe support that after the application is designed. And I think what we have to do is look at our applications group and maybe look at setting it up more in teams, rather than as one great big pool. And I think that'll help us better understand, allow our employees to better understand specific applications as well. So I think there's some things we can do to resolve that issue but no, I would not suggest you start to unravel that application.

**The Chair:** — Any other questions at this point? Mr. Quennell.

**Mr. Quennell:** — I understood, perhaps mistakenly, from the auditor's comments that ITO had actually failed to comply with a requirement of service agreements to the satisfaction surveys. Is that the case? And in what period or in what year — if that is the case — was that requirement not met?

**Mr. Murray:** — I'm not sure I understand the question.

**Mr. Quennell:** — Okay. There was language in the comments from the auditor about performing satisfaction surveys of clients as required by service agreements. So first of all there was a requirement in the service agreements and then some implication that that requirement hadn't been met at some point — is that correct?

[10:30]

**Mr. Anderson:** — Yes, that's correct. The service agreements now . . . Service agreements are not yet, I understand, in place with all of the clients. But for most of the clients they are in place, and the standard language for the service agreements is to call for surveys I believe annually. So I suppose in any year that that survey does not take place then ITO would be offside.

**Mr. Quennell:** — Okay. In what years, if any, did those surveys not take place?

**Mr. Murray:** — That would have been last year.

**Mr. Quennell:** — 2008?

**Mr. Murray:** — Yes.

**Mr. Quennell:** — Okay. Thank you.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — In the auditor's report on page 98 under client satisfaction, it reports that IT reports that a figure was not available for 2008 due to the timing of the 2007 provincial election. Was that the cause for the satisfaction survey not being done at that point in time?

**Mr. Fiske:** — That's my understanding.

**Mr. D'Autremont:** — So this failed to happen in 2007 then?

**Mr. Murray:** — No, I believe 2008 is when it failed to happen.

**The Chair:** — But the ministry will be conducting the survey for 2009 and plans to carry that out as annual business.

**Mr. Murray:** — Absolutely. And we also plan to redevelop the surveys on the basis of customer input.

**The Chair:** — Without any other questions right now, I might encourage us to examine each of the recommendations. No. 1 I believe the ministry's been quite specific on through questions and that's . . . So that's no. 1 from chapter 7, and that relates to resuming the regular measuring of ministry satisfaction as agreed upon with ministries. Is it fair to have somebody move a motion that we concur?

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

**The Chair:** — Thank you, Mr. Chisholm. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. As we look to no. 2 with the recommendation that the Information Technology Office work with ministries to prepare joint action plans to address issues identified in satisfaction surveys as required by its service level agreements, do we have someone that is prepared to move a motion with concurrence and progress?

**Mr. Chisholm:** — I would note concurrence with the recommendation.

**The Chair:** — Concurrence but not necessarily progress.

**Mr. Chisholm:** — I would move that we concur with the recommendation.

**The Chair:** — Okay. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Recommendation no. 3, recommending that the ITO assist ministries to build capacity to analyze their information technology requirements. I believe this gets to some of the discussion around business analysts and developing that capacity in each ministry. Someone have a motion to put forward on this front?

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

**The Chair:** — All agreed with Mr. Michelson's motion?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. So we look at recommendation no. 4, a recommendation for government to evaluate whether ITO should provide ministries the application support for complex and custom applications. Certainly we heard today from Mr. Fiske of justification and rationale on why he believes ITO is best served to continue to deliver these. I guess the question is whether or not this committee sees a role for simply evaluation of that role.

**Ms. Atkinson:** — Do we have any understanding of what it might cost to do this evaluation? I think one of the things that we all need to be cognizant of is the escalating cost of

government. And so if this were to be undertaken by the government, do we have any sense of the cost to taxpayers?

**Mr. Fiske:** — Not offhand, but basically what you're doing is looking at taking these people and moving them back in the ministries again, right? So you're undoing what you've done. So I don't know.

**The Chair:** — Well I guess what we're looking at here . . . We're not necessarily looking to undo what's being done, but certainly to evaluate I think what's been done and whether that's best suited for the future. Mr. D'Autremont.

**Mr. D'Autremont:** — I think when you're looking at application support and custom applications, you're going to be providing that support through one venue or another. Either you're going to be doing it through ITO or you're going to be doing it through the ministries, so the actual cost of the application is going to be there. The question is, is who leads it? And I believe that's the role that ITO has, is to provide that leadership.

**Mr. Chisholm:** — I would be prepared to submit that we concur with the recommendation if we're ready to vote on it.

**The Chair:** — Concur with the evaluation.

**Mr. Chisholm:** — With the recommendation.

**The Chair:** — Right.

**Ms. Atkinson:** — So what you're recommending is that government evaluate whether or not ITO should provide ministries with applications, support for complex and custom applications. So what you're recommending is that this committee agree to this particular recommendation for the evaluation. And I guess I'm interested in knowing, what is the cost of such an evaluation to government, to citizens?

We don't have to concur with every recommendation of the Provincial Auditor — with all due respect to the auditors — so I'm just curious to know, if we were to accept this recommendation, what is the cost to government to do it?

**Mr. Chisholm:** — My motion would be that we concur with the recommendation. The government will ultimately decide whether it goes ahead with the evaluation, but the recommendation of this committee is that we concur with this recommendation.

**Mr. Wendel:** — Mr. Chair, I think we made this recommendation because the ministries were the ones that suggested they were having most problems with applications and they weren't getting the service they wanted from ITO.

Now I guess it becomes a government decision as to whether they want to continue and improve services by ITO or move the custom applications back. I don't think that would take a lot of money to do that. I think it just needs to come from the highest levels that we still want to do this through ITO, at which point get outside in the ministries. Or if the government feels ITO can't deliver service to the ministries, then what will happen is that if they can't, well eventually the government will be

embarrassed because it won't get a program done when they should get it done or a payment out or whatever needs to be done.

So it just needs to have that force coming from government again, saying we want to continue with this or we don't. So that was the purpose of the recommendation.

**The Chair:** — Any other discussion on this?

**Mr. Michelson:** — If I might. We do have a recommendation on the floor that we do this. I think as far as addressing the costs, it may be varying between the complexity or the custom application. But the cost is still going to be the cost and it's going to be concurred somewhere. So I would suggest that maybe we vote on the recommendation as Mr. Chisholm has put on the floor.

**The Chair:** — Ms. Atkinson.

**Ms. Atkinson:** — Maybe I'm not making myself clear. When government evaluates programs, what usually happens is that they have to find someone to evaluate this, which means that they can hire consultants or they can put together an internal team of people to do an evaluation. Am I correct?

Right. So I guess from a Public Accounts point of view I was interested in knowing what the cost of such an evaluation might be. I'm not having a huge problem with the recommendation. I'm just curious about the cost because as we know — we've had this discussion with the auditor in the past — that sometimes auditors' recommendations increase the cost of government. And so I'm simply . . . And so we can accept them but I think we need to understand, while we accept these recommendation, what it might lead to in terms of increased cost of delivery of government services and programs.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you. I guess it would break down to what is the meaning or the expectation of the word evaluation. Is that evaluation a full-blown review of IT services within all of government or is it an evaluation by the senior executives within all of the ministries or is it an evaluation by the Lieutenant Governor in Council as to . . . this is the direction we want to go. If it's the latter, one of the latter two, there is basically no cost involved because . . . Now certainly there is costs for the deputy ministers' salaries as they meet, but they are already going to be paid by government whether they're carrying on this evaluation or carrying on their regular duties. And they're saying likewise for a Lieutenant Governor in Council — there'd be no additional cost to government.

So the question is, from government's point of view, what scope of an evaluation do you want to take in? Are you looking at the minutia or are you looking at the broad, overall concept of whether or not ITO should be leading government IT services in application support or not? And I think that's a decision that should and could be made at the top levels of deputy ministers or Lieutenant Governor in Council.

**The Chair:** — Mr. Fiske.

**Mr. Fiske:** — If you'd allow me, I think one of the things that you want to consider is that, if you reconsidered this recommendation, there's a lot of benefit that's yet to be had by the consolidation of applications across ministries. I talked about the 949 applications that are out there, and if we can consolidate them onto a far . . . about half of the number that we're supporting today, you're going to see significant cost savings over time.

If you take these things and move them back into ministries, I don't think you'll see those savings occur. So I think that there's some things that we can do that'll help offset some of the concerns that are coming from the ministries, but I would be concerned if there was a notion to maybe even to do the evaluation. You're probably talking \$150,000 to have a consulting firm come in and do this, and it is a fairly complex issue. So I just leave that with you before you . . .

**The Chair:** — Just to simply comment as well, it seems that we don't have . . . to evaluate you need data and that we don't have a survey that was done in 2008 as well and that there is some new activities that the ministry's undertaking right now at this point in time. And I understand that of course there's going to be a survey in place next year. So I'm wondering if there's a more . . . if looking to the future, if evaluation might be more useful, having that current data of a survey.

But we have a motion on the floor, and that was to concur with the recommendation. And I guess I ask committee members, at this point in time, who agrees with this?

One member disagreeing at this point in time. Ms. Atkinson, as protocol with the committee, if you could just simply justify briefly your rationale for disagreement.

**Ms. Atkinson:** — Well I think that in terms of accountability and my representation on this committee, before I would agree to this recommendation I would want to understand the costs of this recommendation. And that information's not available. We have a suggestion it could be \$150,000, but we're now in the process where, you know, government is looking for resources because of a tight budget situation. So I don't want to be in the position where we read the auditor's report next year that this didn't occur, even though the committee recommended it, and it didn't occur because of the cost.

So I think we should go into these things with our eyes wide open.

**The Chair:** — Thank you, Ms. Atkinson. So while there's disagreement and dissent amongst the committee, the vote passes, and this committee concurs with the recommendation.

If we look to the next recommendation of the last recommendation, no. 5, as it relates to the ITO agreeing with ministries on relevant service delivery measures and targets, it would appear that some of this work has gone on in these discussions. Is there somebody who might move agreement or concurrence and progress?

[10:45]

**Mr. Chisholm:** — I would move that we concur with the



recommendation and note progress.

**The Chair:** — All agreed?

**Some Hon. Members:** — Agreed.

**Mr. D'Autremont:** — I have a question on that one, please.

**The Chair:** — Thank you. Mr. D'Autremont.

**Mr. D'Autremont:** — I would ask the Provincial Auditor what he means by the term, agree.

**Mr. Anderson:** — Thank you, Mr. Chair. The term, I believe, stands on its own in terms of clear meaning. As I mentioned earlier, most, virtually all of the ministries now have service level agreements with the ITO. Part of those agreements include a process whereby they will set out parameters for performance and also measures. Also the ITO provides reports to the ministries. The ministries, according to our discussions with them, have not been getting the reports that they think are most beneficial to them or that will assist them in understanding their issues.

So our recommendation is that the ITO agree with ministries on relevant service delivery measures and targets. The vehicle for that would be the service level agreements.

**Mr. D'Autremont:** — So is this recommendation recommending that ITO has to agree with whatever the ministries make as a determination on what the service level agreement says and mean, or is it a negotiation that they both agree to at the end?

**Mr. Anderson:** — It is a negotiation.

**Mr. D'Autremont:** — Well if it's a negotiation, how does it say that when it says agree with ministries? It doesn't say you're going to negotiate and come to an agreement. It says ITO will agree with the ministries.

**Mr. Anderson:** — Thank you, Mr. Chair. There's a role for ministries here as well to seek agreement with the ITO on the measures they think are relevant.

**Mr. D'Autremont:** — But I don't see it saying that here.

**The Chair:** — So what I'm hearing then, Mr. D'Autremont, are you recommending we put an independent recommendation forward here?

**Mr. D'Autremont:** — Well perhaps an amendment to the recommendation that it be mutual agreement or, you know, some way of, that it's not one-sided that ITO has to agree with the ministries.

**Mr. Anderson:** — Thank you. It is a good point that you make. In the sentence preceding the recommendation, we do make that observation. We note that ministries have the ability to seek different service levels and measurement mechanisms. Now this . . .

**Mr. D'Autremont:** — But it's not going to be a

recommendation?

**Mr. Anderson:** — No. This recommendation, this report is to the ITO.

**Mr. D'Autremont:** — But if as Public Accounts agrees to this, then we're directing ITO to agree with whatever the ministries want. I know from past experience, the ministries want lots, but don't want to pay for any of it.

**The Chair:** — So, Mr. D'Autremont, if I may, if we're adding a word such as mutually in front of agree, we can't simply just amend it. We'd have to, I'd have to entertain a motion to not concur. And then we'd put forward a motion that adds something to the effect, maybe the word mutually in front of agree might meet that need. And certainly I would entertain a motion.

**Mr. D'Autremont:** — So we would need a motion first . . .

**The Chair:** — To not concur.

**Mr. D'Autremont:** — To not concur, and then an independent motion.

**The Chair:** — That's right.

**Mr. D'Autremont:** — I would move that we not concur.

**The Chair:** — All agree?

**Some Hon. Members:** — Agreed.

**The Chair:** — Okay. That's passed. I would now I believe entertain . . . Do we have a subsequent motion then that would put forward an independent recommendation?

**Mr. D'Autremont:** — Yes. I would put forward a recommendation that would read, we recommend the Information Technology Office seek mutual agreement with ministries on relevant service delivery measures and targets.

**The Chair:** — All agreed? Agreed. So at this time this concludes evaluation of recommendations. I would ask Mr. Fiske, on behalf of the ministry, I would thank him and his officials for attending here today and certainly invite any closing remarks.

**Mr. Fiske:** — No, I don't have any closing remarks. Thank you.

**The Chair:** — Thank you very much. We'll have a two-minute recess while we are waiting for ministry of Liquor and Gaming Authority.

#### Liquor and Gaming Authority

**The Chair:** — We will now move on to consideration of chapter 8, Liquor and Gaming Authority, as it relates to the Provincial Auditor's 2009 volume 1. Joining the Provincial Auditor at this point is Mr. Heffernan, Ms. Hungle, and Ms. Lindenbach.

And we welcome witnesses here today on behalf of Liquor and Gaming. And at this time I'll ask Mr. Lacey, president and chief executive officer, to introduce his officials.

**Mr. Lacey:** — Thank you, Mr. Chair. On my right is Jim Engel, vice-president of policy and planning. And on my left is Jolene Tytlandsvik, vice-president of gaming operations at SLGA [Saskatchewan Liquor and Gaming Authority]. Thank you.

**The Chair:** — Thank you. I'll call upon the Provincial Auditor's office to provide their presentation.

**Mr. Heffernan:** — Thank you, Mr. Chair. Liquor and Gaming Authority is responsible for the Saskatchewan Indian Gaming Authority's spending. It approved the construction of SIGA [Saskatchewan Indian Gaming Authority Inc.] casinos at Swift Current and Yorkton. We examined whether SIGA had adequate project management processes for the construction of the Living Sky and Painted Hand casinos.

We found that SIGA had adequate project management processes, except it needs to approve construction capital management policies for major construction projects, develop and approve risk plans before starting major construction projects, and establish dispute resolution processes with its key partners before starting major construction projects.

We note that SIGA completed both construction projects essentially within budget and on time. This is a significant achievement, given the size and complexity of these construction projects.

Liquor and Gaming continues to make progress in implementing our 2006 report volume 1 recommendations to strengthen its processes to encourage responsible use of beverage alcohol, but it needs to do more. It needs to prepare a complete plan, including performance measures and targets, to evaluate its performance and encourage the responsible use of beverage alcohol.

Liquor and Gaming has also made progress in implementing our 2006 report volume 3 recommendations to improve its succession planning and processes. However it still needs to document and communicate potential competency gaps and document and monitor the progress of its succession strategies.

That concludes my remarks, Mr. Chair.

**The Chair:** — Thank you very much. I'll call upon Liquor and Gaming to provide a presentation.

**Mr. Lacey:** — Thank you. We're pleased to be here this morning to discuss the Provincial Auditor's spring 2009 report in relation to SLGA. I would like to begin by saying that we appreciate and accept the Provincial Auditor's recommendations and the work that he has done. The Provincial Auditor notes in his report that SIGA had, by and large, adequate project management processes in place to manage the recent Living Sky and Painted Hand Casino development projects. However he also stated there was room for improvement. SLGA continues to work with SIGA to ensure the Provincial Auditor's outstanding concerns in those areas are

addressed.

SLGA continues to strengthen its overall succession planning processes as noted by the Provincial Auditor. We're also pleased that the auditor has reviewed SLGA's performance in encouraging the responsible use of beverage alcohol, and we remain committed to researching and seeking to develop credible outcome measures to further evaluate our performance in encouraging responsible use.

That concludes my remarks. My officials and I would be happy to answer any questions that you might have. Thank you.

[11:00]

**The Chair:** — Questions from committee?

Just on one of the past recommendations here then as it relates to establishing processes for dispute resolution with partners, it was, I believe, mentioned just in your response there. What specific work is being done on this front?

**Mr. Lacey:** — This is a recommendation that we continue to remain committed to working with SIGA to addressing. This recommendation really speaks to the agreements that SIGA had in place with its partners for the casino projects that it had developed. So those agreements are in place.

What we're really looking towards here as SIGA . . . if SIGA enters into new significant capital development projects and is seeking partnership with third parties, that as those new agreements are developed, that would be the opportunity to ensure that those agreements reflect and are strengthened by the observations the Provincial Auditor made. So we really see this as an opportunity to improve upon where we're at.

I should note as well that, while those agreements that were signed in the past did not have formal dispute resolution mechanisms articulated in them, SIGA does have communication protocols with its partners to work with those partners, to work through issues as they arose with respect to those casino capital projects. And as the auditor noted, I think it's worth noting that SIGA did essentially bring those projects in on budget and on time. I think it speaks to those protocols and those relationships they had with their stakeholders, but we certainly recognize that future agreements can be strengthened.

**The Chair:** — It speaks to risks in here — economic risks, capital capacity risks, and construction risks — as three identifiable pieces. And the recommendation here from the auditor is the development and approval of risk plans before starting major construction projects. Is that a plan of Liquor and Gaming?

**Mr. Lacey:** — This is also one that we fully agree with the Provincial Auditor's recommendations around this. We do agree that . . . Maybe I'll backtrack on this one a bit if I could. I know the auditor's report details this. SIGA did have risk plans in place with those two construction projects. I think the main point the Provincial Auditor's making here is those plans weren't formally taken forward to their board and approved.

So SIGA actually did have processes in place to manage risks.

They brought those risks and identified those risks to their board throughout those projects. And where changes in risks occurred, they discussed those changes with their board and articulated what actions they were taking to try and mitigate those risks.

We do recognize, however — as the auditor points out — that best practices would entail management to take forward that risk plan upfront and seek board approval for it. So we're in agreement with that. And we've been having discussions with SIGA around this piece. SIGA's supportive of this comment, this recommendation as well. And certainly if at some future point in time — which I'm assuming that at some point in SIGA will have other major projects — that we will ensure that that best practice is implemented.

**The Chair:** — So at this point, we'll examine as . . . Sorry. Mr. Michelson.

**Mr. Michelson:** — I'm just thinking that the recommendation 1, approve policies, it says, "We recommend the Board of Directors of Saskatchewan Indian Gaming Authority Inc. approve policies . . ." If they have policies, wouldn't they have already been approved? Like, what is the clarification on that?

**Mr. Lacey:** — And I think that — thank you for that question — that touches on, I guess, the previous two questions. This one really relates to upfront having capital project management policies in place. So who has responsibilities for what in the project? If issues arise, how do you address them?

In this particular point once again, SIGA did have capital project management policies in place. I think those policies, well those policies in fact were followed, which I think speaks to, you know, SIGA bringing these projects in on time, on budget essentially, in an environment . . . We go back a year, a year and a half ago here where the construction industry was very active and there was a lot of pressures on developers with respect to development projects. I think on this particular point, once again, what the Provincial Auditor's articulating here as well, they had capital policies in place and followed those policies. They didn't go firmly to their board, present a formal document and get it approved by their board. And best practices in project management would dictate you would do that.

So we and SIGA are in agreement with that and, should future major significant capital projects arise at SIGA, we would certainly try to address, I think, that one area — their capital management processes — that would ensure that they meet best practices in all aspects of their capital management processes.

**Mr. Michelson:** — Thank you.

**The Chair:** — With your response there that both recommendations 1 and 2, within chapter 8 of Liquor and Gaming Authority, that I think you've stated that there's concurrence on your behalf. I'm looking for the committee . . . and there's progress. I guess until we see new arrangements and new projects, we don't necessarily see compliance with that. So is it fair for this committee then to move a motion of concurrence and concur and note progress? And I'd invite somebody to do so.

**Mr. Chisholm:** — I move that we concur with the recommendation and note progress. We're moving in that direction.

**The Chair:** — Motion on the floor is to concur and note progress. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — So moved for both. And that was, just to clarify, both recommendations 1 and 2, correct?

At this point in time, Mr. Lacey, thank you for your participation and for Liquor and Gaming Authority to participate here today. Just asking if you have any closing remarks.

**Mr. Lacey:** — No thank you, Mr. Chair. At this time I have no closing remarks. I thank the committee for the opportunity to come before them and answer any questions they might have. Thank you.

**The Chair:** — And Ms. Atkinson.

**Ms. Atkinson:** — I'm just wondering if you can indicate to us how it's going since the auditor did follow up with you on some recommendations regarding succession planning, assigning responsibility, documenting and communicating potential competency gaps, and so on.

And I realize this is from a previous report, but I'm particularly interested in what you're doing to deal with succession planning which is something that we're going to deal with in the next item on our agenda.

**Mr. Lacey:** — I'd be happy to do that. I guess first comment would be, as we continue to undertake work in this area to move towards fully addressing the Provincial Auditor's recommendations, we are supportive of what he's laid out in his report and what he's recommending.

A big part of the first chunk of moving forward with that plan is to, in our view, was to put competency profiles in place. And going back, when the Provincial Auditor initially released his report two, two and a half years ago, we didn't have any competency profiles within the organization. So as he notes in his report, at the time of his report, we were at 94 per cent. And in fact, as of today, we're essentially completed that work at 99 per cent.

From our viewpoint, that was really a big first step is to identify the core competencies that were required within the organization. We are moving to the next step now — which is really the final piece of his recommendation — is to formally put a succession plan in place, to formally identify key positions in the organization that if we had individuals leave, that there would be a significant loss to the organization as well as broader occupational groupings.

For example, our store managers. We know we have an aging workforce and we have many store managers that are positioned to retire over the next two or three years, so actually documenting where those potential risks exist in our HR

[human resource] plan and then put into place processes to mitigate those risks and have that succession plan in place.

Tied to that is some other work that we've done relating to our performance planning system. We have — as the Provincial Auditor recommended — have in there the opportunity for individuals and for managers to talk about where they see their future career going. And with the core competencies, that presents an opportunity to have those discussions with those employees about where there may be gaps in their current competency skill set and where the organization in the future is going to need individuals with those skill sets. So those conversations . . . I guess a process in place to identify those gaps, but as well as to identify employees and have employees have the opportunity to gain skill sets to fill those gaps has been undertaken, recognizing however that what we're lacking here — while we have informal plans in place — what we're lacking here is a formal strategy that we can come back to and monitor, on a go-forward basis, our success.

**Ms. Atkinson:** — The other area that the Provincial Auditor refers to is the responsible use of beverage alcohol. And I'm wondering, does Liquor and Gaming collect any data on alcohol poisoning related deaths for young people?

**Mr. Lacey:** — We do not collect any data, I'm informed, on that particular area.

**Ms. Atkinson:** — So we don't know where we stand relative to alcohol-related deaths. So I'm talking about alcohol poisoning of young people who binge drink or drink too much and then they die as a result of this. So we don't have any information on that at all.

**Mr. Lacey:** — I would say we at SLGA, to my knowledge, don't have specific information on that particular outcome, I guess, from irresponsible use of beverage alcohol products.

**Ms. Atkinson:** — Mr. Chair, if I could, I'm familiar with some deaths that have occurred as a result of young people drinking and not being aware that drinking a lot could lead to alcohol poisoning and therefore death. And I realize that the Health department may have this information, but it seems to me that you're charged with the task of preparing a complete plan for encouraging the responsible use of alcohol. And I would just like to recommend, just as a member of the legislature, that some work be done with young people because I don't think they're aware that if you drink a jug of vodka or whatever, and you drink it fast, that you can be poisoned and you can die. And I think there's just a lot of misinformation or no information when it comes to young people drinking responsibly, and I think it's something that we as legislators need to be worried about and concerned about. And I think there'll be more people talking about this in the months ahead as people recover from the death of their young person and start to talk about this publicly.

**Mr. Lacey:** — Thank you for those comments. And certainly we will take that away and look at that as part of our broader social responsibility mandate and the work we do around that piece. I mean we're certainly cognizant that there are individuals that suffer harms from consumption of beverage alcohol and there are a segment of our population that's harmed

by that and abuses that product, which is the focus of our broader social responsibility program. So I certainly take your comments with respect to that one particular area where harms are induced and look at that as part of our broader comprehensive plan.

**Ms. Atkinson:** — If I might, Mr. Chair, it's not a matter of people who have an alcohol addiction. It's a matter of, you know, young people who are just starting to drink, I guess, and sort of this culture around drinking and getting drunk and not understanding that large quantities of alcohol can lead to alcohol poisoning and therefore death of young people who, you know, aren't really experienced when it comes to the drinking of alcohol. So I think that we need to do some public education around this issue.

**Mr. D'Autremont:** — Thank you. I don't disagree with what Ms. Atkinson had to say that there's always a benefit to more educational opportunities. And I know that SLGA has been putting more money into social responsibility issues.

However on the item of knowing the numbers of young people that may have been afflicted, I think you run into problems there with privacy information and health information from the Department of Health that they would be very reluctant to share. There are, the SHIN [Saskatchewan Health Information Network] program, there's rules in place there of how much information can be shared. And I think it might be information — and Ms. Atkinson should certainly know this because she helped put those rules in place — very difficult to gain access to.

So I think it needs to be a broad educational program, rather than a specific aimed at a certain group or demographic based on health files — which I don't know would be unavailable, but I suspect might be unavailable because of the privacy rules and rules of health information. So I think an educational program is very worthwhile but broad-based.

[11:15]

**The Chair:** — I see it seems that's there's full support for movement on responsible beverage consumption. Some of these discussions get into discussions that can also be continued in some of the policy field committees as to sharing of statistics and data and, I guess, where plans are at within the ministry of Liquor and Gaming and what role it has in working with Health. But I thank members for their dialogue. Any other questions at this point?

**Ms. Atkinson:** — If I may, I know that you can't share individual private information — and I know Jim will know about this as one of the chief drafters of the legislation in Health — but there is data that's available in a congregated way that can indicate to the public, you know, what we're dealing with in terms of cause of death: heart attacks, we know how many strokes, and so on and so forth.

And so I'm just of the view that this appears to be an issue that's emerging, and it may have been going on for years. But it's not something that I've been aware of until quite recently, that there are young people who are dying from, and ending up in hospital as well, as a result of what I call binge drinking, and

not understanding that you can't drink a forty of whatever quickly and not suffer some fairly serious consequences.

**The Chair:** — If no other questions or comments at this point from committee members, I would like to thank Liquor and Gaming Authority and Mr. Lacey for coming before the committee here today. Thank you.

We'll have a couple minutes break, and up next is Public Service Commission.

### Public Service Commission

**The Chair:** — We now welcome the members from the Public Service Commission here. We specifically welcome Mr. Wincherauk, Chair of the Public Service Commission, to respond and have questions based on volume 1 of the 2009 Provincial Auditor's report. At this point I'd invite comment from Mr. Wincherauk to introduce his officials.

**Mr. Wincherauk:** — Pleasure to be here. With me is Karen Aulie, assistant Chair; Ken Ludwig who is our director of organizational effectiveness; and Mike Pestill who is our director of corporate services.

Just a few opening remarks. In regard to the recent audit, we acknowledge and concur with the Provincial Auditor's conclusions and recommendations. While we are pleased with the progress that we have made in developing future leaders for the public service, we recognize and agree that more needs to be done, particularly in the areas of providing mentorship opportunities and developmental work assignments.

We will be working with the management service committee, a senior committee of deputy ministers, on a proposal for a strategic corporate approach to managing senior leadership talent which incorporates all the elements cited within the auditor's report. And we are pleased to note that the Provincial Auditor's report also recognizes a number of specific developments by the Public Service Commission which contribute to leadership development in executive government. And with that, we'd be happy to answer any of the questions that you may have for us.

**The Chair:** — Thank you, Mr. Wincherauk. At this point I will turn it over to the Provincial Auditor's office. And with us here today, we have two additional staff from that office, Ms. Knox and Ms. Ferguson, and one of them will be making a brief presentation as well.

**Ms. Knox:** — Thank you very much, Mr. Chair. Members, colleagues, good morning.

We select audits based on the risks that government faces. Chapter 9 in our 2009 report volume 1 presents our work on a human resources risk. In 2008, the Public Service Commission reported that by 2013 one half of its senior leaders could retire and nearly one half of the managers who would usually fill senior leader vacancies could also retire.

Traditionally about 85 per cent of new senior leaders come from inside the public service. With the rate of retirements increasing, there is a risk that the government will have

insufficient experienced staff ready to accept senior management positions. The Public Service Commission and deputy ministers both help to prepare experienced staff to become senior leaders.

In your reports, page 124 to 125 explain our audit objective and criteria. The criteria expect that the Public Service Commission will identify leadership needs, coordinate leader development, align development opportunities with those needs, and evaluate readiness to meet future leadership needs across all ministries.

Our audit found that as of December 21, 2008, the Public Service Commission had adequate processes to develop leaders for senior management positions in government ministries except for two areas: first, its processes to provide potential leaders with developmental work experiences and mentorship opportunities; and secondly, its processes to monitor and report on the readiness of ministries to meet their future leadership needs.

We made three recommendations. On page 130, we recommend the Public Service Commission use mentorship programs to help develop potential leaders in government ministries. On page 131, we recommend the Public Service Commission coordinate programs that provide potential leaders in government ministries with suitable developmental work experiences.

On page 132, we recommend the Public Service Commission monitor and report regularly to deputy ministers on the readiness of government ministries to meet their future leadership needs. Mr. Chair, it requires considerable skill to be effective in senior management positions in the government. Developing leaders is urgent at this time. Thank you.

**The Chair:** — Thank you very much, Ms. Knox. At this point, I think we would entertain questions from committee members. Mr. Chisholm.

**Mr. Chisholm:** — Just a question on the first recommendation regarding the recommended usage of mentorship programs. Could you perhaps just give us an update on what is happening in that area?

**Mr. Ludwig:** — We have prepared a proposal for a management services committee of deputies for our corporate strategic approach to managing leadership talent. It includes a component for providing a corporate matching service and support service for mentorships to take place. Mentorships are taking place now on a random basis around ministries, but this would be a more structured, corporate approach to that — matching and supporting those mentorships.

**Mr. Chisholm:** — Good. Thank you.

**The Chair:** — Recognizing the opportunity that the PSC [Public Service Commission] has developed to second managers and have them going to other ministries or into other roles that expand their abilities, my question would be: in the year under review, do we have a number of how many secondments of this nature were utilized to develop?

**Ms. Aulie:** — We don't have that number with us. And it's not

something that we have formally tracked. But there certainly are a number of secondments that occur, even within ministries, to take on special projects. And what we always try to encourage is that secondments both provide a developmental opportunity but also suit the needs of the ministry. So they may be looking for a particular skill, but at the same time an individual would have the opportunity to develop an area that they need to develop.

**The Chair:** — There's a comment in the report here — I want to thank you for that answer — with regard to the PSC's recommended processes for, I guess, the human resources planning guidelines and its succession management guide to action. I believe that about half of all ministries, it stated, are utilizing this process. Do you see in the coming year many other ministries coming online to utilize that plan?

**Ms. Aulie:** — Yes, it is something that some of the ministries began working with the succession frameworks and have worked with them for quite some time. And we're encouraging all ministries to look at this and use it for the areas that they feel most vulnerable. I think leadership is an area that the entire public service has identified as a vulnerability. But there are also some technical areas that we're encouraging ministries to look at succession plans for, because the technical areas have some of the same risks associated with them.

[11:30]

**Mr. Ludwig:** — If I could add that our human resource consulting and advisory staff work with ministries on their workforce planning and discuss succession risks and succession strategies with them. So while only nine ministries have formal succession management programs, I would say that virtually all ministries have at least assessed the risks and developed some mitigation strategies, if not formal programs.

**The Chair:** — More specific to one of the recommendations with regular reporting, evaluation, and monitoring of abilities of each ministry to meet succession needs moving forward — or meet succession within leadership, anyways — is that something that's a common experience at this point in time, this recommendation from the Provincial Auditor to have regular reports to the deputy minister? Or is that something that will now be included going forward?

**Mr. Ludwig:** — It's part of our recommendation for our corporate strategic approach to managing leadership talent. We have produced snapshot inventories of the state of leadership and the state of readiness in the past, but they haven't been ongoing, living inventories which have been reviewed regularly and decisions made based on them. And this proposal is to actually keep a living inventory going and have it regularly before deputies to be able to make assignment and development decisions.

**Mr. Wincherauk:** — And just to add to that with the consolidation issue initiative under way for human resources, we'll be able to pursue that a lot more aggressively than we could in the past. Plus also being able to work with management services council, a committee of deputy ministers, we will have a vehicle that we can bring these reports to, and I also believe get more action done as a result of that.

**The Chair:** — Ms. Atkinson.

**Ms. Atkinson:** — I note in the auditor's report that the Public Service Commission is aware of eight ministries that have identified 100 potential leaders. So do I understand that it's going to be the task of the Public Service Commission to work with all ministries to identify these potential leaders that could move into management positions as people retire. Am I correct?

**Mr. Wincherauk:** — That's correct.

**Ms. Atkinson:** — Right. And how will you report that to the public or to the committee? How many potential leaders have been identified across all ministries?

**Mr. Wincherauk:** — I don't know if we've reached the point about how we're going to report that back to the public. I think, first of all, we have to find a mechanism by which we can report to the senior executives, be they at the executive table and at the deputy ministers. And I think we've got a couple of ideas that we want to put in front of the deputies.

And then it's the whole idea of, as you work your way down this, how do you get individuals the experience of appearing before a committee like this or in Committee of Finance — all those opportunities that allow you to get a feel of what a senior executive's job is like. You know, so we don't have anything yet, but it's something we're really looking at.

And again I think with MSC [management services council] being one of our champions, we believe we can really push that forward.

**Ms. Atkinson:** — I know that there's been work done to develop middle managers. And I'm wondering if that work is still continuing, because it seems to me that middle managers or lower level managers, particularly younger people, are going to be the pool of talent for us in the future. And I'm wondering, is that work still being done to develop middle managers? And are there people that are being identified that are working in lower level management that could make their way to senior leadership positions?

**Mr. Wincherauk:** — Yes. I'll let Ken speak to that in a second, but it's very important. And when you mentioned the middle managers, that not only do you have to develop your leadership potential, but just also have to make sure that the level below them have all of those managerial expertise that you need so that they can move on. And so at some times in the past, we've forgotten about that. And so I think we do want to focus on that. And I know, Ken, you can say something on that, please.

**Mr. Ludwig:** — We are continuing with our middle management efforts, particularly the leadership development program that we run a number of sessions on each year, and it's targeted at middle managers. We're continuing with those efforts as well as other complementary training initiatives for middle managers. This year, and in fact, we're going further into supervisory development in trying to increase the accessibility and consistency of supervisory training, which has tended to be fairly fragmented and scattered. And we're trying to bring some consistency and greater availability, particularly for small ministries, to that. So we're continuing with middle

management, and we're trying to beef up supervisory level as well.

**Ms. Atkinson:** — Thank you.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — May I ask, how are these leadership candidates selected? Do they come to you, or are they approached from different ministries and asked if they are looking at advancing careers or responsibilities?

**Mr. Ludwig:** — The needs are gathered up in a couple of ways, primarily through our workforce planning where we have discussions, we lead ministry discussions around the outstanding learning needs and development needs. So we gather information about needs that way.

The performance management system for out-of-scope staff, planning for success also has a learning plan component. So it leads managers to have discussions with their reports about their learning needs, including leadership development, and then that can be gathered up. And so we have a picture of what the outstanding needs are, and what we should be organizing for. From then on, it's in ministries — individuals with their managers identifying that it's a need that they have.

**Ms. Aulie:** — I'll just add, we use a variety of assessments that help individuals assess their potential to be leaders. And it's always interesting because folks often say they want to be managers, but when they go through the assessment and do some self-reflection, some folks say, you know it's not for me; I'm much more interested in technical work.

So we find that assessment really useful in individuals kind of committing to, this is what I want for my career, as well as the organization getting to know what their developmental needs are. So a variety of assessments including their supervisors and other leaders in the organization, and then kind of tailoring their development to what the assessment results are.

**Mr. Michelson:** — Thank you.

**Mr. D'Autremont:** — I have a question for the Provincial Auditor on recommendation no. 1, the use of mentorship programs. How broad or narrowly focused were you looking at for the development of these programs? And what kind of costs were you looking at if they were implemented on a broad basis?

**Ms. Knox:** — Thank you. The Provincial Auditor was hoping to see some coordinated work across all ministries so that mentorship wouldn't necessarily be right within your own ministry, which is what tends to happen at the present time. So I mean experienced managers are helping their own people a little bit, but we'd like to see better development of experienced people across all ministries so there is more sharing. Does that answer your question?

You'd like to know about more about costs, you've said?

**Mr. D'Autremont:** — Well costs as well, because if you're taking, if somebody from the Ministry of Health is mentoring somebody from the Ministry of Education, how are they going

to do that when they work in separate workplaces unless one of them goes and works with that person in the other workplace? And so there's a cost associated with that.

**Ms. Knox:** — There are a number of informal mechanisms available now. Ministry officials do meet together, you know, for various purposes and on committees and things. And that is one route where they can, with relatively few costs, do some informal mentoring.

But in a situation such as we're facing in Saskatchewan — and really across the country now with potentially huge numbers of retirements from management positions in a fairly short period of time — there is a need to be really more focused and to bring people along a little more quickly than you normally can when you're working in an informal system. It need not necessarily be very expensive, but obviously the cost is going to depend on how you go about it. So the proposal that the Public Service Commission has put together will be an important step.

**Ms. Ferguson:** — And sometimes it's a matter of mindset too, to making sure that your leaders realize the importance of mentoring and actually actively, proactively be somebody's big buddy type of a situation. As the footnote indicates on 130, in today's world you can use electronics, websites, and blogs as mechanisms for mentoring too, you know. So I think it's different than the face-to-face meeting, somebody being with you by your side the whole time. I think there's a lot more different ways and tools in today's world than there has been traditionally for mentorship too.

**Mr. D'Autremont:** — I sometimes wonder if blogs and Facebook isn't more prone to problems than solutions.

**Ms. Atkinson:** — I think that there are young people that are in business, and business leaders in various parts of the province are providing mentorships to those young people. They're not there every day, but they're people that those young business people can call upon when they're having a marketing problem or a bookkeeping problem or whatever. So I guess your vision for this is not . . . It's sort of that person being able to call upon that mentor to provide them some advice once in awhile, that sort of thing.

**Ms. Ferguson:** — And for Public Service Commission to facilitate that is really what we're saying, is that their role as a facilitator is to make sure that people are aware that this is a good thing; this is what we'd like to see you do. Here are some means for you to do it, you know, and perhaps provide the vehicles and some of the forums for people to seek those opportunities.

**Ms. Atkinson:** — Thank you.

**The Chair:** — I guess if we look at the specific recommendations at hand, certainly from committee members I believe I've got a sense that there's concurrence with all three of those recommendations. And I think there might be some discussion as to various amounts of progress.

Certainly there's been good presentation from the ministry with commitments and plans going forward, but it would seem from the Provincial Auditor that there's a desire to look at a more

coordinated strategic fashion moving forward. So I guess I look for a motion from committee members at this point in time. Certainly it seems that we concur. The question might be progress.

**Mr. Chisholm:** — Mr. Chair, I would like to move that we concur and note progress on all three items. I think it's been certainly clearly explained that there is a plan and that we're moving towards it. And there certainly is a realization of the need, and it seems to be a common concern to address the need, so I think we can note progress on all three recommendations.

**The Chair:** — Any comments?

**Ms. Atkinson:** — How about faster progress next year?

**Mr. Michelson:** — I think it's something that will never be complete, but it's an ongoing issue.

**The Chair:** — All agreed with the motion on the floor that we concur and note progress towards compliance on nos. 1, 2, and 3, recommendations for chapter 9?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. With no further questions or comments from committee members, I thank the Public Service Commission for coming before us here today. Mr. Wincherauk, do you have any closing remarks to the committee?

**Mr. Wincherauk:** — No. I first would like to thank the committee for the time. And I know all of us, as throughout our career we've always had somebody at some point who's assisted you in moving forward. And I think us passing that on to the younger generation and the middle generation is important for not only the public service, but also for the well-being of the province. And we view it as a major initiative and something that we really want to see a lot of progress on this year. Thank you.

**The Chair:** — Thank you so much for your time before the committee. We'll take a couple minute recess. And before us next is Education.

[The committee recessed for a period of time.]

### Education

**The Chair:** — Moving along with our agenda here this morning, we now will consider Education as it relates to the Provincial Auditor's 2009 volume 1 report. We thank officials from the Ministry of Education for coming before us here today, and I invite Ms. Horsman, assistant deputy minister, to introduce her officials.

[11:45]

**Ms. Horsman:** — Okay, thank you. I'm pleased to be here today as the acting deputy minister to discuss the Provincial Auditor's 2009 report volume 1, released May 29, 2009.

I'm pleased to introduce the officials with me today. On my left is Doug Volk. Doug is the executive director of the Teachers'

Superannuation Commission. And Shirley Robertson is on my right and she's the director of operations for the commission. Directly behind me is Sharlene Arklie and she's a senior manager of financial operations at the commission. Dave Tulloch is with us here today; he's the director of finance in our ministry. And Sonya Leib is the manager of audit services and risk management in our ministry.

**The Chair:** — Thank you, Ms. Horsman. We also have another staff from the Provincial Auditor's office joining us, Mr. Grabarczyk. And we welcome Mr. Grabarczyk and ask him to provide a presentation from the Provincial Auditor's perspective.

**Mr. Grabarczyk:** — Good morning, Chair and members. I will provide a brief overview of chapter 4 of our 2009 report volume 1, which begins on page 49.

This chapter describes the results of our audit of the Teachers' Superannuation Commission and the pension and benefit plans it manages for the year ended June 30, 2008. In this chapter we make eight new recommendations and continue to make six recommendations.

The commission made little progress in addressing our past recommendations which this committee has concurred with. The past recommendations related to the need to strengthen governance processes, establish a human resource plan, obtain approval for borrowing, establish processes for preparing financial reports, and preparing a complete annual report. The lack of governance processes and a human resource plan contributed to the new recommendations.

Now I'd like to discuss the eight new recommendations that we would like you to consider. These recommendations will help the commission to protect its assets and comply with the law and include the commission, first, segregating the duties of employees responsible for receipt and payment of public money to reduce the risk of errors or fraud.

Second, obtaining adequate support for all payments.

Third, complying with The Teachers Superannuation and Disability Benefits Act when paying pension benefits. This will help to ensure members are paid the correct amount of benefits.

Fourth, complying with The Teachers Superannuation and Disability Benefits Act by not putting disability contributions into and making disability payments out of the teachers' superannuation fund which the Act does not allow for.

Fifth, following its rules and procedures for reconciling its bank accounts to its financial records, as some bank accounts were not reconciled for most of the year, and for others there was no evidence of review and approval of those reconciliations.

Sixth, establishing adequate processes for managing its cash flows. During the year several overdrafts occurred and management was not informed of the overdrafts. As well, the commission forecasted and requested additional contributions from the General Revenue Fund of 53 million and five months later returned \$46 million.



Seventh, establishing adequate processes to verify that investments exist, are properly valued, and recorded in its financial records. Without adequate processes there is an increased risk that the commission may not properly detect investments that are missing, incorrectly valued, and incorrectly recorded in its financial records.

Eighth, follows written guidance for preparing evaluations of accrued pension and disability benefits and related plan assets. By following its guidance, this will help to reduce the risk that the accrued pension and disability benefits — those being benefits owing — reported in the commission's financial records that are being used to make decisions are not incorrect.

That concludes my overview. Thank you.

**The Chair:** — Thank you. I'll now invite Ms. Horsman to provide a response to the auditor's recommendations.

**Ms. Horsman:** — Thank you. We welcome the auditor's report on the Teachers' Superannuation Commission operations and we enjoy a good working relationship with the auditor's office. We value the auditor's opinions and in general agree with his recommendations. There are several remarks that I wish to make on the findings the Provincial Auditor has made as at June 30, 2008.

Point one, on "Governance processes need improvement." With regard to the Provincial Auditor's finding concerning improvement to governance, considerable work to address the auditor's concerns regarding governance processes have been completed.

First, on an annual basis, commission members complete conflict of interest declarations and assess their consultants and service providers. Second, as part of the governance process, the commission annually reviews its strategic plan, risk assessment document, investment policy, communication plan, and governance manual. And third, the commissioners monitor the activities of the Teachers' Superannuation Commission through a plan activity chart as part of its governance manual.

Point two, under guidance for preparing interim and year-end financial reports. First, written guidance has been developed for the preparation of interim and year-end financial reports and communicated to management. Financial reports will enhance the commission's ability to carry out its fiduciary responsibility for the programs they administer.

Second, commissioners now receive quarterly financial reports on the operating expenses of the Teachers' Superannuation Commission in addition to reports on each pension and benefit plan they administer.

On the third point of monitoring of investments, investments are reconciled to the investment manager and custodian records on a quarterly basis and reviewed by management.

Point four, under "Control of cash and bank accounts needed." First, adequate segregation of duties is essential for safeguarding public money. The Teachers' Superannuation Commission has reviewed their operation to ensure segregation of assigned duties.

When staff vacancies occur, the senior management team establishes a temporary assignment of duties among the remaining staff members to ensure business continuity, while also ensuring adequate segregation. Employees do not have access to multiple systems, so one employee cannot alter members' information request and approve payments in addition to maintaining financial records for a benefit plan.

Second, bank reconciliations are now promptly prepared for all pension and benefit plans and reviewed by management. Bank accounts are checked on a daily basis to ensure accounts are not in an overdraft position.

And third, the Teachers' Superannuation Commission worked with the actuary to develop a forecasting model that uses plan experience to forecast pension plan funding requirements from the General Revenue Fund.

Fourth, the commission has enhanced their documentation for support for payments towards the pension and benefits plans. These payments are requested from the General Revenue Fund for the payments and expenses for the plans under administration.

Fifth, additional procedures have been implemented to ensure pension benefits are calculated in accordance with the teachers' superannuation and disabilities benefits Act.

And last, the Teachers' Superannuation Commission is working with the Ministry of Finance to establish a bank account and ensure appropriate controls are in place to receive funding and process payments for disability pensions outside the teachers' superannuation fund.

The commission continues to work on the following issues and is looking to implement procedures to comply with the Provincial Auditor's requirements during the 2009-10 year.

And point five, under human resource plan needed, the commission will continue to work with the Ministry of Education and the Public Service Commission to develop a human resource plan. Since August 2008, the commission has hired an executive director and senior manager for their financial operations. The senior manager has a professional accounting designation, which addresses the needs for accounting expertise that existed for most of 2007-2008.

And point six under "Complete annual report." The commission has developed financial statements for the group life insurance plan and will continue to create financial statements for the dental plan and include these statements along with activities of the dental plans in annual reports to be submitted to the Legislative Assembly. The commission continues to work with the Provincial Auditor with respect to the audit of financial statements for the group life insurance plan.

And lastly, guidance for preparing valuations: the Teachers' Superannuation Commission acknowledges the importance of following its written guidance for preparing valuations. The next valuation will be performed in the latter part of 2009. Procedures are in place to verify the data that is used by the actuary to prepare the valuation report.

This concludes my opening remarks. I once again thank the Provincial Auditor and his office for the work that they do. And I would invite the committee to put forth any questions that they might have, and I will defer most of the questions to the experts that are sitting on either side of me here. And just thank you again.

**The Chair:** — Thank you, Ms. Horsman. Committee, questions? Ms. Atkinson.

**Ms. Atkinson:** — Right. I'm interested in the actuarial evaluations. Do they take place every two years, every year? What is the rollout for these evaluations?

**Mr. Volk:** — We do actuarial evaluations every two years and they're done as of the end of our fiscal year, which is June 30. So this year they're going to be performed as of June 30, 2009.

**Ms. Atkinson:** — And can you tell me, does the Teachers' Superannuation Commission use the same actuarial each time they do an evaluation or do they move the actuarial around?

**Mr. Volk:** — With respect to the company that does the evaluation for us?

**Ms. Atkinson:** — Yes.

**Mr. Volk:** — We have had the same actuary for the last three evaluations, I believe.

**Ms. Atkinson:** — Okay. So the last six years. And are they doing the evaluation this time?

**Mr. Volk:** — Yes, ma'am, they are.

**Ms. Atkinson:** — Can I ask then, the auditor if I could, there's some indication that the actuary's report contains some data that was inaccurate. For example, as I understand it, they made an assumption about the disability plan, when in fact the disability plan had no assets. Am I understanding that correctly?

[12:00]

**Mr. Grabarczyk:** — That is correct.

**Ms. Atkinson:** — So then I guess I ask the Teachers' Superannuation Commission, given that the last evaluation that was done had incorrect information, does that cause you any concern to use the same actuarial again?

**Mr. Volk:** — We have spoken with the actuary with respect to the errors that were concerned, and they did fix those errors. Those errors did not have any impact — that were in the report — on the results of the valuation that was presented to the commission. One of the processes that is in place that was not completed was that we check the data back towards what the actuary provided back to us, which we do have that in place for this upcoming valuation.

**Ms. Atkinson:** — So there is a check and balance in place now, so that you're checking the data that the actuarial uses in providing the commission with a report?

**Mr. Volk:** — Yes, and follow up with the actuary with any discrepancies that we would have.

**Ms. Atkinson:** — It also indicates that the commission overstated the actuarial value of the plan by 5 million. How did this happen?

**Mr. Volk:** — For monies that was moving from the General Revenue Fund over to the plan was supposed to be moved back, and it wasn't done in time for the evaluation to be done. So the actuary used the data that was available to them. That included \$5 million that should not be included in that data.

**Ms. Atkinson:** — So was that an error of the commission or the actuarial or how would you describe that error?

**Mr. Volk:** — I would describe it as an error by the commission.

**Ms. Atkinson:** — Okay. Thank you.

**The Chair:** — As it relates to adequate support for all payments and checks and balances for paying benefits to insurers without adequate invoices, what process has changed or is going to be changed to ensure that doesn't happen going forward?

**Mr. Volk:** — When we request funds from the Ministry of Finance, with respect to paying towards expenses for the benefit plans, we do attach the information that we get from the carrier of what would be paid due for paying dental claims, for example, on there. Before there was nothing attached to the request for funds. So now we do take the information that we do get from the carrier and attach it to that for support for those payments.

And for the dental plan, for example, we reimburse the carrier for all claims that are processed for teachers, as well as the expenses for administering that plan. And we do get an invoice for those expenses that is attached to the invoice that goes across for payment.

**The Chair:** — As it relates to some of the interprovincial challenges when individuals have moved into the province and then I guess their salaries haven't been verified, and in that event fewer dollars were received than should have been to the plan, and some individuals, as I understand, are still receiving payments that are larger than what they should be receiving — is that correct? Have those incorrect amounts been corrected in payment to those superannuates?

**Mr. Volk:** — The superannuates received the payments that they were advised of when they commenced their pensions. We have not gone back and recalculated them.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — I thought I read where part of that was recovered. So did some people just voluntarily decide that they would pay back what they were overpaid, and other people decided that because they got a letter that said they were entitled to X number of dollars be it right or wrong that . . .

**Mr. Volk:** — With respect to the one, that there was a recovery

of overpayment. That was a different calculation that was done incorrectly that was found during the audit process, and it was within the year. The other ones were with respect to reciprocal transfers — requested monies from other pension plans — that came across, and that was over a year, 14 month period. So the other one was in a shorter period of time and a different calculation.

**The Chair:** — So just to go back, I guess, a little further on this one. Just to make sure that we understand, or that I understand, that some of these members were receiving overpayment or are receiving overpayment exceeding what they were entitled to under the *Teachers Superannuation and Disability Benefits Act*. Now the Provincial Auditor's recommendation speaks to complying with the Act. I believe your comments suggested that what's occurring right now is the amount that was stated to them at the time that they left the workforce is what the Superannuation Commission is going to continue to pay those individuals. Is that correct?

**Mr. Volk:** — That's correct, Mr. Chair. We did take this situation to the commission, and the commission in consultation with . . . They had legal representation at the meeting when they discussed that. And they passed a motion to indicate that they were not going to go back and recover or recalculate those benefits from the reciprocal transfer errors.

**The Chair:** — Ms. Atkinson.

**Ms. Atkinson:** — I'm particularly interested in the dental benefits and how this works because I know in the past there has been — and this would apply to many, various dental plans — there has been concern about how dental or insurance companies interact with various agencies. Can you explain to me why the commission would be paying the dental or the insurance company money without having the necessary supports to ensure that in fact this money was owed to the insurance company?

**Mr. Volk:** — What the insurance carrier does is reimburses the teachers for dental work being done. Then every week or so, they go into a bank account and they have draws that reimburses them for the dental work that has been done. At the end of the month, we get an extract that has all the dental claims that have been processed through the insurance carrier, and that relates back to the draws that they've done from the bank account.

**Ms. Atkinson:** — Okay. So from the auditor's point of view, how should this be occurring?

**Mr. Grabarczyk:** — Well what should be happening is you've got dental payments that are being made on that bank account. You're replenishing the bank account, and they're being replenished at the amount that is being taken out. So what you would expect to see is, you're expecting to see, I've got a report of what the dental benefits being paid are already. I would want to take a look at that along with the cost of administration, any profit component, and see those invoices, be sure that I'm satisfied with those before I make payment to replenish that bank account.

**Ms. Atkinson:** — So as a result of the auditor's

recommendation, how is the commission going to now administer the dental plan and the relationship to this particular insurance company? Are you going to comply with what the auditor is wanting you to do? Or can you comply?

**Mr. Volk:** — Mr. Chair, what we are doing is, in consultation with the insurance company, is look at various options that they provide their clients for billing and invoicing. We're in the process of speaking with our representatives with the insurance company now to look at a better process that would track the claims linked closer to the draws than they were coming from for payments that we can reconcile back. The system that we use now has been in place for a number of years, and we are looking at improving that process.

**Ms. Atkinson:** — And would the same thing apply to group life? You're improving that process as well?

**Mr. Volk:** — The group life insurance program is based on premiums to cover the insurance for the teachers, so that's different than reimbursing for claims on dentals.

**Ms. Atkinson:** — Right. But it says here the commission does not verify the interest it pays on group life insurance benefits. So I'm wondering, do you have a check and balance in place now to verify the interest that you're paying on group life insurance benefits?

**Mr. Volk:** — Yes. We do. We have the amount of what's payable for the insurance claim itself, and then we go back and we recalculate the interest to show the interest has been paid on the claim itself.

**Ms. Atkinson:** — Okay. And my other question is — this has to do with the teachers' superannuation fund and the payment of disability benefits without authority — has that been rectified?

**Mr. Volk:** — At the moment, we still process the payments within the teachers' superannuation fund. We are setting up, working at the process of making those payments outside the fund, and establishing a bank account through the Ministry of Finance so we can receive contributions from the General Revenue Fund in order to process those payments. That's one of the recommendations that we're working towards.

**Ms. Atkinson:** — The other issue, it's been an issue for some time, and that is the forecasting of contributions and benefit payments. And, you know, there have been many years when there's been a forecast and in fact the commission ended up returning money to the Ministry of Finance and the General Revenue Fund. Has there been any improvement in the precision of trying to calculate or forecast the contribution's need and the numbers of people that will be superannuating?

**Mr. Volk:** — We have improved the process. What we have done is worked with our actuary to develop a forecasting model that we take actual plan experience, which is teachers who retire, and the amount of contributions that they have to their credit when they retire, because when teachers retire, that balance is released into the fund and it offsets the amount that is payable from the General Revenue Fund. Our payroll averages about 25 million a month, which is about 300 million a year. So

it depends on which teacher and how much they have at the point that they retire, determines how much we'll need from the General Revenue Fund.

What our forecasting model has is, we will go in there on a monthly basis and use the people who actually did retire and track it against the budgetary and see how close we are — are we within track of our budgetary amount. And also we use it as support against going to the General Revenue Fund and asking for funds.

For example we would use that if it shows that we're on track to ask for certain million dollars towards our fund, instead of taking the budget amount and just breaking it off 12 different ways and asking for that amount. And that's a safeguard in there to ensure that we don't go over our amount that we need for budget, and it also allows us to track it to see if we are going greater than what we may need for our budgetary amounts so we can inform our ministry.

**Ms. Atkinson:** — So in '08-09 did you return money to the General Revenue Fund, or did money have to come your way from the General Revenue Fund?

**Mr. Volk:** — No ma'am, we didn't return anything to the General Revenue Fund. Actually, based on our model, we revised our budget amount by \$30 million and we changed it to 59.2. At the end the result was 58.9, so we did come very close to our new revised model number that was as a result of our additional analysis. And we also gave updated data to our actuary in January, just to ensure that we were on track and that our model was producing a number for us that we'd be comfortable advising our ministry that it would change.

[12:15]

**Ms. Atkinson:** — Thank you.

**The Chair:** — Mr. D'Autremont.

**Mr. D'Autremont:** — One question for the ministry or perhaps the Provincial Auditor, but I think the ministry would be the one that would have it. On the overpayment to the individuals, who provided the initial information as to what the indemnity would be that they were entitled to?

**Mr. Volk:** — Just as a clarification, Mr. Chair: initial information to the actuary in order to calculate the amount needed with respect to the reciprocal transfer, or for the calculation of the individual's pension?

**Mr. D'Autremont:** — Well where did the original information come from that was used to provide to both — to the commission and to the actuary?

**Ms. Robertson:** — The actuary is provided with the salaries that the member has earned with their teaching service here in Saskatchewan and with monies being transferred into the plan. They're also provided with the salaries that the individual earned in the exporting province. And then the actuary from that takes the salaries that he used to calculate the allowance.

**Mr. D'Autremont:** — So the information that came from the

exporting province, did that come from their superannuation or did it come from the individuals?

**Ms. Robertson:** — No. It comes from the superannuation plan in that exporting province.

**Mr. D'Autremont:** — So who made the mistake then? Was it the exporting province provided the wrong information, or did we record the wrong information?

**Ms. Robertson:** — What the actuary used in the calculation of the Saskatchewan requirement was the Saskatchewan salaries. And in actual fact the benefit for these people was going to be paid on the exporting plan's salaries because it was the highest average five. And they didn't use those salaries in the calculation, and that's where the error occurred.

**The Chair:** — Mr. Michelson.

**Mr. Michelson:** — Yes, going back to that. You'd indicated, if I understood you correctly, that we would not be going back and trying to collect the overpayments on legal advice?

**Mr. Volk:** — That was the motion that the commission made was not to go back and recalculate the benefits. When they made that motion, they had legal representation there.

**Mr. Michelson:** — What would be the reasons that we would not go back?

**Mr. Volk:** — One reason would be that the individuals, when they were making their life decisions, was acting on the information that was provided to them. Some teachers may not have retired based on other information; they may not have been able to retire on the calculation. And some of them, they quit their positions over the information that they had. They left their careers. And in some instances, it was a year after the fact, too. They acted on the interest of the information that we provided to them.

**Mr. Michelson:** — So who is responsible for that? It shouldn't be the taxpayers of Saskatchewan.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — Was there anybody that was underpaid? Or I guess the second part of my question is if there wasn't, does that mean that our particular superannuation plan is the most generous in the country? Like I would have thought if there was mistakes the one way, there would have been mistakes the other way, unless our plan — what we pay superannuates — is higher than any other plan.

**Ms. Robertson:** — The teachers' superannuation plan, I wouldn't say it is the most generous in the country. We do have a 30 and out clause which most other plans do not have. We use the highest average salary, and most other plans also use the highest salaries when they determine the benefits that would be payable to their retirees.

**Mr. Chisholm:** — So I guess the first part of my question, was anybody underpaid, in which case they got a letter that indicated they were going to get X number of dollars? And

either they have noticed or somebody else has noticed that that wasn't correct and they're actually being underpaid on a monthly basis?

**Ms. Robertson:** — Of the three members that this occurred — the reciprocal transfer error appeared on — nobody was underpaid.

**Mr. Chisholm:** — Thank you.

**The Chair:** — Mr. Chisholm.

**Mr. Chisholm:** — One more. So there was only three people involved that were overpaid?

**Ms. Robertson:** — Correct.

**Mr. Chisholm:** — Then one person did . . . Was there four at one time, because somebody paid something back?

**Ms. Robertson:** — No. What was paid back was the 74,000 which, once we realized the error, we went back to the exporting plan and they had \$74,000 that had been retained, which they paid to Saskatchewan to cover.

**Mr. Chisholm:** — Okay. Thank you.

**Mr. Michelson:** — I've just got a comment. And I think it probably follows up on what Ms. Horsman said at her opening remarks, when I read the auditor's report and it said the staff did not follow the commission's accounting policies to record its investments and market values. Another one is the commission did not follow its established procedures to verify the value of real estate or to reconcile bank statements. That kind of thing I think is really something we really have to guard against. And I'm trusting that these new hires and supervisions that you alluded to would certainly take that as part of their responsibilities. That's safe to assume? Thank you.

**The Chair:** — Maybe at this point we'll look at some of the recommendations and certainly there can be discussion and questions on each of those as well. Getting to recommendation no. 1, specifically the recommendation that “. . . the Teachers' Superannuation Commission segregate the duties of employees responsible for receipt and payment of public money to reduce the risk of errors or fraud.”

And I understand Ms. Horsman, I believe, presented that some of that work is under way and that they're working to comply with this. So I'm wondering if anyone here is prepared to move a motion of concurrence.

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

**The Chair:** — All agreed? Agreed. Item no. 2 or recommendation no. 2 that “. . . the Teachers' Superannuation Commission have adequate support for all payments.” I guess I'm looking for a motion here. I think that I got the sense that certainly committee members concur on this. I don't know if I'm . . .

**Mr. Michelson:** — I'll make the motion that we concur and

note progress.

**The Chair:** — Mr. Chisholm. yes.

**Mr. Chisholm:** — According to the auditor's report, it says that “Management told us it plans to implement a reconciliation of the amount paid.” Now that's one thing. Have we done that since this report came out, or are we still just planning to do it? And I think that goes back to our recommendation.

**Mr. Volk:** — Mr. Chair, we are working towards that. In reference to the answer that we gave about the dental plan, in the information that we get from the carrier, we are working with them about different reporting options that they have for their clients that would enable us to have a better set of data to reconcile back. Because what we get now is a very large extract from the carrier in an Excel spreadsheet, and it's difficult to manoeuvre. And we are looking at a more efficient way to get the information from the carrier to do the reconciliations.

**The Chair:** — So on that note, well certainly we concur in this work. But I'm wondering how much progress is occurring, other than it seems that there's a mindset and a commitment that's being expressed, which is good to hear, but I don't know if I'd have much comfort at this point going beyond that we concur as a committee.

But I know Mr. Michelson has placed a motion that we concur and note progress. I would be, personally, as a voting member, more comfortable with just concurring at this point.

**Mr. Michelson:** — I'll change that motion to note progress, or to just concur with the recommendation.

**The Chair:** — Okay, Mr. Michelson puts forward a motion to concur with the recommendation. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Item no. 3, the recommendation that “. . . the Teachers' Superannuation Commission comply with *The Teachers Superannuation and Disability Benefits Act* when paying pension benefits.”

**Mr. Michelson:** — I make a motion that we concur with the recommendation.

**The Chair:** — All agree?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Recommendation no. 4 that “. . . the Teachers' Superannuation Commission comply with *The Teachers Superannuation and Disability Benefits Act* by not putting disability contributions into and making disability payments out of the Teachers' Superannuation Fund.”

We heard of this, that there's going to be a separate fund being established. Is that occurred at this point in time?

**Mr. Volk:** — No, Mr. Chair. We're working towards that.

**Mr. Chisholm:** — I move that we concur with recommendation

no. 4.

**The Chair:** — Mr. Chisholm puts forward a motion to concur. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Recommendation no. 5 that “. . . the Teachers’ Superannuation Commission follow its rules and procedures for reconciling its bank accounts to its financial records.”

Looking for a motion.

**Mr. Michelson:** — I’ll make a motion that we concur with the recommendation.

**The Chair:** — Just as a note here, just to verify, management . . . There’s discussion in the auditor’s report that there’s new, that things are now prepared, reviewed and approved monthly and on a timely basis. Those changes have occurred.

**Mr. Michelson:** — So we can note progress on that?

**Mr. Volk:** — Yes, Mr. Chair, they are. Those do occur.

**Mr. Michelson:** — Okay. Concur and note progress.

**The Chair:** — Okay. Mr. Michelson puts forward the recommendation to concur and note progress. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Recommendation no. 6 . . . “that the Teachers’ Superannuation Commission establish adequate processes for managing its cash flow needs.”

**Mr. Chisholm:** — I’m going to move that we concur with that recommendation.

**The Chair:** — Mr. Chisholm puts forward the recommendation to concur. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That is agreed. Recommendation no. 7 “. . . that the Teachers’ Superannuation Commission establish adequate processes to verify investments exist and are properly valued and recorded in its financial records.”

**Mr. Michelson:** — I move that we concur that recommendation.

**The Chair:** — Mr. Michelson puts forward that this committee concur with that recommendation. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. And recommendation no. 8 “. . . that the Teachers’ Superannuation Commission follow its written guidance for preparing valuations of accrued pension and disability benefits and related plan assets.”

**Mr. Michelson:** — I’ll move that we concur with that recommendation.

**The Chair:** — Mr. Michelson puts forward a motion of concurrence. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. At this point in time, without any questions or comments from committee members, I would invite Ms. Horsman to offer any closing remarks, and certainly thank her and Education officials for coming before the committee today.

**Ms. Horsman:** — Again I’d like to thank the committee and thank the auditor for the report. And we do feel and believe that in the past year significant effort has been put forward towards meeting and fulfilling the auditor’s recommendations. However there is still work to be done, and we know that. And we look forward to the auditor’s comments regarding our progress towards the recommendations during the forthcoming ’08-09 audit of the Teachers’ Superannuation Commission. Thank you.

**The Chair:** — Thank you. At this point, I think that we will recess for lunch and reconvene at 1:30.

[The committee recessed for a period of time.]

[13:30]

### Agriculture

**The Chair:** — Good afternoon. We’ll resume our session here today looking at the Provincial Auditor’s report 2009 volume 1. Noting the weather outside, I think as Chair I would maybe entertain a motion to sit outside, but I don’t know if we’d have the technological capacity to have the proper meeting.

But at this time we have Agriculture here before us. We welcome Ms. Koch and her ministry here today and thank them for attending, and we’d like to provide an opportunity for Ms. Koch to introduce her officials.

**Ms. Koch:** — Okay, thank you. Well good afternoon, and I would second that motion to move us outside. Great harvest weather out there.

All right, with me today is Laurier Donais, and he’s the executive director of corporate services for the ministry. Also with me is James Kettel. He’s our manager of our trade competitiveness and agri-food development unit in our policy branch. And seated behind me is Nithi Govindasamy, and Nithi is our associate deputy minister.

**The Chair:** — And joining our Provincial Auditor, Mr. Wendel, we have Ms. Rybchuk here with us today and Ms. Ferguson. We thank them for their attendance, and I invite the presentation on behalf of the Provincial Auditor at this time.

**Ms. Rybchuk:** — Mr. Chair, members, and government officials, this chapter — which is chapter 2 in our volume 1, 2009 report — reports on matters pertaining to the Milk Control Board. For the year ended December 31, 2008 we conclude that

the board had adequate rules and procedures to safeguard public resources and complied with authorities, except for five matters.

The following two matters that the committee has previously considered remained outstanding. During 2008, the board continued to operate the provincial dairy lab without the proper authority. The ministry had not complied with the law or sought changes to the law to allow the 2006 transfer of its responsibilities. Subsequent to our audit, the ministry has agreed to pay the board for the costs of the dairy lab. Related legislation has not yet changed.

On page 28, staff at the Milk Control Board continue to need a better understanding of generally accepted accounting principles to ensure they prepare accurate and reliable financial statements. Subsequent to our audit, the board has engaged a firm to provide it with accounting expertise.

On page 27, we draw to the committee's attention three new matters. First, the legislators and the public have not received the board's annual reports and audited financial statements for the years ended December 31, 2007 and 2008, as required by law. Annual reports and audited financial statements are important accountability documents and should be available on a timely basis.

In April 2008, the Ministry of Finance did not approve the 2007 financial statements, and the board did not finalize its 2008 financial statements because of legal issues concerning the transfer of the dairy lab. We understand that the board expects to provide us with finalized financial statements for audit shortly.

Our second new matter is on page 28. The board has not properly separated the accounting duties of employees or taken sufficient steps so that no one employee or group of employees is in a position to commit errors or conceal fraud. During 2008, the board assigned to one employee a number of incompatible accounting functions. This employee did not have an up-to-date job description.

Even though the board has a small staff, separating incompatible functions remains important. Organizations in similar situations often ask their board members or officials from related organizations — for example, the ministry — to take a more active role in day-to-day activities to help them separate important functions.

On page 29, we make two new recommendations for the committee's consideration: we recommend that the Milk Control Board assign responsibilities so that accounting functions that are not compatible are appropriately separated; all employees of the board have job descriptions that accurately reflect their responsibilities.

Our third new matter is on page 30. An employment contract was not filed as required by *The Crown Employment Contracts Act*. The Act requires certain employees to make public the terms of their employment by filing their employment contracts within a certain time. When the board changed the terms of employment for an employee, the employee did not know the requirement to file the employment contract. Subsequent to the audit, the employee filed the employment contract.

Agencies must make employees aware of this Act's requirements to help employees provide the required information within the expected time frame. The board had not done this.

On page 30, we make two new recommendations for the committee's consideration: that all employment contracts of the board's employees who fall under *The Crown Employment Contracts Act* be filed with the Clerk of the Executive Council as required by law; the board develop procedures so that employment contracts are filed as required by law.

This concludes my remarks, and we would be pleased to answer your questions, if any.

**The Chair:** — I would invite response from the Ministry of Agriculture.

**Ms. Koch:** — Okay. Thank you. Well as was noted, obviously the report deals primarily with the audit of the Milk Control Board. The Provincial Auditor, as was already noted, has the repeat recommendation regarding the dairy lab issue as well as other recommendations.

The repeat recommendation regarding the ministry complying with or seeking changes to the law with regards to the transfer to the dairy lab is something that I would like to provide a few comments on. As you may recall at our last appearance before this committee in December 2008, I had indicated that the ministry and the Milk Control Board and the dairy industry continues to pursue alternatives, including legislative amendments to address the legal authority issue with the dairy lab, as well as other legislative regulatory issues that exist in the dairy industry.

The ministry is currently undertaking a review of Saskatchewan's dairy industry legislation and regulations to make them up-to-date and consistent with current practices and address future needs, as well as meet our needs on the regulatory side for the dairy lab.

The last time *The Milk Control Act* underwent a major review was in 1992, but essentially it's the same legislation that's been in place since the early '30s or '40s. Since then of course the original Act, and then even the minor amendments that were made in '92, we have seen significant changes to the operations of the Milk Control Board, as well as significant changes to the structure of the dairy industry.

As well we also know that the dairy lab was transferred in 2006 without proper regulatory authority, and so we need to ensure that that gets lined up as well. The challenge is, is that the dairy lab is one significant piece that needs to ensure that we have regulatory authorities in line.

However we didn't really feel it was a proper approach to just isolate that issue alone and not deal with the broad need for a dairy industry legislation and regulation update, because it's a very complex issue and one that we knew would require adequate time to do properly. So as part of this process and as part of, you know, sort of the government's need to ensure that we have modern regulations, we have engaged in a broad consultation with the dairy industry. And we are right now in

the midst of consultations. There's a discussion document out for the dairy industry and the broad public to consider, and we've had several meetings and discussions with the stakeholders, with the dairy farmers of Saskatchewan, with the Milk Control Board, as well as with the province's dairy processor.

So this discussion document has been developed that summarizes the legislation and regulations that are being reviewed and identifies major issues for consideration. And obviously as a result of all that, then we would ensure that we would have the regulatory alignments that are required for the dairy lab that, as I said, was transferred several years ago without proper regulatory authority.

We feel it's important to undertake the broad consultation process in order to get the legislation crafted properly that reflects the current industry practices and future needs, but we do understand that we do have this pressing need on the dairy lab regulatory side. And we are urging the industry to work with us as quickly as possible despite the complexity of the issues, as quickly as possible to move to conclusion.

So we're hoping that the review will close later in September and decisions would be made to a legislative approach. And we do have an expectation that come this fall, we will have some decisions and some direction on that legislative solution.

With respect to the other four recommendations, which are internal to the Milk Control Board, these are issues that management of the Milk Control Board have dealt with and will continue to deal with. We will work with them to ensure that they understand what they need to do in order to get those resolutions to those issues that have been identified by the audit.

In conclusion I would just like to say that we have a very good professional relationship with the Office of the Provincial Auditor and with the Ministry of Finance and rely on those relationships extensively in the work that we do in our ministry and certainly have appreciated the work that we've done with the Provincial Auditor's office. We take our duty to manage and protect public resources very seriously, and we appreciate and value the work that the Provincial Auditor's office does and which will ultimately lead to strengthening our internal processes as well as the processes at the Milk Control Board. And we would now be pleased to take questions.

**The Chair:** — Questions from the committee. Thank you, Ms. Koch. Ms. Atkinson.

**Ms. Atkinson:** — Through the Chair to Ms. Koch, do you expect that there'll be legislation introduced this fall to deal with the legislative problem that we have with the Milk Control Board?

**Ms. Koch:** — With respect to the dairy lab question? Well we do have an expectation that that would be the case, but as I've indicated, we are in this process right now of a discussion document and really good discussions with the dairy industry. But that would be our hope, is that come this fall we would have some decisions and would hopefully be able to then be able to introduce legislative changes this fall.

**Ms. Atkinson:** — If the discussions that you're presently having don't go as quickly as you'd like them to, is it not possible to simply introduce an amendment to the existing legislation so that the lab could then comply with the Provincial Auditor . . . or not with the Provincial Auditor, but with the legislation?

**Ms. Koch:** — In fact we'd like to say yes, but we have examined that option and the trouble is it's not quite as simple as that. Quite a few of the regulations that right now we're trying to ensure we comply with are out of date, and actually they're not actually realistic with respect to current industry practice.

So we could introduce, as you said, a simple amendment, which to me was sort of the automatic thing that I had hoped we could do. And having examined that possible solution, it wasn't as simple as that because a lot of the regulations that we're trying to ensure we're aligned with are out of date, and frankly don't reflect the current practice of the dairy industry.

So we had hoped that it would be as simple as that and it isn't. So that's why we had sort of taken the large package and determined that we need to address it in that way.

**Ms. Atkinson:** — Okay. Thank you. I just have one other question. So we don't have the necessary legislation, but why would that prevent the board from providing financial statements, even though we don't have the legislation?

**Ms. Ferguson:** — Fred's pointing to me. The issue was — who is responsible for the costs — was up in the air. Initially I think when the ministry had transferred across, they assumed that the board would be responsible for those costs. The board of the Milk Control Board determined at the end of the day, appropriately, that they didn't have the legal authority to operate the lab, and so hence they shouldn't be incurring the costs to operate the lab.

So the issue is, where do the costs belong? And as Corrine indicated in her presentation, that has since been resolved. During the intervening period, the ministry and the Milk Control Board have figured out who's responsible for those costs, and actually who's responsible for the related assets that the dairy lab uses to carry out its tests, etc., too. So the responsibility has been determined, and so now the board is in a position to finalize its statements.

**Ms. Atkinson:** — And when do we expect those statements will be finalized and presented?

**Mr. Donais:** — In discussions with the Milk Control Board, I think they're very close. They're dealing with the Provincial Auditor's office.

I think really what's outstanding is we had asked the Milk Control Board for a special audit report on the dairy lab costs since April 2006. And so I think that's very close to being finalized. And once that's finalized, it's my understanding that the adjustments to the financial statements will be made and final audit reports or audited financial statements will be released.



So I don't know, I'd maybe look to the Provincial Auditor's office if they have any insight into a time frame. But I would expect, you know, within the next month or so.

[13:45]

**Ms. Atkinson:** — In terms of the levies that have been collected by the board to administer the lab, is it possible that a producer or a processor could say you're not collecting this legally, and therefore we're entitled to receive rebates on these levies?

**Mr. Donais:** — Actually it's in our discussions with the Milk Control Board, and this was part of the coming to agreement of the expenses of the dairy lab. They've indicated that it's their intention to refund those levies to both the producers and the processors that they've collected, but they require the funds from the ministry in order to do that.

**Ms. Atkinson:** — Okay. Can we get a little more detail here? Where exactly is this at then? So are they no longer collecting levies from producers and processors? Have they stopped doing that?

**Mr. Donais:** — No. No, they're still collecting the levy. That's right.

**Ms. Atkinson:** — They're still collecting the levy. So we know that until the end of December of '08, \$381,000 has been collected, and obviously they've been collecting money from January 1 of this year to present. Do we know how much the ministry is going to have to rebate the Milk Control Board?

**Mr. Donais:** — Well at the end of March 2009 there was an agreed upon payable to the Milk Control Board of about 795,000, and that goes back to dairy lab expenses all the way back to April 2006. And so it's, you know, we're ready to make that payment once we receive this special audit report from the Provincial Auditor's office. And then once we make that payment, that will trigger the Milk Control Board then to make their refunds, and then also they'll get their audited financial statements.

**Ms. Atkinson:** — So do we think there will be a lab at the end of the day? Will we still have a dairy lab once you get through all of whatever you're doing with the industry?

**Ms. Koch:** — I would just comment that, you know, the future of the dairy lab really would be something that the industry is going to need to consider as to its needs. I mean we know provincially there's really two kinds of testing that goes on at the dairy lab, and I don't know that there was a recognition of that when the lab was transferred in 2006. I mean really I think the government just said that the dairy lab was the responsibility of the dairy industry. We're going to transfer that. And, you know, I'm not sure that there was a lot of thought given to sort of these two streams of testing, which essentially is what occurs at the lab.

One is for the purposes of milk component testing requirements for payments to producers essentially. It's all the needs — butterfat, things like that — all the needs of what the dairy industry needs to operate its business. And then there are some

responsibilities that do appropriately lie with the provincial government with respect to quality standards; I guess you could essentially say what our responsibilities are sort of from the public interest — public good — basis. And so what we're saying is, is you know each of us have a responsibility. Right now those are both being handled through the dairy lab.

I think the dairy industry as a result of all of this consideration and discussion going on — with respect to how they are going to be structured going forward with respect to legislation and regulation — they, I think, are considering broadly what their needs are as an industry, broadly what it might take to decide how it's best to serve their industry.

So I don't think that we're anticipating necessarily a change in the dairy lab, but I think what we're saying is we have needs as a province. We can meet those needs however we might best see fit, but the dairy industry really needs to think through how they might best see going forward the needs for their tests, and whether or not the equipment is as up to date as it needs to be, and whether or not the tests are as timely as they need to be, and that kind of thing. I think those are all things that right now the dairy industry is considering, so I would hate to say one way or another what the future of the dairy lab is. You know I don't necessarily anticipate a change, but I wouldn't say that it's completely impossible either. It's really up to the dairy industry to determine a lot of that going forward.

**Ms. Atkinson:** — I think food safety is paramount. And we've had this discussion before but . . .

**Ms. Koch:** — That's true, but just on that food safety issue, I mean the other thing that we need to remember is there is right now only one processor, dairy processor in the province. And it's actually a federally inspected plant, so in fact — CFIA [Canadian Food Inspection Agency] and the federal government has of course all the food safety standards — so we know that milk that is being consumed in Saskatchewan, of course, is meeting federal standards. So we do have a role, certainly, to play at the provincial level but I don't know that . . . And food safety is of utmost concern, but it is primarily dealt with through a federal government federally inspected plant.

**Ms. Atkinson:** — And so what does the dairy lab do then?

**Ms. Koch:** — Well with specifics as to the provincial testing, I don't know.

James, are you best to answer that as to the dairy testing? I'm not sure. Probably. James?

**Mr. Kettel:** — They do do some, there's dual testing that goes on. The dairy lab does tests for farm gate, at the farm gate level. And then when the bulk tank comes into the process, the processor again tests it. And if the processor rejects it, then you would look at the farm gate testing to trace it back to the proper farm. So there, that's the testing that the dairy lab does, is the farm gate testing.

But if you were to continue . . . Well, it's not necessarily true that you would need the dairy lab to do that testing. There may be other facilities that could do that testing. Or we'd also, I guess, look at who would end up operating the dairy lab for

those purposes.

**Ms. Atkinson:** — So when you look at who might operate it, are we talking about other private interests that could operate this lab or . . .

**Mr. Kettel:** — In Manitoba the dairy producers themselves operate the lab. In Alberta it's operated as a private facility.

**Ms. Atkinson:** — Okay. So has that been the holdup, trying to figure out what to do with this lab?

**Ms. Koch:** — No. I would just comment that . . . You mean the holdup with respect to the Provincial Auditor's report or . . .

**Ms. Atkinson:** — Well the holdup in terms of trying to align the legislation with present practice.

**Ms. Koch:** — Oh. No, I think really primarily the holdup has been . . . Well first of all, it got transferred without proper regulatory authority, so that very much complicated things. And in fact had, I would say, made relationships very difficult between the Milk Control Board and the Ministry of Agriculture, because there was a lot of confusion and concern, and a lot of legal opinion throwing around, sort of, as to who's responsible for what.

So, you know, we sort of tried to clear all of that away and said, okay so what lab tests do we actually get done? Because like I said, there was never really that determination as to, well this is what the province is actually responsible for, and this is what producers are actually responsible for. Therefore it took quite a bit of time to even get the Milk Control Board to think about it that way themselves — the staff, even, at the lab.

So we really had to press hard to say, well please define to us what tests you do and what do you need to do. For example, payments to producers versus some of our food quality tests — that took a long time to figure out.

And then of course in the midst of all this, it became pretty evident that in fact looking at the regulatory authorities to get lined up where we thought this quick fix might work for the Provincial Auditor's purposes, it became pretty evident to us — in fact once James and his team got to reviewing the regulations — a lot of the regulations were out of date. In fact many producers were in fact not meeting the needs of all of the regulations, because it simply wasn't practical any more from an industry practice perspective.

So then we got into the whole complexity of, okay, if we've got that big of a mess on the dairy lab — and we clearly need to figure that out — we obviously have a lot of other regulatory oversights that haven't been looked at for quite a time, so let's look at the whole set of legislative and regulatory framework that the dairy industry operates under. That's what's taken the time.

Really the dairy lab, as to how it operates or who operates it, has been sort of a off the corner of our desks maybe issue that's sitting there that certainly going forward the dairy industry's going to need to think about. But it's really primarily been the complexity of the issue and how long it took us to get where we

are for the Milk Control Board to even give us some of the information we were requiring from them.

**Ms. Atkinson:** — And we have a new board, don't we?

**Ms. Koch:** — Yes. We do.

**Ms. Atkinson:** — Yes. That's what I thought.

**Ms. Koch:** — The same staff, but a new board.

**Ms. Atkinson:** — No, a new board. Okay. And the new board came into effect over a year ago. Am I right?

**Ms. Koch:** — I can't remember, but I think that's probably about the right ballpark.

**Ms. Atkinson:** — Yes, okay. I think March 2008.

**Ms. Koch:** — Could have been March, might have been July, but I'm not exactly sure

**Ms. Atkinson:** — No, it wasn't, because I was at an event with both boards there.

**Ms. Koch:** — Okay.

**Ms. Atkinson:** — Yes. It was last June.

**Ms. Koch:** — Okay. Yes, about a year, maybe more.

**Ms. Atkinson:** — That's my questions on this, and I have one other question.

**The Chair:** — We'll go to Mr. Chisholm, and then we'll come back.

**Ms. Atkinson:** — Sure.

**Mr. Chisholm:** — Thank you, Mr. Chair. In 2006 when this changed, prior to that time, the producers and the processor were paying for these services via a levy, that's my understanding. When this changed in April 2006, would it have been the understanding of the producers and the processor that were contributing the levy that this had now been taken over by the government and that the costs were no longer directly theirs, but were going to be assumed by the government? Would that be a correct assumption?

**Ms. Koch:** — No, I think the way it would have worked was, actually prior to 2006 really, the provincial government paid for the costs of the dairy lab. It actually was, I believe, a budgetary decision that was made by the government in 2006 to determine that it was the government's view at that time that that should be a responsibility, direct responsibility of the industry, because that is the way essentially all other supply-managed industries operate. And so in fact at that time the government transferred the lab to the Milk Control Board, sort of determining that that was industry and said to the industry, now you figure out how to pay for the lab, and so you start charging a levy and you start figuring that out.

I just don't think that there was enough consideration given at

that time to the fact that there was no regulation sort of set in place to ensure that they had the right regulatory authority. There was no discussion that went on with the Milk Control Board as to the transfer of those assets and employees, and there was also no consideration given to the fact that some of the tests were actually a responsibility of the province and some of the tests were actually for the needs of the producers. So it actually caused a lot of confusion at the time.

**Mr. Chisholm:** — So just a second part of that question. So the actual levy started then in April 2006, something that had not been there before.

**Ms. Koch:** — That's correct.

**Mr. Chisholm:** — But now we're refunding it all back.

**Ms. Koch:** — Well yes.

**Mr. Chisholm:** — Or it looks like we're going to.

**Ms. Koch:** — Yes, because there weren't the proper regulatory authorities. So despite the fact that the industry really should be responsible for the tests that are theirs, because there was no regulatory authorities in place, now in fact those levies will be refunded to the industry. And then hopefully going forward, when the regulatory authorities are in place, then the industry will rightfully pay for what they need to pay for, and we'll be paying for what we should be paying for.

**Mr. Chisholm:** — Okay. Thank you.

**The Chair:** — Just maybe as a point of clarification, I've heard from the provincial auditors here anecdotally that the levies maybe didn't start until December 2006. Could you clarify?

**Ms. Ferguson:** — Yes. That's correct. It's actually noted on page 26 of our report here.

**The Chair:** — Okay.

**Ms. Ferguson:** — I guess the point is that the levy began after the transfer took place in Milk Control Board. I'm sorry I didn't realize it wasn't right at the same time, but yes.

**The Chair:** — Looking more specifically at the new recommendations in the 2009 report, talking about the separation of accounting functions to make sure that it complies with best practices in accounting, I noted that it'd be even in the comments that the ministry's going to be working towards compliance on the four recommendations, I believe, was the broad statement that was made. Could mention just be given to recommendation no. 1 as to what specific actions have occurred at this point in time?

**Mr. Donais:** — In our discussions with the Milk Control Board, they're right now in the process of reviewing all of their job descriptions and assigning job duties in looking at sort of the incompatibility, I guess, of different functions. So that's being worked on right now. I don't think there's full compliance on that recommendation yet.

**Ms. Atkinson:** — Can I ask a question, Mr. Chair?

[14:00]

**The Chair:** — Sure you can. Ms. Atkinson.

**Ms. Atkinson:** — Thank you. So the board has five employees presently in their employment, and there were staff retirements. How many staff retirements were there?

**Mr. Donais:** — At least one, possibly two.

**Ms. Atkinson:** — Okay. And as a result of that, the board changed duties because they had a smaller group of people to do the work. Is that correct?

**Mr. Donais:** — As I understand it, the duties of these retiring employees were transferred — but in backup roles — to some other staff members. And it was those duties in those backup roles that were inconsistent with some of the other functions that they were performing. So like, people making bank deposits and they're also reconciling the bank. I mean those are really two incompatible functions.

**Ms. Atkinson:** — So has this been remedied now since the Auditor's Report?

**Ms. Ferguson:** — As Laurier indicated, the board is currently working on this to try to figure out who should be doing which function so that they're properly separated. We actually haven't gone in to do the 2009 audit as yet.

**Ms. Atkinson:** — Right. But so they've got the Provincial Auditor's report. They're a small agency. They haven't yet figured out, since the report came out, how they might be able to separate these functions?

**Mr. Donais:** — That's my understanding, yes.

**Ms. Atkinson:** — Okay. Thank you.

**The Chair:** — Just the last two recommendations of just this chapter 3 and 4 specifically, as it relates to filing contracts of employees with the Clerk of Executive Council as required by law. I note as well that I believe the mention was that they're going to work towards compliance on this. But at this point in time, do you know if that procedure has been put in place through the Milk Control Board to ensure that that's the case?

**Mr. Donais:** — The employee contract has now been filed with Exec Council, and staff are now aware of the requirement to file that contract on an annual basis. So I would suggest that there is compliance on that recommendation.

**The Chair:** — So now, so in practice it would appear that that's been addressed as far as policy or procedure. Do you know if there's — speaking, I guess, more specifically to item no. 4, recommendation no. 4 — do you know if this committee could take comfort that you can verify that that procedure is now in place?

**Mr. Donais:** — Yes, I can't specifically verify that they have a policy in place. I do know, speaking with the staff there, that they are aware of that requirement. And I mean I can certainly follow that up with the Milk Control Board to see what

procedure they have in place to make sure that they do that on an annual basis.

**Ms. Koch:** — I know when I arrived, I guess I found it interesting that the Milk Control Board is a structure that is interesting in itself because of the way it's structured in that it reports . . . It's rather independent I guess is the point I'd like to make.

So that's why we need to verify with the staff of the Milk Control Board that in fact they are in compliance, and in fact do have the procedures in place, in that they don't report up through the ministry. In fact, you know, they don't report to the minister. They report to the Legislative Assembly. So it's a very odd structure, and so it makes it challenging sometimes for us to ensure that they are in compliance and in fact do have procedures in place. But we certainly work with them to ensure that they do have compliance and do have proper procedures in place.

So I just thought I'd maybe make mention of that, is that we don't seem to be able to exactly answer the questions as exactly as we'd like because of the kind of reporting structure that is in place.

**The Chair:** — Thank you. Ms. Atkinson.

**Ms. Atkinson:** — One further question on this — the employment contract. So when the terms of employment of this particular employee was changed, was this because the chief officer or whatever — the person who had been running the Milk Control Board — retired and so this person was taking over their position?

My point is you have to have corporate memory in order to comply. And if you have an entirely new board and you have the person who was in charge retiring, it could be an oversight because you don't necessarily have the information. So I guess I'm just trying to understand is that what happened here: new board, old executive officer gone, new person coming in didn't understand or wasn't told of the need to comply with the employment contract?

**Ms. Koch:** — Well I think . . . was the Provincial Auditor going to answer that?

**Ms. Ferguson:** — I think we might have a bit more detail on that. In part it is due to the retirements. And that's why we have the second recommendation is that actually as our organization you need procedures for exactly those situations when you do have . . . Written procedures are invaluable for organizations when you hit that point in time where staff turn over — so that you don't end up with gaps in practices and people going, well geez, I didn't know — or tools for staff to make sure that they do know key aspects.

So yes, the terms of employment did change in concert with the retirements.

**Ms. Atkinson:** — Which then really is about the larger issue that we were speaking about this morning, about succession planning and having the right procedures and processes in place, because this is going to continue to be a problem in all

kinds of agencies and organizations.

**Ms. Ferguson:** — Yes. As you can see by our reports, documented procedures are pivotal, especially in today's demographics.

**Ms. Atkinson:** — Thank you.

**The Chair:** — Without any further questions, certainly we'll continue to entertain any, maybe looking at recommendations 1 and 2. Specifically 1 that recommends “. . . the Milk Control Board assign responsibilities so that accounting functions that are not compatible are appropriately separated;” and 2 “. . . that all employees of the Milk Control Board have job descriptions that accurately reflect their responsibilities.”

I believe the presentation was that they're working towards compliance on this. I know that it's maybe modest movement at this point, because I believe which was cited was sort of a review of those roles at this point. So certainly there's a lot more work on that front.

So I believe members around the table would concur with this recommendation. I think the question is to whether or not we note the review and the start as progress. And I'd look forward to a motion.

**Mr. Chisholm:** — Yes. I just move that we concur with the recommendation at this point. This will obviously be revisited at a later date.

**The Chair:** — Mr. Chisholm moves concurrence. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed for recommendations 1 and 2 of chapter 2, Agriculture.

We'll look at no. 3 separately, and that's that the auditor recommends “. . . that all employment contracts of Milk Control Board employees who fall under *The Crown Employment Contracts Act* [may] be filed with the Clerk of Executive Council as required by law.” And I'll look for a motion. I believe at this point in time it's been shared that this has occurred.

**Mr. Michelson:** — Mr. Chair, if I may, I would assume that this would be if you've got a job description as we recommended in no. 2, that this would naturally follow suit that it will be done then.

**The Chair:** — I think they're two separate pieces.

**Mr. Michelson:** — But the job description would also include that there needs to be a contract signed.

**The Chair:** — I think that there'd be a responsibility likely of the Milk Control Board itself and to have that practice and procedure in place.

**Ms. Atkinson:** — Don't all employees fall under *The Crown Employment Contracts Act*?

**The Chair:** — But it is my understanding that we had the one contract that wasn't following this practice. My understanding is that's now been filed, so I think 4 we can treat separately, but 3 we might be able to consider that it's been complied. And I would certainly look to a motion.

**Mr. Michelson:** — I would so move.

**The Chair:** — Okay. Mr. Michelson puts forward a motion to the effect that we concur and that we have compliance/no compliance at this point in time.

Looking specifically at recommendation no. 4, "... that the Milk Control Board develop procedures so that employment contracts are filed as required by law." I don't know that this has happened.

**Mr. Chisholm:** — My motion would be that we concur with that recommendation.

**The Chair:** — Motion is to concur. All agreed.

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. At this time, without any other questions, I'd like to thank Ms. Koch and the Ministry of Agriculture for coming before the committee here today and certainly invite any closing remarks.

**Ms. Koch:** — No. Thank you very much for the questions and the opportunity to respond.

**The Chair:** — At this point we'll take a couple of minute recess to let changeover from officials. And we'll soon be looking at Finance.

### Finance

**The Chair:** — Okay. We'll now move on to consideration of the Provincial Auditor's report 2009 volume 1 as it relates to the Ministry of Finance. We're pleased to have before us here today officials from the Ministry of Finance and deputy minister, Mr. Matthies who I'll invite at this point to introduce his officials.

**Mr. Matthies:** — Thank you very much, Mr. Chair. With me on this side of the table, I have to my right, Brian Smith, the assistant deputy minister responsible for the Public Employees Benefits Agency. On my left is Denis Polowyk. Denis is the assistant deputy minister responsible for treasury and debt management division. Sitting at the table behind us on my right is Jim Fallows, executive director for treasury and debt management division. And on my left is Kathy Strutt, the general manager of the Saskatchewan Pension Plan. And of course there are Finance officials from the comptroller's office — to my right, Terry Paton and Chris Bayda.

**The Chair:** — Thank you very much. And with us from the Provincial Auditor's office of course Mr. Wendel and Ms. Ferguson and Ms. Rybchuk. And I'll now invite presentation of the auditor's findings.

**Ms. Ferguson:** — Thank you, Chair. Members and officials, I

have the pleasure of presenting chapter 5 on pages 67 to 79. In chapter 5, we report the results of the audits of various employee benefit plans, two pension plans with a December year-end, along with audit findings related to work at the Ministry of Finance's treasury management activities.

Overall this chapter provides an update on two previously reported recommendations and makes seven new recommendations for the committee's consideration. As noted on pages 70 and 71, while the Municipal Employees' Pension Commission made some progress, it continues not to have a complete disaster recovery plan.

[14:15]

As noted on pages 71 and 72, the Saskatchewan Pension Plan made significant progress in developing sound information technology security practices. It expects to complete its work in this area in 2009.

The public employee agency, which is really a division of the Ministry of Finance commonly referred to as PEBA [Public Employees Benefits Agency], provides day-to-day administration for various benefit plans. For six benefit plans listed on page 60 of our report, PEBA did not review or approve reconciliations of these plans, related bank accounts, independent of the preparation of the bank reconciliation or review or approve journal entries on a timely basis. As a result, PEBA may not promptly detect errors or fraud in these plans, bank balances, or accounting records. We make one new recommendation on page 70. We recommend that PEBA implement adequate policies governing the preparation and approval of bank reconciliations and journal entries.

Moving on to page 72, we set out the results of audit work on the finance's treasury management activities. We did this work at the request of the deputy minister of Finance and because of Finance's increased amount of investing activity.

Finance manages the investing activities of the General Revenue Fund, the stabilization funds. And investments in these funds have increased from 2.2 billion in 2007 to 3.7 billion in 2008 to 5.5 billion in 2009. In addition, Finance manages about \$1 billion of investments for about 18 other agencies.

For the most part, Finance used generally established investing procedures, but needs to formalize and better document activities in the following five areas. For the first area, we did not find written information on how Finance determines its investing activities met the government's expectations and does not expose the government to undue investment risks — in short, evidence that showed whether or not Finance's investing activities were successful.

On page 74 we made two recommendations. We recommend that the Ministry of Finance set out its investment expectations in sufficient detail to make possible the measurement and evaluation of its investment performance. We also recommend that the ministry report to its senior management and treasury board at least quarterly on its compliance with the investment guidelines and expectations.

For the second area, because the amount and size of

investments that Finance handles are significant, and if not properly handled could expose the government to undue risks, we expect its senior management to periodically seek information on the adequacy of its investing activities from sources outside of staff handling those investing activities. We found that it had not. On page 74 we recommend that the ministry periodically carry out an internal audit to assess and report to senior management on compliance with its investment guidelines and expectations.

The third area, investments in sinking funds are monies set aside for the repayment of debt. At March 31, 2009 the government had gross debt of 11.3 billion. Since 2007, the amount of investments, the government's investments in sinking funds has almost tripled from 1.25 billion in 2007 to 3.4 billion in 2009. Having sound investments in sinking funds and managing these investments well are a critical part of the government's overall debt management. Because of this it is important that legislators and the public understand how well these investments are managed. On page 76, we recommend that the Ministry of Finance monitor and report publicly on the performance of investments in sinking funds.

The fourth area, as previously mentioned the ministry provides investing services to other agencies. Although Finance meets with these agencies to discuss their investing needs and provides them with a summary of its investment services, it does not set out in writing all of the key roles and responsibilities of each party. Doing so helps make certain that each party has a common and clear understanding of their respective roles and responsibilities. In addition a written understanding provides an efficient way for each party to evaluate and adjust services as needs change. On page 78, we recommend that the Ministry of Finance agree on respective roles and responsibilities, in writing, with agencies that receive its investment services.

The fifth and final area is that staff that's handling the investing activities are long-term employees with significant institutional knowledge and have a solid understanding of Finance's investing processes and procedures. While some of these procedures are well documented, such as cash flow forecasting, not all are. Lack of documented detailed procedures could hamper Finance's ability to provide investing services without disruption in the event of staff turnover. On page 79, we recommend that the Ministry of Finance document its key treasury management procedures in sufficient detail so it can operate effectively after staff turnover.

This concludes our presentation. We'd be pleased to respond to questions. Thank you.

**The Chair:** — Thank you. I would invite a response from the Ministry of Finance.

**Mr. Matthies:** — Thank you very much, Mr. Chairman. First I would just indicate that when I became the deputy minister of Finance a few years back, I had a sit-down discussion with some of my senior staff about where we saw the risks within the ministry.

And certainly the area of treasury and debt management was one that, I guess as the new guy coming on at that time, I was

looking at all of the cash that we were holding. And I spoke with both the comptroller's office and the Provincial Auditor's office about what did we, what had we done in terms of in-depth reviews of our internal controls and our processes. And there certainly is the annual audit function that goes on, and it had not detected any difficulties.

But I asked the Provincial Auditor if they would do an in-depth review just to give me the peace of mind I guess, as the new guy on the block, to make sure that the shop was in good shape. And so I'm actually relieved, when I review the report, that I would describe that there are no major internal control problems.

And what I would also observe is that I think the Provincial Auditor has brought a different set of eyes and perspective to some of the things that, when I think about them, I think they're good questions. And certainly the ministry is supportive of all of the recommendations that the Provincial Auditor has made.

I do want to spend a few moments just for members of the committee to understand what we're doing in the treasury and debt management area. We certainly do, in our budgeting process, develop what I would describe some expectations in terms of the performance that we're going to have with the cash that we're managing. We basically are forecasting what our cash position is going to be over the year, and we take a look at what the forecasts are for interest rate returns and then determine what our budgeted revenue is going to be from that.

Traditionally the ministry has been focused on the cash management function, making sure that we have enough cash on hand to pay the expenditures of government as the year progresses and also maintaining our sinking fund position, which is a process of putting a little bit of money away every year to help fund the redemption of our bonds when they mature, whether it's 10, 20, or 30 years out. And so on the cash management side of it, it's really sort of managing the day-to-day cash. On the sinking fund side of it, it's trying to make sure that our timing has been right, that as we inject deposits every year towards the sinking funds, that the term to maturity aligns with where our debenture issues are.

In more recent years, with the Fiscal Stabilization Fund and now the Growth and Financial Security Fund, we've had additional cash to manage as well which has taken us sort of beyond the daily balance, but still in a relatively short time frame because of the uncertainty of when the dollars were going to be used.

The question that I think that the auditor has posed to us is a good one, which is, okay so you do this work, but what do you do to benchmark yourself against third parties? And that's the question really that I think the auditor's office has raised. And so it is a question that we are going to do some homework on and try and figure out what are the appropriate benchmarks to use for us. We are not a heavily trading, aggressive investment income ministry in this regard. The focus has been on the cash management capital preservation to meet the needs of retiring bond issues — so not files that we're actively trading. So we will be doing some work to try and figure out what the appropriate benchmark is.

One of the issues as well that I would just offer, that will cause us some additional deliberation perhaps in responding to this issue, is a change within the accounting profession looking at valuing investments at market or sort of the mark-to-market approach, because traditionally for us where we hold a lot of our securities for long periods of time in the sinking funds, there is some trading but typically we're sort of looking at longer term holds. The annual volatility that you can get when you mark to market may increase or decrease earnings substantially, but at the end of the term, it all comes back to zero if you've held the investment the whole duration.

And I was at a meeting with federal and provincial officials last week where I think most levels of government were concerned or expressing concern about where should the public sector accounting standards go in this regard because all governments are having similar concerns. So that's issues that we will be working on.

I don't want to go through all of the specific recommendations because there are questions I'm sure that members will have. But I would maybe just comment a little bit specific to the discussion around what we're doing for third parties. And I think the observation that the auditor made is that ensuring that everybody understands and agrees to a common set of expectations around roles and responsibilities — again, really good questions.

Typically what has happened is when someone has come on and we've provided the service, it's been I would say probably more a one-way communication. We tell them here's the way it goes, and in some cases that has not been refreshed or reviewed since the entity came on. And so what I accept in Fred's observations or his staff's observations is more periodic discussion to make sure everyone's on the same page, and that we should actually get the written acknowledgement of other parties that they agree to the terms. And so that's processes that we've been going on and putting in place.

I think perhaps I'll stop there from an opening perspective. I'm sure there may be other questions but certainly as a whole we very much welcome the recommendations and are supportive of all of them.

**The Chair:** — Thank you. Questions from the table. Ms. Atkinson.

**Ms. Atkinson:** — I wanted to know, there is a reference on page 76 about the average rates of return on the sinking funds for '07-08. And I'm wondering if we can put into the record the average rates of return for '08-09.

**Mr. Matthies:** — I'll talk with one of my colleagues for a moment. Mr. Chairman, one of my officials is going to try and look for that specific information, so if there's another question, maybe we could work on that while we're getting that information.

**Ms. Atkinson:** — Thank you. The other thing that I noted is that on page 75 Saskatchewan debt held its investments in sinking funds. I see that it increased in '08-09, and I'm wondering if you can explain that to the committee.

**Mr. Matthies:** — Part of the investments that we hold in the sinking funds is provincial government bonds. In essence what we do in the sinking funds is we also use it as a tool to add liquidity for any investment parties that are out there that are buying Saskatchewan debt. I hope — I think — I'm answering the right question here. But I'll keep going on this one.

What helps us when we go into the marketplace, if we have to do long-term borrowing, is investors are also looking to make sure that if they are going to buy your paper, that if for some reason they need to exit their investment or get out of it, that there is a ready market in which they can do that. And so our paper can be traded.

But what we do is we respond to requests that come to us through the investment bankers if they've got clients that are looking to dispose of some of their provincial holdings and haven't found a third-party buyer. So we will at times acquire our own debt and then, as time permits, we will re-issue it back out. And what we have found over time is that allows us then, when we go to issue new debt, to getting more favourable interest rates because it allows us to promote it as a more liquid asset.

**Ms. Atkinson:** — So as I understand this, Saskatchewan debt held as investments in the sinking funds increased from 442 million to 526 million in the year that just ended, at the end of March 2009. And this is basically investment bankers that sold our debt back to us. Is that what you said?

[14:30]

**Mr. Matthies:** — Essentially that's correct.

**Ms. Atkinson:** — Okay. Thank you. Now do you have the answer to what our rates of return were on the various, the sinking funds and the other funds that the province has?

**Mr. Matthies:** — Yes, I do. Mr. Chairman, the answer, the sinking fund return — I'm going to actually give you two numbers to highlight some of the issues around this fair market value piece — on a strict book value return, with using sort of historical costs on what we earned, 5.6 per cent. If you make the adjustment for fair market value changes, it falls to 2.9 per cent.

And so this speaks to highlight some of the concerns that all governments are having in this mark-to-market approach if you are dealing with financial instruments that your intent is to hold for long periods of time.

**Ms. Atkinson:** — Okay. So that would be the sinking fund was 5.6 per cent?

**Mr. Matthies:** — Five point six per cent on a historical cost basis essentially, or 2.9 per cent on a mark-to-market approach.

**Ms. Atkinson:** — And that was for the fiscal year '08-09.

**Mr. Matthies:** — Correct.

**Ms. Atkinson:** — And then we have this new fund. And what was the return on it?

**Mr. Matthies:** — Within the Growth and Financial Security Fund, again on the historical cost basis, 3.6 per cent. And in this case, on a mark-to-market approach, it would be positive 5.2 per cent.

**Ms. Atkinson:** — Okay. Were there any other funds that we have a return on?

**Mr. Matthies:** — We earn interest on the daily cash management pieces that we do. I'm not sure that we . . . I mean, it's sort of overnight money typically what you're doing. So it's whatever you can get, sort of, on an overnight basis.

**Ms. Atkinson:** — Okay. Thanks. And can you share with the committee what the average cost of servicing the GRF [General Revenue Fund] gross debt was in '08-09?

**Mr. Matthies:** — Mr. Chairman, I did not bring the Public Accounts books, but I see that maybe Chris Bayda has it for us. So we'll just check.

Mr. Chairman, I think the question was, what is the interest cost basically in servicing the existing debt?

**Ms. Atkinson:** — Yes. The average cost of servicing . . .

**Mr. Matthies:** — Okay, 6.8 per cent.

**Ms. Atkinson:** — Six point eight per cent. Now the Provincial Auditor did note the average rates of return for the various funds in '07-08 and also the cost of servicing the gross debt in '07-08.

Can you explain — which I guess gets to some of the performance measures — the difference between fair market value and the other value because this has to do with accounting practices. Can you just explain that in a little more detail to the committee?

**Mr. Matthies:** — Certainly. And I'll try to use relatively simple examples because it gets complex easily. If you have a debenture out there for \$1 million and if for example, if we buy someone's paper, \$1 million, and it has a coupon rate of 10 per cent, on a historical cost basis every year we might record a rate of return of 10 per cent, the interest that we're getting on it.

On the mark-to-market approach though, what the accounting profession is doing, particularly on the for-profits entities, is they're saying really you need to recognize that the value on those financial instruments can change every day basically. So interest rates go up, go down, the value of your security will change.

And so if you get into a situation then where the prevailing market rate is other than the rate that was in existence when you bought a security, then people will pay you more or less for your paper because they're trying to get, well, I want 12 per cent now, so I'm only going to give you a lower amount than what the book value of your number is. And so we get these different valuation adjustments. And if you were to actually liquidate your holdings on that day, you would indeed realize a gain or a loss.

The issue that a lot of government, particularly in sinking fund issues, are dealing with though is that a lot of investments may be acquired for the purpose of holding for much longer periods of time, so those annual changes are paper only. And at the end of the day, if you've held the investment to the full term, your return in that case would have been 10 per cent over a 10-year life or whatever. But with the market approach, what you could see is you could see, you know, 8 per cent one year, 12 the next, minus 5, plus 13, and all over the map. At the end of the 10-year term of an issue, perhaps you're still going to get that 10 per cent, but the annual volatility can be significant when you're holding these instruments to maturity. So that is an accounting policy issue that I would indicate that all governments and the profession are wrestling with.

**Ms. Atkinson:** — Okay. Thank you. So to the auditors: how do we then determine what the actual rate of return is on investment, given that you have holdings that, if you were to designate them for a particular day it might have been a loss, but you're not going to sell them on that date, so you're holding them longer? So from a public accountability point of view, how would you actually determine the actual rate of return?

**Ms. Ferguson:** — I think you select your method and you disclose the method that you're using to determine it. Like I think what Doug is highlighting is that you can use your book value method, which is your cost. Or another method is the mark to market, and he's explaining why that method doesn't make sense to the government.

So what we're saying is, what we're actually saying is pick a reasonable method. You know, figure out what you regard as a reasonable rate of return. It may not be one number. It may be a range within a particular range, and then benchmark yourself against that range to see how well you're doing, whether or not you're on target or whether or not you need to make adjustments in terms of how you're actually managing your investments.

**Ms. Atkinson:** — So when the auditor says that for '07-08 we had average rates of return, sinking funds, Fiscal Stabilization Fund, and the infrastructure fund, that is based on cost and book value.

**Ms. Ferguson:** — Cost and book value. So what we've done there is they are all on the same method. The market value is not being used as yet. So it's basically that's using the information that the ministry is providing to you on a public basis in public accounts.

**Ms. Atkinson:** — So then for '08 – 09, if it was based upon the same method of '07 – 08, the returns are 5.6 and 3.6.

**Mr. Matthies:** — That's correct.

**Ms. Atkinson:** — Okay. Thank you.

**The Chair:** — The deputy minister noted that there's going to be work towards compliance on many fronts here. I'm just wondering as to timelines and actual actions, and we're on no. 5 for example, with publicly stating the performance of investments in the sinking funds. What's the ministry's action plan on that?



**Mr. Matthies:** — Mr. Chairman, we are giving this . . . You've picked the toughest one, if I might describe it that way. This recommendation is going to cause us probably more work than any of the other ones to try and figure out the right benchmark, if I can do that, because not only in the sinking funds are we trying to match the annual contributions we're adding to the fund to match what's the maturity of the corresponding debt issue. So that's really what we're looking at.

So one of the criteria for us is probably going to be something like what did we invest on the day we had those funds versus other reputable instruments that might be in the market or something. We're going to have figure that, because it's not necessarily something that's on a trading portfolio where you might market against say the TSX [Toronto Stock Exchange] or something like that. Similarly because we do acquire and then subsequently resell some of our own provincial debt out of the sinking funds to add liquidity to the investors, that's also a function that isn't necessarily typical in some of the benchmark industries.

So you've picked the hardest one to ask me about. And I would tell you that we are studying this and we are looking for a way to tackle it. But I come back to, I think the question that the auditor has posed is a good one: how do you know you're doing a good job if you don't have a benchmark? And so we're going to try and come up with one.

**The Chair:** — At this point I believe there's seven recommendations, we've sort of panned over them. And from the ministry's perspective, you've stated that you agree with them and concur, and that you know, will work towards the compliance of those.

At this point in time for this committee to evaluate each one of those and to note progress on some of them, it would seem that it's sort of in the early workings of getting some things going. Am I correct in that, or would you like to try to identify progress on any of the recommendations specifically?

**Mr. Matthies:** — I would. Maybe I'll just sort of review on my own. Recommendation no. 1 here was regarding the PEBA and the reconciliations. The observation that was made by the auditor was that we have policies in place, but we did not have a timing identified in our policies for these reconciliations to occur. PEBA has completed all of their reviews, found no errors, but they are just taking forward the policy amendment to add the timing component. So this one I would have to say is, I would note the progress. We do not have the policy change approved by the boards yet, but it's in process.

For recommendation no. 2, which is the first one dealing with the treasury management function, this was the one about identifying some sort of external benchmark. This one I would say again is just making progress. We are looking at some items, but we don't have it solved yet.

Recommendation no. 3 dealing with reporting to senior management and Treasury Board on compliance with investment guidelines and expectations, we have implemented now a quarterly reporting process. So this one, the auditor has not come back in to see it yet, but we have started implementing a quarterly reporting process on this one. So I would like to note

that this one has been — I'm not sure what the right word is, Fred — this one is addressed, completed.

On recommendation no. 4 dealing with the discussion that we should have an ongoing internal audit assessment, this one I would note is also in process. We have had some preliminary discussions about which or where we're going to do an audit function. This recommendation is basically saying someone outside of the treasury and debt management branch should come in periodically and do a review to make sure that what we're being told is right. And so we will moving on this by the end of the year, but we do not have that in place at this point.

Recommendation no. 5 dealing with the expectations on the earnings of the sinking fund, again this is an in-process one.

Recommendation no. 6, this one is where the recommendation is that we obtain in writing the agreement of the third parties that were doing investment for on the roles and responsibilities. This one we have sent letters to all of the third parties, and all but two have yet responded in writing, affirming that they are in agreement. The other two that have not given us the written response have indicated verbally that they're good with it, but it's just a process piece. So this one I think you could note that we're in compliance with.

Recommendation no. 7 deals with improving the documentation in the treasury and debt management area. And what we have in place is we have extensive documentation around money market investing, around short-term debt issuance, around long-term debt issuance, but there are some areas where we think we need to just do a little more cleanup. So this one I might say is in process.

**The Chair:** — Thank you very much, Mr. Matthies. Any questions from the committee at this time? Are we ready to take a look at the recommendations ourselves specifically?

If we're looking at recommendation no. 1, “. . . that the Public Employees Benefits Agency implement adequate policies governing the preparation and approval of bank reconciliations and journal entries,” certainly we heard of some progress that was noted here. I'm wondering if a member would move a motion in that regard. Mr. Chisholm.

**Mr. Chisholm:** — I will so move that we concur and note progress.

[14:45]

**The Chair:** — All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed.

Moving along to recommendation no. 2, that “. . . the Ministry of Finance set out its investment expectations in sufficient detail to make possible the measurement and evaluation of its investment performance.” It seems that there was agreement at this table to support this motion, and I'm not sure of specific progress.

**Mr. Chisholm:** — I would just move on this one that we concur with the recommendation.

**The Chair:** — All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed.

Item no. 3, recommendation no. 3 that “. . . the Ministry of Finance report to its senior management (e.g., Deputy Minister) and Treasury Board, at least quarterly, on its compliance with its investment guidelines and expectations.” I believe I heard compliance on this. Ms. Atkinson moves concurrence and note compliance. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed.

Recommendation no. 4, “. . . the Ministry of Finance periodically carry out an internal audit to assess and report to senior management on compliance with its investment guidelines and expectations.”

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

**The Chair:** — Concur and note progress is moved by Mr. Chisholm. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Recommendation no. 5, as it relates to sinking funds, that “. . . the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds.”

**Mr. Michelson:** — I move that we concur and note progress . . . [inaudible interjection] . . . I thought you said they were progressing on that.

**Mr. Matthies:** — It’s maybe more fair to say that concur might be better. We fully intend on making progress, but this is again, this is the hardest one and we’re struggling a little bit.

**Mr. Chisholm:** — Especially when you’re dealing with two sets of answers.

**Mr. Michelson:** — I thought that was the progress on it, but I will change it . . .

**Mr. Matthies:** — I’d love to characterize that as progress, but in reality I don’t have anything that I can show you other than goodwill.

**The Chair:** — So, Mr. Michelson, would you like to . . . I think I heard that you’d like to withdraw the first one and recommendation to concur.

**Mr. Michelson:** — Yes, please.

**The Chair:** — All in favour.

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Recommendation no. 6, that “. . . the Ministry of Finance agree on respective roles and responsibilities, in writing, with agencies that receive its investment services.”

Now it seems that, I think that it was stated that some letters have gone out, so there certainly is progress on this front. The question is whether or not, you know, procedures have been in place that we can call it compliance moving forward.

**Mr. Matthies:** — There are two outstanding responses we have not yet received, so I suspect progress might be the fairer characterization.

**Mr. Chisholm:** — Concur and note progress.

**The Chair:** — Mr. Chisholm concurs and moves concurrence and notes progress. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. And the last one, recommendation no. 7, that “. . . the Ministry of Finance document its key treasury management procedures in sufficient detail so it can continue to operate effectively after staff turnover.”

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

**The Chair:** — Concur and note progress. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. That concludes our questions. If there’s no other questions from this table, I would thank the Ministry of Finance for coming before us here today and invite Mr. Matthies to provide any closing remarks.

**Mr. Matthies:** — Thank you very much, Mr. Chairman, and to the committee. Again this was a piece of work that I was quite looking forward to with some trepidation because I was afraid that there might be an ugly surprise. And I think instead what we found is we have good internal controls, which is a positive thing. And, you know, a fresh set of eyes; there was a new set of good questions for us to respond to. And so we quite welcome the work of the Auditor on this and I appreciate your questions.

**The Chair:** — Thank you. We’ll take a couple minutes as a break and welcome Tourism, Parks, Culture and Sport thereafter.

#### Tourism, Parks, Culture and Sport

**The Chair:** — Moving on with proceedings here today, we are now going to consider the Provincial Auditor’s volume 1, 2009 report as it relates to Tourism, Parks, Culture and Sport. And I’d like to welcome officials here today and specifically ask Ms. Young, deputy minister, to introduce her officials.

**Ms. Young:** — Good afternoon. I am Wynne Young, the

deputy minister of Tourism, Parks, Culture and Sport. And to my left, joining me today is Scott Langen, assistant deputy minister, responsible for strategic policy, planning and partnerships.

I have a few opening comments. Did you want me to make them now?

**The Chair:** — What I might suggest is that the Provincial Auditor make their presentation then in response. Thank you, Ms. Young.

At this point, I'd like to highlight the Provincial Auditor's staff that are here today. And certainly Mr. Wendel is here, also Mr. Heffernan and Mr. Schwab. And I'll invite them to make presentation.

**Mr. Heffernan:** — Thank you, Mr. Chair. To support sport, culture, and recreation activities throughout the province, the Ministry of Tourism, Parks, Culture and Sport raises money through lottery schemes as authorized by *The Interprovincial Lotteries Act*. All of the lottery revenue belongs to the government and is public money.

The ministry through an agreement uses the Western Canada Lottery Corporation and two Sask Sport subsidiary companies as its agents to operate lottery schemes. The Sask Sport subsidiaries are Western Canada Lottery - Saskatchewan Division Inc. and Sask Sport Distributors Inc. I will refer to these two subsidiaries as Sask Lotteries in the rest of my comments here.

The ministry must have processes to supervise these entities' compliance with the lottery agreement. Compliance would help ensure that: one, the government receives the correct amount of lottery revenues and that public money is properly protected, spent prudently, and spent for intended purposes; and two, that the lottery schemes are operated with integrity, that is in a fair manner and in accordance with the law. The ministry did not have adequate processes to supervise compliance with the lottery agreement by WCLC [Western Canada Lottery Corporation] and Sask Lotteries. As a result, the ministry did not know whether the government received the correct amount of lottery revenues and the lottery schemes were operated with integrity.

Also the ministry did not know whether public money was properly protected, spent prudently, and spent for intended purposes. We make seven recommendations to strengthen the ministry's processes to supervise compliance with the lottery agreement.

As noted earlier, WCLC and Sask Lotteries manage public money. The Provincial Auditor actually requires our office to audit all public money. Beginning for the year ending March 2010, we plan to extend the work we do at Sask Sport Inc. for the audit of the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. Our work will now include the audits of Western Canada Lottery - Saskatchewan division, and Sask Sport distributors. Also we plan to audit WCLC through their appointed auditor.

These entities have appointed auditors. When an entity has

appointed an auditor, we follow the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*, which essentially means that we don't do a direct audit of the agencies, but we rely on the appointed auditors' working reports and review what they do and so on. That concludes my remarks.

[15:00]

**The Chair:** — Thank you. I'll invite a response from the ministry.

**Ms. Young:** — Thank you. Let me begin by saying that our ministry's mission is to enhance the economic growth and actively promote and support quality of life for Saskatchewan residents and visitors by providing recreation and heritage and culture and tourism opportunities. The lottery system is key to this mission, as it funds more than 12,000 sports, culture, and recreation organizations across the province.

We welcome the auditor's recommendation and do agree with the general direction outlined in his report. I should point out — and I think it's important to point out — that the auditor's report has noted no concerns over the actual management and integrity of the lottery system and also notes progress in further strengthening our stewardship role. For 35 years, Sask Sport has managed this highly respected and trusted lottery system.

The auditor has identified how my ministry's role as steward can benefit from being more formalized and more regimented. The report speaks to increasing our degree of oversight and to adding more formal steps to support and build on the work that we currently have in place. This is consistent with the work that we are doing and that we have underway, and really that's about how to augment and enhance our roles and responsibility. The auditor helps to build on an already existing base of oversight policies and practices that we've established within the ministry. We will refer to the auditor's recommendations as we build on our existing relationship with Saskatchewan Lotteries.

Saskatchewan Lotteries provides the ministry with audited statements from reputable chartered accountant firms that show all financial obligations have been met. We continue to have confidence in how Saskatchewan Lotteries and Sask Sport carry out their commitments to the people of Saskatchewan.

We also recognize that the ministry could benefit from more standardized businesslike relationships. We plan to add more formal steps to help augment the level of our oversight. We are in the process of working out a new lottery agreement that includes an enhanced accountability framework with reporting and performance measures. A higher degree of oversight means we'll be working on incorporating all current and enhanced practices into a more formal and regimented stewardship procedures manual. And the auditor has noticed progress on this.

So to conclude, we believe we do have a strong, sound system now and also recognize the important role of stewardship and responsibility that we have. We are committed to integrity and accountability in the system, and it being at the forefront of our approaches to our lottery responsibilities. Our relationship with Saskatchewan Lotteries and Sask Sport are really excellent

examples of how partnerships like this can enhance the quality of life for the people of Saskatchewan.

**The Chair:** — Thank you, Ms. Young. Any comments from committee members? Ms. Atkinson.

**Ms. Atkinson:** — Thank you. This is a question to the ministry. I think it's now become known in the culture community and the sporting community that there are going to be changes in terms of expectations from the trust. And I just think we have some concern that they're now, these non-governmental organizations are going to be audited as well. And I'm just wondering if you could explain to the committee what kind of contact your ministry has had with SaskCulture, Sask Sport, the recreation group, because I think there's three stakeholders here, and what your folks have said to them in terms of the changes that will occur.

**Ms. Young:** — Thank you. I'm going to get Scott to speak to the specifics, because he actually has been working with the three stakeholders. The strength in relationship and accountability that we have is with Sask Sport and the trust fund, so it's that that we're focusing on in our comments, but let me get Scott to say a little more.

**Mr. Langen:** — Good afternoon everyone. Probably over the course of the last six to eight months we've met monthly, if not twice a month, with Sask Sport, SaskCulture and SPRA, Saskatchewan Parks and Recreation Association, collectively known as the globals. For the most part, they're onside with the direction that we have been taking as a ministry to try and augment our oversight and to improve our stewardship role over the lottery system.

It has yet to be signed. We're very close, but one of the recommendations that came out of this was to look into splitting the two: the one agreement which really spoke to the investment into the sport, culture, and recreation sectors; and the other element which is really the stewardship role over the lottery system itself. And so rather than having that bundled into one agreement, we've moved that into two. They're onside with that. I think it clarifies roles, it clarifies reporting, and it does appreciate the two sides of that very similar coin.

The other area that I believe they've welcomed is the ongoing relationship, the improved relationship, and the more formalized meeting. So for example, in the current agreement and in the new agreement we have the lottery strategic review committee. The soon-to-be-signed new agreement, we've spelled out a bit more clearly: what are the terms of that agreement, how often will we meet, what's the purpose and what's the reporting around that. And essentially we will chair that meeting, and then that's our opportunity on a quarterly basis to formally meet with the globals: touch base to make sure that the expectations and guidelines within the agreement are being followed; to look over and examine the eligibility list; if any lottery issues do come up, to raise them at that point in time, and I guess deal with them in a more formal basis.

**Ms. Atkinson:** — So when you're talking about the globals, are you talking about Sask Sport and SaskCulture? Or are you talking about Sask Lotteries Trust Fund and Sask Sport distributors and Sask Lotteries? Because the concern that's

coming from the community — i.e., the cultural organizations, the recreational organizations, and the sporting organizations — that there's a new way of doing business. They're NGOs [non-governmental organization] and they think that there's going to be more work that they're going to have to do and spend more money to deal with some of these issues coming out of the Provincial Auditor's report. Is that a fair comment?

**Mr. Langen:** — I'm not aware of those concerns, and I don't believe those concerns are based on the auditor's report and where we've been going. So there might be a bit of the rumour mill that that is accumulated, but no, the organizations that are funded through the lottery trust fund won't be affected through this. This is more with Sask Sport proper and the Sask lotteries part of that equation.

**Ms. Atkinson:** — Okay, good. Thank you.

**Mr. Langen:** — They may be concerned, but they have no reason to be.

**Ms. Atkinson:** — Thank you.

**The Chair:** — There was specific mention to new lottery agreements that were being developed. Is that then addressing some of the concerns 1, 2, and 3 as it relates to monitoring compliance, having written procedures placed within those agreements from monitoring compliance with the lottery agreements by the Western Canada Lottery Corporation, Western Canada Lottery - Saskatchewan Division Inc., and Sask Sport Distributors?

**Ms. Young:** — The intention of the new lottery agreement is several-fold, but absolutely it's about increased accountability. And I'm just looking for the numbers here. I believe you're right that it's 1, 2, and 3 that it will help, it will help strengthen. Yes, it is.

**The Chair:** — When does the ministry believe they'll have these agreements in place? Is there a draft framework at this point established?

**Ms. Young:** — We're very close with the agreements. We anticipate that within the next six weeks or so we will be done. We're in the final stage of negotiations.

**The Chair:** — And with that framework, if it were to go ahead the way that it's . . . the state that it is right now, would 1, 2, and 3 from these recommendations be in full compliance at that point in time?

**Ms. Young:** — Well we think we are moving a long way. I think I would probably ask the Provincial Auditor to weigh in on his view once he sees the agreement. But we think we've made some really significant steps towards more documentation, more compliance, more oversight, regularizing meetings and minutes. So we think we're taking it quite a long way, but I'll wait to hear what Mr. Wendel might say about that.

**The Chair:** — It's a bit of a topical issue as well. Just I think lottery schemes in general have faced a bit of an integrity crisis through the media in some of the past year's events, and I know

certainly focused on the news last night again with concerns in Ontario and allegations of misuse of dollars there, and then of course concerns around potential fraudulent activity.

So when we look at our lottery system and schemes here in Saskatchewan, we recognize how important they are to the culture and fabric of Saskatchewan. It's incredibly important that, I guess, that some of the auditor's recommendations are able to ensure the integrity of . . . You know, and that the Saskatchewan public recognizes that we're maybe on the forefront on that. And right now it certainly seems that maybe we aren't on some of the oversight and measuring activities.

Mr. Chisholm.

**Mr. Chisholm:** — Just a comment. I think it'll always face a certain amount of scrutiny until we get over the idea of calling them schemes. You know, as long as we call something a scheme — in public language as well as in private — there's going to be a certain amount of negative behaviour, I think, result. But anyway that's just a comment.

**The Chair:** — Would it be fair to deal with 1, 2, and 3 as a possible package here? Noticing that certainly, I think, that we concur and potentially progress being noted.

**Mr. Chisholm:** — I certainly think we could move progress too — not compliance yet, but certainly progress.

**Ms. Atkinson:** — Can I just ask a question?

**The Chair:** — Absolutely, Ms. Atkinson.

**Ms. Atkinson:** — And this is to the Provincial Auditor. Do we know, one of the things that was clear in Ontario was that this was a group of people that spent a great deal of money on eat, drink, and travel. So do we know whether our Western Canada Lottery is acting in an appropriate, you know, way in terms of this money?

**Mr. Wendel:** — That's the point that we're making. The ministry doesn't know because they haven't looked in that depth, and we don't know. So we're not saying there is. We're just saying they need to do more to know what's going on to make sure they're on top of it, so we don't end up in that situation.

**The Chair:** — So at this point we have a motion put forward by Mr. Chisholm, that we concur and note progress on recommendations 1, 2, and 3. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — So moved.

If we look specifically — and I guess I'll look to the ministry officials we have here today — to these recommendations to maybe speak to . . . And whether you want to do that as a group and summarize through specific actions that are occurring — specific timelines and the ministry's commitment to compliance on that front — and then we can evaluate as a committee, or we can go through each one, whatever your preference is.

**An Hon. Member:** — We should do 4 and 5 together.

**The Chair:** — Do 4 and 5 together? Okay.

**Ms. Young:** — With regard to 4, the ministry has committed to report on compliance of the lottery agreement within its annual report. And with regard to no. 5, there is a representative that we have now put on — and actually, I guess, Mr. Langen — on the WCLC committee.

There had been two members — there was always two members — each from the three provinces. And we now have one from Sask Sport and one from the ministry. And so in that way, there's a more direct connection of the ministry and the oversight to WCLC. So that's 4 and 5.

[15:15]

**The Chair:** — Ms. Atkinson.

**Ms. Atkinson:** — Another question to the Provincial Auditor: are the other auditors from the other provinces that are part of the Western Canada Lottery, are they doing a similar type of process in their jurisdictions?

**Mr. Wendel:** — With respect to membership on the board of Western Canada Lottery Corporation, it's government officials . . .

**Ms. Atkinson:** — No, with respect . . . I mean, I suspect every province that is part of this agreement would have a similar situation in terms of Western Canada Lottery. So I'm wondering, are the three provincial auditors that represent this agreement, are they talking to each other about what they're doing to deal with this whole issue?

**Mr. Wendel:** — Recently there has been some discussion with Alberta as to whether we would go in together. That's the last discussion we had.

**Ms. Atkinson:** — And what about . . . Manitoba's part of this too.

**Mr. Wendel:** — Yes.

**Ms. Atkinson:** — Right.

**Mr. Wendel:** — I've had no discussions with Manitoba yet.

**Ms. Atkinson:** — Okay. Thank you.

**The Chair:** — Just to clarify, and my apologies if it . . . Sorry, Mr. Wendel.

**Mr. Wendel:** — I'm not thinking we're going to be going directly into Western Canada Lottery Corporation, we would be working through the appointed auditor, because they already have an auditor. We'd be looking at their audit plans making sure they've covered the things we think are important, because sometimes they're not the same in the private sector, when they're private sector auditors, as public sector. So we say, we need these things covered off. We make sure that's in their audit plan. We go back, make sure they've carried them out and

look at what they found. And that's how we deal with it.

**Ms. Atkinson:** — I guess I'm trying to think of how to expedite the situation. You've got Manitoba, Saskatchewan, and Alberta that are part of this agreement. You have three different provincial auditors. You have a private sector auditor that has been auditing Western Canada lotteries for decades, no doubt.

And so I'm curious to know are other provincial auditors, do they have the same concerns as you do? And obviously you've talked to Alberta, but you haven't talked to Manitoba. And I'm just wondering, from a process point of view, do we have three provincial auditors saying similar things to the oversight ministry in each of their jurisdictions, that they're worried about how this corporation is being run, given what happened in Ontario? So is Western Canada lottery going to have every government coming at them with their auditor, their ministry, trying to deal with this situation?

**Mr. Wendel:** — I'm not sure how Alberta would operate in this or Manitoba, whether they'd want to do the work directly or what they would want to do. I can't speak for them, but I do know how we operate. We do also get reports from Western Canada Lottery Corporation for the Saskatchewan Liquor and Gaming Authority, where they provide reports on their controls to make sure the slot machines or the VLTs [video lottery terminal] are operating properly in the province.

So there is a relationship to an extent with the auditors of the VLTs.

**The Chair:** — Mr. Langen.

**Mr. Langen:** — Thank you. Saskatchewan has a bit of a unique position in that we've designated a not-for-profit organization, which is a little bit different across Canada. The best example I know of course is Alberta, next door. They have a similar to an SLGA-type relationship, and so they have a director or an equivalent to a director at SLGA that sits on the board of WCLC. So they come at it from a different perspective.

**Ms. Atkinson:** — And Manitoba?

**Mr. Langen:** — Manitoba, I believe, is very similar to Alberta. So there's less of an issue. Now the only . . . It's been more the ombudsman that rang the bell a bit in Ontario. And so WCLC in Manitoba, which is where their head office is, very quickly met with all three provincial ombudsmen and has made sure that they've been well informed. And so I think we might be the only province where our Provincial Auditor has provided us with some recommendations on oversight and stewardship. I think mainly that comes out of the fact that we're in a bit of a unique position.

**Ms. Atkinson:** — Thanks.

**The Chair:** — Just back to items 4 and 5, and these probably were already answered very clearly, but I just want to make sure I understand them for certain. And that's that the reports on public compliance — and I note that it was mentioned that the commitment is there for that to be done in an annual report — so that would certainly comply with item no. 5 to the public.

With respect to item no. 4, in regular reporting back to senior management, if this was maybe already spoken to, I apologize. But what's the ministry's plan for regular reporting of compliance?

**Ms. Young:** — We have made the commitment toward regular reporting in two ways: with the stewardship body that we have now, so they're reporting to that body; and then Mr. Langen, who will be sitting on that body, to myself. And so those commitments are in place, and they will become part of our renewed lottery stewardship manual. We do have one now, but the manual is being updated and made more comprehensive.

**The Chair:** — Thank you. At this point I'd entertain a motion on either both of those or done separately.

**Mr. Chisholm:** — I'd be prepared to make the motion that on both 4 and 5 that we concur with the auditor's recommendation and note progress.

**The Chair:** — Recommendation or motion put forward by Mr. Chisholm to concur and note progress. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's agreed. The piece out of recommendation no. 6, to “. . . make public a list of persons who have received public money from the Western Canada Lottery — Saskatchewan Division Inc. and Sask Sport Distributors,” is that something that will be achieved in 2009?

**Ms. Young:** — The response I would give is that potentially yes, after we've had some more clarifying conversations with the Provincial Auditor. We are not clear what this means about who receives public money — if we're talking about a list of names for every individual who are the eventual recipients of money, or is it about the globals or the broader organizations. So we do need to have a bit more conversation with the Provincial Auditor about that. If it is the broader organizations, we can achieve compliance.

**The Chair:** — Would the Provincial Auditor like to weigh in?

**Mr. Heffernan:** — Recommendation 6 refers to the two agencies that we would want the pay list from, and that's Western Canada Lottery — Saskatchewan Division and Sask Sport Distributors. It would not be the globals; it would just be those two organizations. So the payments that they make, if they are above the threshold, the pay lists are normally made. And that's where we'd expect the pay lists to come from.

So for example, employees at . . . Well we'd have to really talk with the ministry more about exactly what specifically, how specifically that they account for this.

**The Chair:** — So I'd entertain a motion at this time of concurrence. Ms. Atkinson moves that we concur with the recommendation. All in favour? Agreed.

And as it relates to recommendation no. 7, I guess looking for a response from the ministry as to their ability to comply with this recommendation in this calendar year and that's that “. . . the Ministry of Tourism, Parks, Culture and Sport give the

Legislative Assembly the annual audited financial statements of Western Canada Lottery — Saskatchewan Division Inc. and Sask Sport Distributors Inc.” [The committee adjourned at 15:26.]

**Ms. Young:** — We are committing to table the financial statements. I’m not sure it’s the calendar year though. I think it may be, is the fiscal year because I think the audit begins next March.

**The Chair:** — Thank you for that answer as well.

**Mr. Chisholm:** — Just a quick question. We’re talking about the audited financial statements as presented by the independent auditors, or as also reviewed at that point by the Provincial Auditor?

**Mr. Wendel:** — It will be reviewed.

**Mr. Chisholm:** — It will be a reviewed statement.

**Mr. Wendel:** — We will have talked to the appointed auditor.

**Mr. Chisholm:** — Okay.

**Mr. Wendel:** — And that report will come forward under that auditor’s signature. We make another report to the Assembly saying here’s all the appointed auditors we work with, we’re happy with what they did and provide that to you once a year.

**Mr. Chisholm:** — Great.

**The Chair:** — Compliance.

**Mr. Chisholm:** — I would concur. Just concur — it hasn’t happened yet.

**The Chair:** — Hasn’t happened yet. Okay. So a motion on the table to concur.

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. At this time without any other questions, I’d certainly like to thank Ms. Young and Mr. Langen from Tourism, Parks, Culture and Sport for taking some time out of a beautiful afternoon here today. And I would offer Ms. Young an opportunity to provide any closing remarks if she wishes.

**Ms. Young:** — No. Just to thank the committee and also to thank Sask Sport who has been a remarkable steward of the lottery system for the past 35 years. And we’ll be working closely with them because of course the audited statements and so forth are theirs, not ours.

**The Chair:** — Okay. Thank you. Well, recognizing that I think it’s more than 30 degrees outside and a beautiful day, I believe the business at hand has been dealt with. I would entertain a motion for adjournment.

**Ms. Ross:** — I so move.

**The Chair:** — Moved by Ms. Ross. All in favour? So moved.