



STANDING COMMITTEE ON PUBLIC ACCOUNTS

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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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: — Welcome this morning to the Standing Committee on Public Accounts. We have a little bit of housekeeping business here before we get to the witnesses that are here before us today. Our primary business here today includes the Provincial Auditor's report 2009 volume 1, various chapters as outlined. Secondly we're going to be looking at the business and financial plan of the Provincial Auditor's office here today.

For any of those that are tuning in at home — and I know this is of great interest to many across the province — they can access the auditor's report at www.auditor.sk.ca and reference all documents in detail that we'll be discussing here today.

Voting members, a quorum is present here today. Voting members that are here today is Vice-Chair Mr. Chisholm, Ms. Ross, Ms. Atkinson, myself as Chair — Trent Wotherspoon — and we don't have any substitutions at this point in time. I'll briefly pass it over to our Provincial Auditor, Mr. Wendel, who can introduce officials that will be with us here this morning from his office.

Mr. Wendel: — Thank you, Mr. Chair. To my left is Kelly Deis who leads our work, almost all the work that you're considering this morning; and Kim Lowe who, over on the side, attends all the meetings and is our liaison person with the committee.

The Chair: — Thank you, Mr. Wendel. We also have with us this morning Mr. Paton from the Provincial Comptroller's office. I'll ask Mr. Paton to introduce his staff with us here today.

Mr. Paton: — Mr. Chair, with me today is Chris Bayda. He's the executive director of the Ministry of Finance.

The Chair: — Thank you, Mr. Paton. Just before we move on to our agenda item here, we have a couple of documents to table, and I guess we should see a motion to approve the agenda as is.

Ms. Ross: — I make that motion.

The Chair: — Ms. Ross. All in favour? Agreed. Table a couple of documents here today. PAC 19/26, Ministry of Finance reporting of public losses for the period from July 1st, 2009 to September 30th, 2009, dated October 30th, 2009. Secondly, we're tabling PAC 20/26, Ministry of Finance reporting of public losses for the period from October 1st, 2009 to December 31st, 2009, dated January 29th, 2010.

And I'd also like to reference and advise committees that other documents have been referred to this committee. Several documents have referred at this point. I'd like to mention specifically: the 2009 report of the Provincial Auditor volume 2, referred September 22nd, 2009; the Ministry of Finance Public Accounts 2008-2009, volume 2, referred October 7th, 2009; and a document that we'll be considering here today, the Provincial Auditor's business and financial plan for the year ended March 31st, 2011, referred November 26th, 2009.

Is there any questions on what's been tabled or referred? At this point, I would welcome Mr. Dedman, deputy minister of Government Services, and I would ask Mr. Dedman to introduce his officials before we turn it over to the auditor to make presentation.

Ministry of Government Services

Mr. Dedman: — Thank you. Thank you, Mr. Chair. On my left is Debbie Koshman, assistant deputy minister of corporate support and services; to my right is Todd Godfrey, who's director of project management; and behind me Shelley Reddekopp, director of financial services; Helen Huber, executive director financial management; Greg Lusk who's the executive director of commercial services; and Al Mullen, executive director of asset management.

The Chair: — Thank you, Mr. Dedman. We'll now call upon the Provincial Auditor's office to present their chapter, specifically chapter 6 from volume 1 of the Provincial Auditor's report 2009, chapter 6, Government Services. I'll turn it over to the auditor's office.

Mr. Deis: — Good morning, Mr. Chair, members, and officials. Chapter 6 of the Ministry of Government Services begins on page 81 of our report. In this chapter we report on an audit we did to assess whether the ministry had adequate processes to maintain its buildings for the 12-month period ended December 31st, 2008.

The ministry is responsible for all matters relating to public works, including the responsibility to maintain buildings. The ministry owns approximately 800 000 square metres of space in 476 buildings.

The buildings the ministry owns include provincial office buildings, highway storage and repair buildings, health care facilities, technical schools, museums and art galleries, correctional centres, laboratories, courthouses, and historic properties. The value and condition of buildings changes over time due to physical deterioration. The consequences of not carrying out adequate building maintenance and repairs are lost asset value, poor quality of working space, potential health and safety problems, and the probability of higher repair costs in the future.

We concluded the ministry did not have adequate processes to maintain its buildings for the 12-month period ended December 31st, 2008, and we make five recommendations. Our first recommendation is on page 86. We recommend the ministry establish and implement processes to ensure the information on its buildings is accurate, complete, and available. Our second recommendation is on page 88. We recommend the ministry approve adequate maintenance plans for all the buildings the ministry owns. Our third recommendation is also on page 88. We recommend the ministry sign adequate agreements with its clients that describe each of the parties' responsibilities.

Our fourth recommendation is on page 89. We recommend the ministry have processes so that maintenance is effectively carried out on all of its buildings. Our fifth recommendation is also on page 89. We recommend the ministry provide senior

management adequate reports to monitor the process to maintain its buildings. And that concludes my overview.

The Chair: — Thank you, Mr. Deis. Mr. Dedman, would you care to respond on behalf of the ministry?

Mr. Dedman: — Thank you, Mr. Chair. I will take a moment or two to address the specific recommendations for the ministry that were contained in the auditor's report. First the auditor recommended that Government Services implement processes to ensure that the information on buildings is accurate, complete, and available. And what we've implemented since we've received this report is we are documenting processes to ensure consistency in estimating replacement costs of buildings. We are reviewing the replacement value and the deferred maintenance of buildings on an annual basis and updating data for complete projects as soon as the information becomes available.

The Provincial Auditor also recommended that we approve adequate maintenance plans, sign agreements with clients, and ensure that appropriate maintenance is carried out for all of its owned buildings.

The ministry has a preventative maintenance plan which includes major maintenance and capital on all of our buildings, all of our own buildings, for amounts that are over \$5,000. But it does not have formal plans for those buildings where other ministries are reported responsible for maintenance under \$5,000. We're in the process of developing agreements with those ministries to clarify each party's responsibilities. These agreements will establish maintenance requirements as recommended by the auditor, and client ministries will be asked to report progress on required maintenance.

Another recommendation was that senior management be provided with adequate reports to monitor the process to maintain its buildings. Senior management currently receives itemized reports on major maintenance and on critical incidents. Minor maintenance expenses are tracked and reviewed by regional directors but are not currently reported on a project-by-project basis to senior management. The ministry's in the process of reviewing options for bringing reporting of minor maintenance to all management levels. And as I mentioned, senior management does and will continue to receive reports on any critical incidents or issues.

In conclusion, this is a process that was helpful for us and we appreciate the role of the Provincial Auditor. I'd be pleased to answer any questions.

The Chair: — Thank you. I in turn open the table to committee members. I'll also mention that Mr. D'Autremont has joined us this morning as a voting member as well.

Ms. Atkinson: — Mr. Chair, I'd be interested in . . . And maybe the Provincial Auditor can help me with this. Approximately what value is placed on the 476 buildings where the province owns 800 000 square metres of space?

Mr. Deis: — That'd be a question better referred to the ministry specifically.

Mr. Godfrey: — That's \$2.1 billion.

Ms. Atkinson: — \$2.1 billion?

Mr. Godfrey: — Yes.

Ms. Atkinson: — And a whole year has passed since basically the audit was done. Are there any signed agreements that have been entered into by the ministry in terms of the people who are subletting these buildings or managing these buildings? Are there any signed agreements whatsoever?

Mr. Dedman: — What we did . . . A number of these buildings are in the corrections system. So we have entered into a pilot project with the Regina corrections centre where we are doing the maintenance, the minor maintenance. And the plan is, if this works well, we will work to take over the maintenance in all of the correction centres.

Ms. Atkinson: — Okay. For example, there is some indication that the ministry has a facility that's operated by a third party in Swift Current. Has there been an agreement entered into by the ministry with the Swift Current client?

Mr. Dedman: — No, I don't believe we have.

Ms. Atkinson: — One of the recommendations of the auditor is that the ministry needs to sign adequate agreements with its clients that describe each of the parties' responsibilities. Is there some work being done in this area?

Mr. Dedman: — Yes, there is.

Ms. Atkinson: — And can you describe in a little bit of detail what work is being done?

Mr. Dedman: — Yes. The amounts we're talking about here are for minor maintenance under \$5,000. So what we're trying to do is get a format that we can work with the various ministries to help them identify what we think would be adequate requirements to meet the Provincial Auditor's needs. So that is, they have to tell us what they do and then we have to monitor a number of things that they would have accomplished under that agreement.

Ms. Atkinson: — Okay. Now the other thing that the Provincial Auditor indicated is that there's four different computer systems that describe what's happening with various buildings throughout the province. Has there been any work done to try and get a more complete picture on the state of our capital facilities?

Mr. Dedman: — Yes. The challenge we have are the four systems do not talk to each other. So we have to go through the process and attempt to make sure there are no disparities in the information across the four systems.

Ms. Atkinson: — When do you think that you'll have completed going through the system and have a more complete picture? Should we be able to see this when the Provincial Auditor next reports?

Mr. Dedman: — Well I think there are a couple of things. One

of the issues that's in the report is the Regina Correctional Centre. In our way of doing things, until the old wing was demolished we didn't take it off our system. Now that has been demolished and it is out of that process. I think our system of cross-checking is more or less in place so that certainly by the next audit process we would hope that there would be very few, if any, discrepancies between the systems. However, there is always a timing issue because this is kind of manually fixing.

[10:15]

Ms. Atkinson: — Right. One of the observations of the auditor on page 85 is:

The Ministry does not have processes to ensure the information in each system is accurate, complete, and comparable. As a result the Ministry may not [and I note the word may, may not] have adequate, readily available information to make informed decisions about its buildings.

So I guess what I'm trying to understand is when will we turn that may into a different word. Is it a year from now? Two years from now? Three years from now? Four years from now? Like what is your timeline?

Mr. Dedman: — Well I think we're doing it now, in terms of keeping the systems, having comparable information in the systems. I don't know when we could say we would have one system or two systems as opposed to four systems because the systems are there kind of for different purposes.

There's one that really focuses on minor maintenance. There's one, the provincial MIDAS [multi-informational database application system] system, and then the other two are more for we use for planning. Ideally we would like to be in a position to reduce, again to reduce by one or two systems, or to certainly have one system that would . . . so when you entered the information it's always there. That part isn't in the foreseeable future for us.

Ms. Atkinson: — Okay. Just to be clear, I'm not suggesting that we go to one system. What I'm suggesting is that we need to understand what information is available in each of those systems so that we have a more complete picture. And so I think that's what the Provincial Auditor is saying.

Maybe I could ask the Provincial Auditor this. What would be an appropriate timeline to have information that is complete, accurate, comparable, and available? Is it a year? And I realize it takes time to sort of sort through these issues. But is it a year from now, two years from now, three years from now?

Mr. Wendel: — I want to make sure I understand the question.

Ms. Atkinson: — Sure.

Mr. Wendel: — Are you suggesting we should say how soon they should have this corrected so that they have the information? Or are you asking, when do they need this information to make decisions?

Ms. Atkinson: — Sort of both. Okay, both. Because one of the

things I note is that, you know, over the years the Provincial Auditor makes recommendations. Ministries come back, you know, not a lot of progress has been made. And I think that we need to start looking at results-based decision making.

So I'm interested in knowing what would be a adequate timeline to accomplish this, to remedy this observation so that we have complete information. That's what I'm interested in knowing.

Mr. Wendel: — Well one of the things we do to report back to this committee about the progress of officials is we categorize the recommendations into those that we think could be done within a year or 18 months and those that may take up to five years to get corrected.

So this one I understand would be somewhere between . . . Depends what you wanted to do to correct it. It could be a five-year process. If you're trying to change all your computer systems, it could be a long process. You've got to get the money. You've got to do this and that. Or if you're going to just try and work with the systems you have, well you might be able to have this corrected in 18 months and have information available to make your business decisions, do your business.

So I think we're still working on this. We'll be reporting back on this — if the committee accepts this recommendation in our reports to you — how we're making progress on these recommendations.

Ms. Atkinson: — Okay. Thank you.

The Chair: — Mr. D'Autremont just has a question. Sorry. Mr. Dedman would like to respond and then I'll . . .

Mr. Dedman: — Just to be clear on that part of the four systems, we are doing that now. On an annual basis, we're cross-checking our four systems to make sure the information is compatible across the board. And I think that was what the concern of the Provincial Auditor was. If they looked at the same asset in two different systems, they found some discrepancies between the information in one system and another. So we're manually going through that. So we're doing that now.

Ms. Atkinson: — Thank you.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Okay, thank you. Welcome to Mr. Dedman and the officials here today. The tracking system for the buildings, how long has that been in place, the four systems?

Mr. Godfrey: — The MP2 system that we use to track minor maintenance is about 15 years old. Terry, you'd probably have a better idea of how old MIDAS is.

Mr. Paton: — It's been in place for about five or six years, the financial system.

Mr. Godfrey: — We have a ReCAPP [renewal capital asset planning process] system that's about six years old, and I'm not

sure about Archibus but it's a little bit older than ReCAPP. It's kind of in the middle.

Mr. D'Autremont: — So seven.

Mr. Godfrey: — Ten years.

Mr. D'Autremont: — So over this five to fifteen years that these systems have been in place, have you found or has the Provincial Auditor found where it's caused any difficulties?

Mr. Godfrey: — Well each of the system does what it's supposed to do. So the MP2 system sends out work orders for minor maintenance. The ReCAPP system helps us plan capital asset investments in the future. The MIDAS system tracks the original building cost and the depreciation over time. And the Archibus system helps us charge out for that space to our client ministries.

I wouldn't think that there's any particular problems from our perspective in terms of what it is each of those systems is trying to do.

Mr. D'Autremont: — Thank you. So it's really a question of that, over time, four separate systems have been put in place and now the Provincial Auditor is recommending that at some point in time you move to one or perhaps two systems that will accomplish all of these tasks. Is that the case?

Mr. Dedman: — I don't think the Provincial Auditor is recommending that. It would be our . . . It would simplify our life if there was one system that could kind of carry all of these things because then, when you enter once, it's entered and used across the board. Because of the different uses these are put to, as . . . Obviously systems change and whatever, but there was never a system that could do things to the degree that the four separate systems do. And that still is the dilemma now is, can we get the same degree of detail if we put the minor maintenance into one of the other systems? And so far we don't think there are, but it certainly would be our wish to do that if we could.

Mr. D'Autremont: — Well it's always been my experience with computers and trying to care for systems is that you build it based on the capabilities you have today. But tomorrow you discover that, why didn't I do this with it? Because you have two questions now rather than just the one you were trying to answer. You discover that the system has the potential to do something more but not necessarily the capability because you only built it for the first question. So it's probably worthwhile to look at trying to move ahead, but currently we're stuck with the systems that were put in place five to fifteen years ago.

Mr. Wendel: — Just for clarification, I'm not recommending they build one computer system. I'm just recommending that they keep the records accurate, whatever they've got.

The Chair: — I think at this time, if we can maybe look at these individually unless there's some other specific questions. Certainly we've heard, I believe, recognition from the deputy minister and from the ministry with respect to each of these recommendations. And certainly I believe there was aspects of improvements or focusing around records and reporting and

specifically a bit of a pilot aspect there. We can deal with these individually.

I don't want to assume too much as Chair, but I believe there's progress on most fronts. Of course this is something that this committee will continue to track, as will the auditor. So I would maybe seek a motion from the committee at this time to — if I'm trying to read committee members — of concurrence and noting progress on no. 1.

Mr. Chisholm.

Mr. Chisholm: — I would move that on no. 1 we note concurrence with the auditor's recommendation.

The Chair: — And do we note some of the progress in the review of records keeping?

Mr. Chisholm: — My motion would be that we agree with the recommendation.

The Chair: — Okay, so the motion by Mr. Chisholm is to agree with the recommendation. All in favour? Agreed with recommendation no. 1 of chapter 6 of the Provincial Auditor's 2009 volume 1 report.

Moving on to no. 2.

Mr. Chisholm: — I would move that we note concurrence with the auditor's report recommendations.

The Chair: — Motion to note concurrence. All agreed?

Some Hon. Members: — Agreed.

The Chair: — It is agreed that this committee agree with the recommendation no. 2 of chapter 6 of the Provincial Auditor's report 2009 volume 1 report.

I would seek motion on, or question, as it relates to no. 3.

Mr. Chisholm: — I have a question as it relates to no. 3.

The Chair: — Sure.

Mr. Chisholm: — You had mentioned that specifically in dealing with the Regina correctional that there had been some changes made. Had there been a specific written agreement as . . . Like it's asking for adequate agreements with clients. Would that represent an adequate agreement with a client as far as you're concerned?

Mr. Dedman: — It's my understanding either we take over the maintenance or we sign agreements to make sure that the ministry provides adequate maintenance that we can monitor. So in the case of the Regina Correctional Centre, we are piloting actually taking over the maintenance. It's our people that are there and we have a good working relationship with Corrections and they have an interest in expanding this if we can make it work here.

And the important thing is, this is \$5,000 and under. Everything over \$5,000 we already do on these buildings.

The Chair: — With no other questions on no. 3, I would seek a motion from the table.

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

The Chair: — Mr. Chisholm moves that we concur. All agreed?

Some Hon. Members: — Agreed.

The Chair: — Was that an agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. It is agreed that this committee concur with recommendation no. 3 of chapter 6 of the Provincial Auditor's 2009 volume 1 report.

Moving on to recommendation no. 4. Looking to committee members for questions or a motion.

Ms. Atkinson: — I have a question.

The Chair: — Yes.

Ms. Atkinson: — The 105 buildings that have been delegated but the ministry doesn't know whether or not preventative maintenance was carried out, do you now know whether or not preventative maintenance was carried out on those 105 buildings?

Mr. Dedman: — No.

Ms. Atkinson: — You still don't know.

Mr. Dedman: — No.

[10:30]

Ms. Atkinson: — Okay. And what sort of processes are you looking at implementing in order that you will know in the future?

Mr. Dedman: — Well 39 buildings out of that group are Corrections Centre buildings.

Ms. Atkinson: — Okay.

Mr. Dedman: — Quite a number of them are storage sheds, so we've sort of sliced and diced the list to identify where they are and then we're working on appropriate ways to handle the different sort of groupings in those 105 buildings.

Ms. Atkinson: — Okay, thank you.

The Chair: — Thank you, Ms. Atkinson. Looking for a motion from the . . . Certainly I think we would assume that we would concur. Sure. Thank you. Ms. Ross.

Ms. Ross: — Since, as you said, 39 were Corrections, so then will they have different schedules based on the type of group that they're in? Is that your plan?

Mr. Dedman: — Well at different ministries, you know, we'll group them by ministry.

Ms. Ross: — Right.

Mr. Dedman: — And the types of buildings and depending on, if they're unmanned storage sheds, then the standards would . . .

Ms. Ross: — Right.

Mr. Dedman: — Be different than if they're buildings that people occupy on a regular basis.

Ms. Ross: — Excellent. Thank you.

The Chair: — Is a committee member prepared to place a motion as it relates to recommendation no. 4?

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

The Chair: — Mr. Chisholm moves that we concur with the recommendation. All in favour?

Some Hon. Members: — Agreed.

The Chair: — It is agreed that this committee concur with recommendation no. 4 of chapter 6, Government Services, of the Provincial Auditor's 2009 volume 1 report. We're closing off with the last recommendation, no. 5. Questions or motion. Mr. Chisholm.

Mr. Chisholm: — Is that in fact happening, that the recommendation was that the Ministry of Government Services "provide senior management adequate . . . [records] to monitor the process to maintain its buildings." Do these senior management have access to this information?

Mr. Dedman: — Well what this speaks to is for maintenance under \$5,000. And so we have, senior management has all of the information on above \$5,000, major maintenance and capital. It's how we flow this under \$5,000 information forward.

And the Provincial Auditor suggested that if we establish some performance measures, that that might be a way that we can, that we could flow the critical parts of this information forward. So at the moment, we can't meet this requirement, but we're looking at the performance measurement side and the reporting side to find a way to meet this. But I just want to make clear that it's under \$5,000. And on a day-to-day basis, we have our field people that are on top of that. It's just that it doesn't flow up to senior management.

The Chair: — Ms. Atkinson.

Ms. Atkinson: — I note, Mr. Dedman, that you refer to maintenance under \$5,000. Can you tell me what your budget is for anything under 5,000 or is this all done by your clients?

Mr. Godfrey: — For the buildings that we perform minor maintenance on, it's \$4 million a year.

Ms. Atkinson: — Four million? And that represents how many buildings? Three hundred and . . .

Mr. Godfrey: — Four seventy-six, I believe, at the time of the report.

Mr. Dedman: — But the 105 are not included.

Ms. Atkinson: — So 300-and-some odd buildings.

Mr. Dedman: — Yes.

Ms. Atkinson: — One hundred and five not included. Do you have any sense of what the clients might pay for those 105 buildings in terms of maintenance?

Mr. Dedman: — We don't have a hard number on that. It varies though a lot between what you would have for maintenance, say in the 39 — or whatever it is — Corrections buildings and in the highway maintenance buildings or in the highway storage sheds for example.

Ms. Atkinson: — Okay. Thanks.

The Chair: — I would seek a motion at this time.

Mr. Chisholm: — I would move that we concur with the auditor's recommendation.

The Chair: — Consistency's the order of the day, and Mr. Chisholm moves that we concur. All agreed?

Some Hon. Members: — Agreed.

The Chair: — It is agreed that this committee concur with recommendation no. 5 of chapter 6, Government Services, of the Provincial Auditor's 2009 volume 1 report.

At this point in time, this brings to a close questions for Government Services. I would invite, however, deputy minister Mr. Dedman to make any final closing statements.

Mr. Dedman: — Yes. I just think that I'd like to say that, you know, this process of having outside scrutiny of how we do business is helpful to us. And I guess it keeps us focused on some of the things that are long term and important. So we appreciate the role of the Provincial Auditor in this.

The Chair: — And thank you, Mr. Dedman, for yourself and your officials for attending here today. We'll recess for two minutes. And up next we'll have Saskatchewan Research Council.

[The committee recessed for a period of time.]

Saskatchewan Research Council

The Chair: — We'll reconvene at this point in time. I would urge anyone tuning in at home to reference all documents at www.auditor.sk.ca that are being considered here today. Before us at this point in time are Mr. Schramm, president and CEO [chief executive officer], and Ms. Smudy, CFO [chief financial officer] from the Saskatchewan Research Council. We thank

you for coming before the committee here today for consideration of chapter 12 of the Saskatchewan Research Council within the Provincial Auditor's 2009 volume 1 report. We'll turn it over to the auditor at this point, Mr. Schramm, and then we'll return to you for response to the presentation.

Mr. Deis: — Good morning Chair, members, and officials. Chapter 12 of Saskatchewan Research Council, SRC, begins on page 149 of our report. In this chapter we report on an audit we did to assess whether SRC's board used adequate risk management processes as of February 15th, 2009.

SRC's purpose is to assist Saskatchewan industries to be globally competitive through the responsible application of science and technology. SRC, by effectively managing its risk and achieving its objectives, can positively influence Saskatchewan's economy and social prosperity. We concluded that as of February 15th, 2009 the SRC board used adequate risk management processes, except for monitoring both the causes of risks and risk management outcomes.

We make two recommendations. On page 155 we recommend the SRC board require management to record identified causes of risk to aid in effective and economical risk management. On page 159 we recommend the SRC board monitor outcomes related to priority risk to enable timely response.

We do know that risk management can be challenging. SRC is establishing strong risk management processes that we believe other agencies may find useful. That concludes my overview.

The Chair: — Thank you. I'll turn it to Mr. Schramm and to officials here today.

Mr. Schramm: — Thank you, Mr. Chair. SRC has been managing risk for 63 years now since our inception in 1947. As a company with diverse lines of business, we manage thousands of risks every day.

What's new and what is improved at SRC, and in many business globally over the last few years, is the systematic management of risk that is linked to strategy and coordinated across the whole company. This new approach is called enterprise risk management, or ERM, and is a framework that helps management and a board of directors to systematically identify, assess, and manage risks. It also gives management and the board a common language and framework for discussing those risks.

SRC began the ERM journey in 2006, using as a basis the Australian/New Zealand 4360 standard which is now being adopted into an international standard. At SRC our enterprise risk management system is now operational, and we continue to sustain our system while steadily improving our processes and tools — a task which will no doubt go on forever.

With regard to the audit, we identified to the auditors in advance that we were still working on establishing some of these features and that they would find, during their audit, there were a few areas that had not yet been fully developed. As you heard, the audit team did in fact find some areas that were not fully developed and recommended we continue working to complete them. We agreed.

Since the time of the audit, significantly more work has been completed. We've ensured that all areas identified for improvement by the auditors have now been completed and incorporated. When the Provincial Auditor's staff presented their audit findings to SRC's board's audit finance committee in June of 2009, they commended management for the ERM system we have implemented.

As we sit today, as with any corporate initiative at SRC once completed, we moved to continuous improvement. We're continuously making improvements as we learn to walk the walk and actually live our enterprise risk management system. For us, I think the most significant aspect of implementing ERM has been the culture change that has occurred and continues to evolve.

As I said, although we've always managed our risks, our employees at all levels of the company are now much more aware of and much more attuned to the risk facing their particular part of the organization. And the quality of our conversations about risk, from the labs and pilot plants all the way up to the board of directors, has improved substantially.

Although the systems and processes in ERM are important, we actually think it's the culture change that's going to continue to have the greatest impact on our company and be the most enduring positive improvement. Thank you.

The Chair: — Thank you very much. At this time I would turn it over to questions from the committee.

Mr. Schramm, you've highlighted then that you've concurred as an organization that you've recognized the, I guess, deficiencies that may have been pointed out by the auditor. And I believe I heard that you feel you've implemented a plan that has responded to these recommendations. Is that correct?

[10:45]

Mr. Schramm: — Yes. We were already working on the specific tasks, but they were not complete, as was pointed out. And we've now completed that work, not to the point that a job is ever done, but we feel we've substantially accomplished the tasks that were in front of us. And now we're trying to work on how to make the system better.

The Chair: — From your perspective — and of course the auditor follows up as well, for peace of mind for those tuning in — do you feel that compliance has been achieved on both fronts for both recommendations?

Mr. Schramm: — Yes, we do. And we realize the audit team will look at this, as they always do in due time, to see what's been done subsequent to their last visit. And now that we feel we've substantially completed the program, we look forward to the opportunity to see if they identify some new things with their outside perspective that we may not have thought of. And that should provide an opportunity for more improvement. But we do believe we've completed the tasks that were identified.

The Chair: — Thank you for those answers. I would seek motion from the committee as it relates. And certainly I believe that we're concurring, and I think we might be able to note

compliance.

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

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed. It's agreed that this committee concur with . . . Now let me just . . . We had kind of grouped together those recommendations, and I want to make sure I understand what we're dealing with. Were we dealing with both recommendations in that motion?

Mr. Chisholm: — No. 1.

The Chair: — No. 1. Okay. Perfect. It's agreed that this committee concur with recommendation no. 1 of chapter 12, Saskatchewan Research Council, of the Provincial Auditor's 2009 volume 1 report and that we note compliance. I would now seek motion for the second recommendation.

Mr. Chisholm: — I would recommend that we comply with the auditor's recommendation and note progress. To me it's an ongoing . . .

The Chair: — The motion is to concur with the recommendation and note progress. All in favour?

Some Hon. Members: — Agreed.

The Chair: — Agreed. It's agreed that this committee concur with the recommendation no. 2 of chapter 12, Saskatchewan Research Council, of the Provincial Auditor's 2009 volume 1 report and note progress. I have a question I believe, or a comment, from Ms. Atkinson.

Ms. Atkinson: — Just an observation. I want to congratulate the Saskatchewan Research Council which obviously, based on what the Provincial Auditor has said, is ahead of the pack when it comes to risk management and risk compliance. And I think that's a real tribute to the board and management at SRC and to the people who work there.

And I note that this isn't something that happened overnight. This has been an ongoing process for the last . . . looks like we're well into the fifth year of this. And I'm particularly interested in the Provincial Auditor suggesting that other organizations in government might want to look at the SRC in terms of the processes that they've implemented to deal with risk management effectively.

The Chair: — Thank you, Ms. Atkinson. And certainly we would thank officials for coming before us here today, and ask Mr. Schramm if he has any closing comments.

Mr. Schramm: — Just thank you to the Provincial Auditor's office who we have a good working relationship with and are always seeking to learn more from, and all the members of the committee. Thank you.

The Chair: — Thank you. At this time we'll recess and

reconvene in about 10 minutes with Corrections, Public Safety and Policing.

[The committee recessed for a period of time.]

Ministry of Corrections, Public Safety and Policing

The Chair: — Thank you. We'll reconvene at this point in time the Standing Committee on Public Accounts. We've had a couple other voting members join us, just by way of introduction, Mr. Stewart and Mr. Michelson. Thank you for joining us here today.

We're now going to consider chapter 3, Corrections, Public Safety and Policing as part of the Provincial Auditor's volume 1, 2009 report. I will ask Deputy Minister Hilton to introduce his officials. And at that point in time, we'll turn it over to the auditor and allow time for presentation. Mr. Hilton can respond at that point.

[11:00]

Mr. Hilton: — Thank you, Mr. Chair. To my right is Mae Boa, the assistant deputy minister responsible for corporate services and public safety, and on my left is Murray Sawatsky, the executive director of our policing services division.

The Chair: — Thank you, Mr. Hilton. I'll turn it over to the auditor's office.

Mr. Deis: — Good morning, Chair, members and officials. Chapter 3 of the Ministry of Corrections, Public Safety and Policing begins on page 31 of our report. The chapter describes the results of our audit of the ministry for the year ended March 31st, 2008 including the results of our work on managing for results, as well as the ministry's processes to monitor provincial policing services delivered by the RCMP [Royal Canadian Mounted Police]. We make 12 new recommendations for the ministry.

Our first new recommendation is on page 35. We recommend the ministry work with law enforcement agencies to ensure a voluntary payment option on issued tickets is consistent with the law.

Our second new recommendation is on page 36. We recommend the ministry properly segregate the duties of employees to ensure the same employee cannot initiate payments and approve the same payment. This has now been corrected.

Our third recommendation is on page 37. We recommend the ministry follow its policy for its internal audit function to focus on the activities where the ministry is at greatest risk.

Our fourth recommendation is also on page 37. We recommend the ministry sign an adequate agreement on disaster recovery and security with the Information Technology Office.

Our fifth recommendation is on page 38. We recommend the ministry prepare strategic and operational information technology plans that link to its strategic business objectives. This has now occurred.

Our sixth recommendation is also on page 38. We recommend the ministry adequately monitor the security of its information technology systems and data.

Our seventh recommendation is on page 40. We recommend the ministry make an agreement with the Public Service Commission for providing payroll services. This has now been done.

Our eighth recommendation is on page 44. We recommend the ministry establish an adequate provincial policing services agreement with the RCMP that includes performance targets to measure progress towards planned objectives, allows for verification that costs by the RCMP for provincial policing are accurate, records adequate written explanations of differences between planned and actual results, describes processes for resolving disputes.

Our ninth recommendation is on page 45. We recommend the ministry ensure it communicates to the RCMP in writing its provincial policing service level objectives and priorities each year.

Our tenth recommendation is on page 46. We recommend the ministry obtain regular reports from the RCMP on progress towards service level objectives and priorities including explanations of the difference between actual and planned results.

Our eleventh recommendation is on page 46. We recommend the ministry verify the costs charged by the RCMP for provincial policing are accurate.

Our twelfth recommendation is on page 47. We recommend the ministry identify and treat all significant risks to police service delivery by the RCMP.

We also repeat three recommendations that your committee previously agreed with that are not yet implemented. And that concludes my overview.

The Chair: — Thank you, Mr. Deis. Deis?

Mr. Deis: — Deis.

The Chair: — Deis. Okay. And I'll turn it back to Deputy Minister Hilton to respond.

Mr. Hilton: — Thank you, Mr. Chair. First of all I guess I should express some appreciation for the work of the Provincial Auditor — tough job. And I think we have a very good relationship and we work well together. And we take the recommendations seriously. And the report is really a helpful guide to us in terms of identifying areas where we need to improve.

Overall the auditor's report for the period ended August 31, 2008 identified that the ministry had adequate rules and procedures to safeguard public resources and that it complied with its respective authorities, save for a few key findings. I guess most significantly was the finding that we need to do further audit work on the processes that we use to monitor our policing services agreement with the RCMP. And I'm happy to

say that corrective action is completed or under way on virtually all the items identified in the Provincial Auditor's report. So with those very brief observations, I'll be more than happy to take any questions.

The Chair: — Thank you, Mr. Hilton. Questions from committee. Ms. Atkinson.

Ms. Atkinson: — And maybe we want to go through it recommendation by recommendation.

The Chair: — Since we have numerous recommendations, I think that would be a good way of focusing our energy.

Ms. Atkinson: — Okay. Why don't we do that because mine are under basically the RCMP.

The Chair: — Well should we start then with item no. 1, the first recommendation? Do we have questions from committee at this point in time? This is as it relates to the voluntary payment option on issued tickets, making sure that's consistent with the law.

Mr. Chisholm: — Perhaps you'd like to comment on what has transpired since the date of the audit in regards to rectifying at least some of this problem situation.

Mr. Hilton: — There's about five pages of actions that we've taken with respect to the various recommendations. I mean I'd be happy to read that into the record if people wanted to do that. It'll take quite a bit of time though.

Mr. Chisholm: — Well I think from my point I'd just like to be able to note, obviously the recommendation is well founded by the auditor's office. And if we have made progress or if we have accomplished the task or if we're somewhere in between, that would be the direction that I would like to get from yourself.

Mr. Hilton: — Well I think that I can report — and, Mae, interrupt me if I misspeak — I think it's fair to say that of all the issues the Provincial Auditor's identified, corrective action has been taken on all of them or is being taken.

So for example, if you look at recommendation no. 1 around the tickets, we continue to work with our Justice partners who are responsible for the actual revenue, and we continue to work with the police. And in many ways it's a training issue. And my officials sit down with the police and Justice officials to identify what needs to be fixed. And those kinds of relationships and processes are in place.

Murray, you may want to speak more to that if I'm missing anything significant.

Mr. Sawatsky: — No. No, Al. I could only add more particulars as to what exactly is taking place, but certainly you've covered it.

The Chair: — Focusing then on no. 1, you've talked about some of the actions. I think you identified some of the response to Mr. Chisholm's question. Is there a timeline as far as meaningful compliance with the auditor's recommendation?

Mr. Hilton: — I think it's one of those things that'll be ongoing. Are we ever going to get it perfect? Probably not. So it's about relationships, and it's about working with the police and Justice partners. It's about their training. And we work hard to improve in that area. Murray, is there anything you want to add in terms of very specific things that we may have done?

Mr. Sawatsky: — Yes, I can add perhaps two specific things that may help the committee, Mr. Chair. And first I would suggest is that when this issue was identified, we worked with our Justice colleagues to bring it to the attention of the chiefs of police association and received a commitment from the RCMP portion and the municipal police portion of the committee that they would put quality assurance processes in place to try and monitor and track tickets to avoid errors if possible. They also recognized that of course it's a resource commitment on their part, so they would do what they could within existing resources. So as the deputy minister mentioned, it is a training issue as well as a quality assurance issue.

I think the second thing is that the chiefs of police continue to work with SGI [Saskatchewan Government Insurance] on e-ticketing, electronic ticketing. And of course once that happens, it becomes much simpler then to deal with inaccuracies because once you make the check, the automatic voluntary penalty, etc., would go into the ticket. So they continue to work towards that happening. So as the deputy minister indicated, it's an evolving process.

The Chair: — Ms. Atkinson.

Ms. Atkinson: — So is the issue here that if you're driving down the highway, you get stopped, you get a ticket for speeding. The RCMP officer issues you a ticket and you voluntarily determine that you're going to pay the fine, but the amount that he or she may have put on the ticket is inaccurate in terms of the offence, is that the issue? And about 12 per cent of the tickets, according to your test, don't comply with the regulations.

Mr. Chisholm: — I would guess that this would not just be the amount of dollars but also whether the right offence was ticked off, whether the right day was on it — a whole number of things. When you're manually filling out a ticket, I guess every one of the boxes could be ticked in the wrong spot. So I think it's a combination of not just dollar value is my understanding.

Mr. Hilton: — That's correct. That's my understanding as well.

Ms. Atkinson: — Is this correct that it's more than just the fine?

Mr. Wendel: — As far as what we're reporting, we're talking about the money.

Ms. Atkinson: — The money. That's what I thought. So 12 per cent had a problem with the money. Okay. I just have a quick question in terms of the fines that the province collects. How much — you know, ballpark — would the province be collecting in voluntary fines? That may be too precise a question.

Mr. Hilton: — I think my Justice colleagues might be in a position to answer that.

Ms. Atkinson: — Okay. So this has some implications for the province. Does the auditor know what this . . . If we were to take this 12 per cent non-compliance with the regulations and look at what that means from a financial point of view, do you have a ballpark number?

Mr. Deis: — What I'd say is that between Justice and Corrections in terms of policing the laws exist, and within the mandate of Corrections is to keep communities safe. So if the laws aren't being correctly enforced by police officers and the fines aren't as mandated by the Legislative Assembly in the laws and in the regulations, then citizens may not choose to keep the communities as safe as we're trying to.

So that's one of the things that this recommendation's getting to. In terms of the dollars, it would be likely several hundred thousands of dollars. But the most important aspect is safety of communities, which is part of the mandate of the ministry.

Ms. Atkinson: — It does sound like a training issue, that people need to be adequately trained in order to issue these tickets I suppose. So I suppose we should just concur with the recommendation and note that the progress will be ongoing.

The Chair: — And there has been changes — just to make sure with the training aspect there — there has been changes on that front?

Mr. Hilton: — I'm led to believe there have been. And I'm led to believe that my officials and Justice officials and the police partners have been meeting often to discuss this issue and try to figure out a way to fix the problem.

The Chair: — With a motion on the floor.

Ms. Atkinson: — I would move that the committee concur with recommendation no. 1 and note that progress is ongoing.

The Chair: — All agreed?

Some Hon. Members: — Agreed.

The Chair: — It is agreed that this committee concur with recommendation no. 1 of chapter 3, Corrections, Public Safety and Policing of the Provincial Auditor's 2009 volume 1 report and note progress.

Ms. Atkinson: — In terms of no. 2, I would concur with the recommendation and note that the auditor reports that this has been corrected or there's compliance.

The Chair: — All agreed with the motion on the floor?

Some Hon. Members: — Agreed.

[11:15]

The Chair: — It's agreed that this committee concur with recommendation no. 2 of chapter no. 3, Corrections, Public Safety and Policing of the Provincial Auditor's 2009 volume 1

report, and note compliance.

Moving on to recommendation no. 3, do we have questions from committee members?

[11:15]

Ms. Atkinson: — I have a quick question.

The Chair: — Ms. Atkinson.

Ms. Atkinson: — Is the internal auditor now meeting? I notice there was . . . The committee didn't meet from January to November 2008 and the internal auditor reported to the executive director of corporate services. Has that been corrected?

Mr. Hilton: — The committee is just being established and we're in the process of hiring a director of internal audit. I should observe I guess that under the shared services arrangement that we have with the Ministry of Justice and Attorney General, they do the audits for both ministries and the assistant deputy minister of corporate services within Justice provides that function for internal audit, including the identification of audit priorities and approving annual audit plans and things like that.

Ms. Atkinson: — I move that we concur with the recommendation.

The Chair: — Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed that this committee concur with recommendation no. 3 of chapter 3, Corrections, Public Safety and Policing of the Provincial Auditor's report 2009 volume 1. Moving ahead to . . .

Mr. Michelson: — Mr. Chairman.

The Chair: — Thank you. Mr. Michelson.

Mr. Michelson: — Could I ask a question on that. It says in the recommendation, follow its policies. Is there some degree of the ministry not following policies and that or is that from a change of staff? I'm kind of curious at why the auditor would have to put in a recommendation that says we should be following policy.

Mr. Hilton: — I'll ask Mae to speak to that.

Ms. Boa: — Thank you. The following policy reference has to do with the establishment of the internal audit committee within our ministry. And so we do have a policy. We're moving on formalizing that to committee now and as our deputy has said, recruitment of a director of audit and quality assurance for our ministry.

Mr. Michelson: — Do you have a time frame on that?

Ms. Boa: — The job description is just being finalized and it's in for classification, so I would suggest very early in the new

fiscal year.

Mr. Michelson: — Thank you.

The Chair: — Thank you. We'll focus now on recommendation no. 4. Could . . . Sorry. Mr. Chisholm.

Mr. Chisholm: — [Inaudible] . . . the same question you were going to ask. I was just going to ask what is the status with your relationship with the ITO [Information Technology Office] office, and if there is an agreement in the works or in place.

Mr. Hilton: — I think that the issue that's raised in the Provincial Auditor's report is something that the ITO is going to have to deal with corporately because they will be responsible for assistance across ministries. We have identified those critical systems within our ministry as part of our business continuity plan, and it had to be refreshed and was reviewed with a whole lot of rigour as a result of our getting ready for H1N1. So we would have identified to the ITO those systems-critical things in our ministry and the ITO would have been advised of what needs to be kept running in a situation where you have a disaster or the contingency business continuity plan needs to be implemented. But it's a system that's broader than just our ministries.

The Chair: — Mr. Michelson.

Mr. Michelson: — I've got maybe a comment for the auditor. I wonder when you say an adequate agreement, what would that be defined as?

Mr. Wendel: — It would just set out the service levels the ministry expects from ITO. It would set out the security they expect from ITO. It would also set out the recovery time that they expect from ITO for their important applications that they have to deliver. So it should be laid out in a contract so everybody understands exactly what their responsibilities are and what they have to do.

At the moment there are some problems at ITO. I've met with the deputy minister, Mr. Fiske, a while back and I think he's working on them. It's going to take some time but I think these are important to make sure that the ministries identify the critical things that they need from ITO and get it into agreements.

Mr. Michelson: — Thank you.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — Mr. Wendel, is there any ministries that have actually got agreements with ITO that have been reviewed by your office and are considered to be . . . Because it seems to be kind of something that we see in many reports, that they should get an agreement with ITO and have agreements.

Mr. Wendel: — And in those cases we say, you have an agreement but it's not necessarily adequate because you haven't got an agreement on the security and how quickly you can recover and does it meet the ministry's needs. And that's the important part: that they need to work together, come to an agreement that fills both parties' needs.

Mr. Hilton: — So we have a service level agreement with the ITO, but this has been identified as a deficiency.

The Chair: — So would it be fair at this point that it would be difficult for this committee to note anything other than to concur with it, with the fact that progress would probably have to occur outside of this ministry's responsibilities?

Mr. Chisholm: — I would agree with that that we could concur with the recommendation.

The Chair: — All agreed with concurring with the recommendation?

Some Hon. Members: — Agreed.

The Chair: — Agreed. It is agreed that this committee concur with recommendation no. 4 of chapter no. 3, Corrections, Public Safety and Policing of the Provincial Auditor's 2009 volume 1 report.

Move along to recommendation no. 5. I believe it was noted by the auditor that compliance had occurred as it relates to this. Maybe just verify with the auditor at this point recommendation no. 5. He's nodding yes. Would the committee accept a motion of concurrence and compliance?

Some Hon. Members: — Agreed.

The Chair: — Agreed. It's agreed that this committee concur with recommendation no. 5 of chapter 3, Corrections, Public Safety and Policing of the Provincial Auditor's 2009 volume 1 report, and note compliance.

Moving along to recommendation 6.

Ms. Atkinson: — This is a bit of a technical question in terms of the Provincial Auditor's recommendation, but isn't the purpose of ITO to do the technology work of the government so that ministries can focus on their role and function? And isn't it really up to ITO to make sure that there are adequate security processes put in place to ensure that the Ministry of Corrections, Public Safety and Policing have adequate firewalls and security of their system? Isn't that really what ITO is supposed to do so that we don't have — what's it called? — CPSP [Corrections, Public Safety and Policing] hiring people to do this when that was supposed to be the role and function of the ITO? Have I got that wrong, Mr. Auditor?

Mr. Wendel: — Well my view is that the ministry's responsible and they've contracted out some work to the ITO, just as if they had contracted it out to a private sector. And they've got to be sure that whoever you've contracted it out to has proper security going on. And the way you do it with the private sector, somebody comes in and looks and tells you that they do or they don't. Okay?

I'm telling the ministry they don't. Okay? That ITO doesn't have that security. Okay? So is there anything the ministry can do to compensate for that? They may be able to do other things in their own office to compensate for any security weaknesses and they may not. Then they have to put pressure on ITO to get this fixed because you're at risk.

So that's our view. It's you contract it out. Whether you contract it out to another ministry or to the private sector doesn't matter. Okay?

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you, Mr. Wendel. Wouldn't part of that process though be what the ministry's prepared to pay for?

Mr. Wendel: — No different than if they're in the private sector. If they contracted it out to the private sector, they have to . . . They make that decision: it's cheaper to have it contracted out or have your own staff. Okay. That's always the trade-off.

Mr. D'Autremont: — So it would be up to the ministry then to ensure that the proper security is in place based on their contracts and what they've contracted their supplier, ITO or the private sector, to supply for them.

Mr. Wendel: — Should supply them some kind of, something to say they have security that's been, say, an audit report that says they have proper controls or go look themselves if they have the capability. So there's something you need to do to make sure that that security is there, that you're not at risk. Because in the end, if something goes wrong, who answers for it?

The Chair: — I sense that we would concur with the recommendation, but I would like maybe the deputy minister to note out if there is some progress that's being made towards this internally and also with work with the ITO.

Mr. Hilton: — Yes. And I guess I would characterize our relationship with the ITO as a partnership. And we have an information technology management council that meets on a regular basis to address these and other kinds of issues. And we're doing what we can to deal with a whole range of systems-related issues, of which this is one.

The Chair: — Could the deputy minister provide this committee what sort of information could be at risk here from a security perspective?

Mr. Hilton: — I've just been updated. Apparently we have been working with SaskTel. There's a plan in place to address firewall issues and other security issues. But in direct response to your question, you can imagine the kinds of information that we have in our information systems. A lot of it is personal. A lot of it has to do with sentence management and sentence calculation. So there is significant liabilities associated with people getting access to our information systems when they shouldn't.

The Chair: — Thank you.

Mr. Chisholm: — I would put forward a motion that we comply with the auditor's recommendation and note progress because it appears to me that progress is being made and hopefully will continue to be made.

The Chair: — So motion to concur and note progress? Agreed?

An Hon. Member: — Agreed.

The Chair: — It's agreed that this committee concur with recommendation no. 6 of chapter 3, Corrections, Public Safety and Policing of the Provincial Auditor's 2009 volume 1 report, and note progress.

Move along our focus to recommendation no. 7.

Ms. Atkinson: — I would move that we concur and note that there is compliance according to the auditor.

The Chair: — Just verifying with our auditor's office in the room, recommendation no. 7, Ms. Atkinson's moved a motion, and the auditor's office has shared with us as well to concur and note compliance. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — It's agreed that this committee concur with recommendation no. 7 of chapter no. 3, Corrections, Public Safety and Policing of the Provincial Auditor's 2009 volume 1 report, and note compliance.

Moving along to recommendation no. 8. Mr. Chisholm.

Mr. Chisholm: — I was just wondering, we may be able to consider 8 through 12 — I think 12's the last one, isn't it? — as one item, but maybe if we could get some reaction from a little bit of background on the relationship with this office, the RCMP, and Justice, and what negotiations have been in process as we approach the next contract. And just a little more background in that respect might give us a little more information.

The Chair: — Perfect. So maybe in dealing with 8 through 12 as it relates to relationships with the RCMP and specifically actions, I guess, that have been taken by your ministry.

Mr. Hilton: — There's a lot of work that's being done across all the issues that have been identified with the RCMP. The current contract that we have with the RCMP dates back to 1992. The world has changed a lot since then. Saskatchewan, with all of the other provinces that contract with the RCMP to be their provincial police service, are working with Public Safety Canada to renew that agreement.

That work covers virtually all aspects of the relationship we have with the RCMP. It will deal with governance issues as well. It will deal with how public complaints . . . and the full range of cost drivers and other financial issues associated with having the RCMP provide policing service to the people of Saskatchewan and right across Canada. So there's a lot of stuff going on.

[11:30]

The Chair: — Ms. Atkinson.

Ms. Atkinson: — I know that the Government of Alberta has implemented some pretty significant performance measures and I'm wondering if the Provincial Auditor looked at its policing agreement with the RCMP to see what kind of performance

measures they put in place so that there could be measurements made, assessments made, in terms of the objectives. Have you taken a look at it?

Mr. Deis: — The ministry could actually speak better to this perhaps than us but it would be the same agreement across Canada with all the provinces and territories that are signed with the RCMP. And the ministry could speak in more detail to that, of course.

Mr. Hilton: — So I can speak briefly, Mr. Chair, to that question. Alberta some time ago — and Murray can speak to this in greater detail; it's probably three or four years ago now — set out to establish what they call a set of standards around policing. The accountability is no different than under our contract, and that's the accountabilities back up through the RCMP. But they have taken the initiative to try to define some standards around which policing services will be delivered and how. And Murray, if you want to speak to that a bit more for the committee.

Mr. Sawatsky: — Thank you. I believe you covered it well. The standards are more around the performance expected in service delivery. The audit function, when it comes to getting value for your money, is a huge concern for all jurisdictions and it has evolved since the signing of the contract in 1992 where all jurisdictions agreed they wanted better and more detailed accounting from the RCMP. In order to do that, the RCMP also had to build in internal capacity to do that as well. We have had to do that, and we're looking to do more of that as well to make sure that we also can fulfill our responsibilities to do that auditing process.

So the issue you mention about financial accountability is something that all jurisdictions are concerned with. And as the deputy minister mentioned, we're working towards a new agreement for 2012. That has been identified very clearly by all jurisdictions as well as Public Safety Canada and the RCMP, who agree with us that better financial accountability, better value for money — the ability to display that and demonstrate clearly that you are getting what you pay for — is a big part of those discussions that are taking place now.

Ms. Atkinson: — Mr. Chair, is it fair to say that policing budgets or budgets for the RCMP have risen dramatically in the last, I guess, eight years? And is there concern that while money or budgets for those services have risen dramatically, the public doesn't feel the presence of that kind of budget increase, you know, in rural Saskatchewan or on the streets where the RCMP provides service?

Mr. Hilton: — I think it's fair to say that there's certain cost drivers associated with policing. And you know, I'm told that much to the deputy's disappointment from time to time, that in order to maintain the same level of service in the business of policing, you could be looking at a 5 per cent year over year increase.

In terms of the second part of your question — whether or not the public feels safer and is seeing the service — the government has invested in additional officers. Those additional officers are assigned to specific priorities. There's a crime index, a map that we have in the province, and we generally

tend to send the police where the bad guys are. So in my neighbourhood for example in Regina, I'll barely see a police. If you're in rural Saskatchewan, I hear it all the time, you know, we never see the police. Well the bad news is you never see the police. The good news is that chances are there's not a lot of crime going on where you're living. But it's something, you know, it's something we hear all the time.

Ms. Atkinson: — So then my final question is, the Provincial Auditor has recommended that Corrections and Public Safety "... establish an adequate provincial policing services agreement with the Royal Canadian Mounted Police . . ." And it includes four specific points. Are these four specific points going to be included in your next agreement with the RCMP?

Mr. Hilton: — We'll do our very best. There's a lot of jurisdictions involved in these discussions.

Ms. Atkinson: — But if all jurisdictions are having similar difficulties or discussions . . . I think it does make sense to have performance targets. I think it does make sense to verify the costs. I think that's common sense. I think it makes sense that we have adequate written explanations of differences between planned and actual results. I think that makes sense. And then we need to figure out how to resolve disputes.

I note in the discussion of the auditor there's a lot of, I guess you'd call it informal discussion. But I'm not sure from an accountability point of view how that indicates to the public that progress is being made if there's problems regarding verification of costs, performance targets to measure progress, and written explanations.

Mr. Hilton: — I don't want to leave the committee with the impression that nothing is being done, and Murray can speak to this a bit more if he likes. So on a quarterly basis we get reports from the RCMP. My staff will sit down with the RCMP and review them. So there is a verification process in place.

Does the whole contract management with the RCMP, can it be improved significantly through a new agreement? I think the answer to that is yes. And I think that it's obviously in the ministry's interest and the province's interest to speak to those issues — those four issues — that the auditor has identified.

Ms. Atkinson: — Are these written reports, the quarterly? You said there's quarterly reports. Are they written or just verbal?

Mr. Sawatsky: — Quarterly means there's minutes taken of those quarterly meetings and they're recorded permanently.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — When ultimately the next contract between the RCMP and the Government of Saskatchewan is, or our government is signing to the contract, would it be the Department of Justice or would it be Corrections, Public Safety and Policing that actually enter into this agreement? Who is it?

Mr. Hilton: — It would be Corrections, Public Safety and Policing.

Mr. Chisholm: — Thank you.

Mr. Hilton: — And just to clarify, the agreement we enter into is not with the RCMP. It's with Public Safety Canada.

The Chair: — Mr. Stewart.

Mr. Stewart: — Thank you, Mr. Chair. My question goes more to value for money and how much influence the Justice department or Corrections and Public Safety might have over the way the RCMP operate.

I recall shortly after the federal gun legislation came in, the then premier of Saskatchewan making a statement to the effect that — and quite rightly in my view, in terms of Saskatchewan's view of that legislation — that that would not be enforced in this province. Can we even guarantee that sort of thing any more with the contracts we are involved in with the RCMP? I guess the question I'm asking, will they police the areas we ask them to and ignore the ones we don't? Or will they just follow the federal Criminal Code and other federal statutes to the letter and without regard to what we like in this province?

Mr. Hilton: — I would characterize our relationship with the RCMP in terms of priority setting as a very good one, and I personally will meet with the assistant commissioner and talk about policing priorities and talk about specific challenges in different parts of the province. We have on the basis of those discussions undertaken specific initiatives aimed at gang suppression and drug trafficking and things like that, and most recently we've taken action to put in place a particular initiative that seeks to address gang- and drug-related activities in northern Saskatchewan. So when it comes to setting policing priorities and what we focus on, we have very good discussions.

Mr. Stewart: — Thank you.

The Chair: — The recommendations we have before us today, I guess all get addressed. They either are going to be part of that agreement, which would then be compliance, or they're not part of that, which would then fail to comply. So I guess our question before us today . . . Certainly compliance hasn't occurred here today. I would assume that we probably concur with these recommendations.

I don't want to assume too much but my question gets to just in how this committee evaluates progress. And I guess, Mr. Deputy Minister, if you can highlight specifically what role and advocacy your ministry's been able to take to date in the negotiations with other provinces and in the formation of that new agreement. Or is that advocacy and that action going to be forthcoming as the process develops?

Mr. Hilton: — I wouldn't describe it as advocacy. We understand what our interests are and a good part of those interests speak to accountability and financial management. And there's — I don't know; Murray can remind me — there's probably 20 or 25 working subcommittees that are working on renegotiating this contract. And every one of those subcommittees are dealing with a set of very specific issues.

So I would be hopeful that when they put a new draft contract in front of me to review, I will obviously be reviewing it from several perspectives, and certainly the financial management and the accountability piece will be huge. And I will solicit the

assistance of people such as Mae and other people within the system to review that contract, that agreement, and make sure we've done what we need to do.

The Chair: — Ms. Atkinson.

Ms. Atkinson: — I have a technical question for the deputy. The province of Saskatchewan has a budget each year for the RCMP in the province of Saskatchewan. And we expect that so many officers will be working each year. And there have been years when the RCMP did not fill positions, and so we did not have the number of officers covering the province that we had paid for. And my question is, what happens to that money? Is it returned to the province or does the RCMP redirect that into cost pressures within their institution?

Mr. Hilton: — I'll try and give you a technical answer. So in the past, the province will provide the RCMP with a certain amount of money. And the RCMP will take that money and they will fill as many positions that they can with the money that we provide them. And there's going to be vacancies from time to time and they risk manage that. But the money that we pay them doesn't get redirected to any other purpose other than contract policing within the province. Is that a fair answer?

Mr. Sawatsky: — Absolutely. Yes.

Ms. Atkinson: — Just so I understand, there have been times in the province in the past — I'm not sure about today — where we may have had eight, nine officers not in place. There were vacancies. And so the province pays for those officers. Do we not provide a core amount of money for X number of officers? If those officers aren't in place, that means that the RCMP has that money to redirect into other operations?

I'm not saying outside of the province — inside the province, but they manage their budget like everybody else with vacancy management. So I'm just wondering, if there is money left over in terms of that service agreement, does it return to the province or what happens to it when they have vacancies?

[11:45]

Mr. Hilton: — So the RCMP would refer to what you've described as the gap. And the gap is what the RCMP argue to the deputy is the difference between the number of policing positions they're supposed to have and the amount of money they are actually getting.

So in the past they haven't gotten enough money from the province to staff all the positions that they thought they were entitled to or they thought were part of the complement. And over time that gap has been sort of reduced down. But there have been years in the past where governments have had to make decisions around funding levels, and over time those funding levels have created what the RCMP refers to as a gap, although I tell them not to use that word any more.

Ms. Atkinson: — Okay. But not to be argumentative at all, but there have been some fairly significant increases to the RCMP budgets over the last several years. I think that's a fair observation. And while those significant increases were being made, there have been times . . . And I'm not talking about the

gap. I'm talking about what we actually have paid for, what the province has actually paid for, for RCMP officers. And there were vacancies because of retirements, ability to recruit, and so on.

And I'm just wondering . . . So I guess the answer to my question is that — I'm not talking about the gap; I'm talking about actual numbers that we pay for — that money is not returned to the province. It's not clawed back. It stays with the RCMP.

Mr. Hilton: — Well at the . . .

Ms. Atkinson: — I'm thinking of about three or four, maybe four years ago where we had a problem with recruitment and retention. And so they were getting money, but they weren't able to fill all the positions that they were actually paid to fill. That's what I'm talking about.

Mr. Hilton: — And, Murray, if I get it wrong, please feel free to jump in. So at the end of every year when the final invoicing would happen and we would give the RCMP the final allotment of their money, there would be reconciliations that take place. We would sit down with the RCMP and actually review the state of the contract for that particular year. And so the deputy needs to be reasonably satisfied that if I think I'm paying for — I'll make up a number — 900 officers, they're not officers in theory only. Like they're what I call warm bums. Murray, do you want to, can you add to that?

Ms. Atkinson: — I have one final question, Mr. Chair. If the committee were going to concur with this recommendation, would it be problematic if we suggested that this recommendation not form the basis of the negotiation, but be kept in mind during the negotiations? Would that be problematic for the ministry?

Mr. Hilton: — Absolutely not. One of the first questions I'll have when the ADMs' [assistant deputy minister] working group pull together a draft agreement that will come to deputies, one of the first questions I'll ask is, so how does this speak to the observations and comments made by the Provincial Auditor, and where is it fixed?

Ms. Atkinson: — Thank you.

The Chair: — Any other questions from committee at this time? Do I see a motion on the floor?

Mr. Chisholm: — I'm prepared to make a motion on 8 through 12 that we comply with the auditor's recommendation.

The Chair: — That we concur?

Mr. Chisholm: — Concur.

The Chair: — Perfect. So recommendations 8 through 12.

Ms. Atkinson: — A friendly amendment.

Mr. Chisholm: — Sure.

Ms. Atkinson: — Okay. And then on recommendation no. 8,

that when the ministry negotiates its new service agreement with the RCMP in 2012, that these recommendations be kept in mind as they're doing those negotiations or undertaking the negotiations.

Mr. Chisholm: — I think we want . . . There's recommendations in 9 through 12 too that we want to make sure are taken into consideration.

The Chair: — I think it's a fair comment. And I think we've heard commitment from the deputy minister that that's certainly going to be undertaken. And certainly I think that's going to be required for us to be able to ever move towards compliance. So I think if this committee concurs, you know, Ms. Atkinson's point is well taken that that needs to occur to then move to compliance.

But I do believe if we simply support it with the standard, you know, that we concur, I think that we're on the record that that's going to be satisfied as well. And certainly that those actions are going to be required to meet, to have some progress, and certainly going to be required to comply. Ms. Atkinson.

Ms. Atkinson: — That they can only comply if they negotiate the appropriate agreement, I think. I think that's part of the problem.

The Chair: — I'm just not certain.

Ms. Atkinson: — But anyway . . .

The Chair: — And the point's taken. I'm just not certain that if we . . . Once we concur, if we start laying out the specific actions for each of the ministries for which has to occur to then meet it, it might become problematic in looking at some of the future recommendations. I think, without doubt, the point's taken that that needs to go on.

Ms. Atkinson: — I think that's why I asked the ministry if this would be a problem. But anyway, it's fine. You said it wasn't, but that's okay. No problem.

The Chair: — Right.

Ms. Atkinson: — We concur with the recommendations.

The Chair: — Right. So the motion on the floor is, Mr. Chisholm, that we concur with the recommendation. All in favour?

Ms. Ross: — Recommendations 8 to 12.

The Chair: — Recommendations 8 through 12, and I'll put that on the record here. It's agreed that this committee concur with recommendations 8 through 12 of chapter 3, Corrections, Public Safety and Policing of the Provincial Auditor's 2009 volume 1 report.

At this time we conclude the recommendations that have been put forward in the auditor's report on this chapter. I see Mr. Michelson has a word to say.

Mr. Michelson: — I just wanted to go back to the introductory

of the chapter on page 33. I was wondering if Mr. Hilton could just give us an explanation of the public safety — well more the policing services and the public safety, I suppose — that the actual as compared to the original estimates, there must be an explanation of why the amounts are so drastically different.

Mr. Hilton: — So the short answer is policing was transferred into our ministry, I think it was November — was it in November '07, Mae? — and we never had any budget.

Mr. Michelson: — Okay. No, totally understand. Thank you. Thank you, Mr. Chair.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — I've just got a comment in that the auditor had some, I thought, some really good observations on this RCMP agreement. Is it common practice that as part of reviewing the proposed agreement that your ministry would involve the auditor's office and ask them for their comments as to whether they would see that such-and-such an agreement, if complied with, actually solved some of the problems that they have pointed out? Just a question.

Mr. Hilton: — It would be highly unusual for the deputy as an employee of executive government to involve the Provincial Auditor in negotiation.

Mr. Chisholm: — Not in negotiation. I was saying to get an opinion.

Mr. Hilton: — I think one of the interesting things that we might do is when we're looking at some of the specific provisions, certainly through established relationships we have with the Provincial Auditor through May, they can probably have discussions around whether or not this would actually do the job or not. So the nature of the relationship between the minister and the Provincial Auditor is such that it would enable that to happen.

The Chair: — At this time I'd like to thank Mr. Hilton and officials for coming before the committee. Any closing comments, Mr. Hilton?

Mr. Hilton: — No, just thank all the committee members for their questions.

The Chair: — Thank you. Ms. Atkinson.

Ms. Atkinson: — I'd like to thank Mr. Hilton and his officials. And just observe that I suspect in the past, provinces have been at a disadvantage, in terms of the public perception of the RCMP, when it comes to negotiating agreements. And I suspect the provinces and territories are in a little better position going into the 2012 negotiations than they have been in the past. I think that the public is demanding more accountability.

The Chair: — At this point in time, this committee will recess and reconvene at 1 o'clock for consideration of the annual report and the business and financial plan.

[The committee recessed for a period of time.]

Provincial Auditor Annual Report on Operations

The Chair: — We'll now reconvene the Standing Committee on Public Accounts for consideration of the annual report on operations, year ended March 31, 2009. Once those considerations have concluded, we will move on to the business and financial plan for the year ended March 31, 2011.

So at this point I'd like to welcome Mr. Wendel, our Provincial Auditor, to the committee and would ask him to introduce his officials with us here today.

Mr. Wendel: — Well thank you, Mr. Chair. To my right is Brian Atkinson, the assistant provincial auditor. To the left, Angèle Borys, she's a principal in charge of support services. And behind me is Heather Tomlin who keeps our books.

The Chair: — Thank you, Mr. Auditor. What I might invite you to do at this point in time is for you and your officials to provide a brief statement with respect to the report before us, and at that point in time there may be questions from committee members.

Mr. Wendel: — All right, Mr. Chair, I have a few prepared remarks on the annual report on operations. We have three goals for the office. First, we want to improve government agencies' management of public resources. Second, we want government agencies to provide the Legislative Assembly with meaningful information. And third, we want to manage our business effectively.

In 2009 we made good progress toward our goals. We have several indicators for measuring our success. The 2009 results for these indicators are set out in the annual report, and many of the results have been audited.

We measure our success towards improving government agencies' management of public resources using two key indicators. We work closely with this committee and the Crown and Central Agencies Committee to help them carry out their mandates of holding the government agencies accountable for their stewardship of public resources.

The first indicator is this committee's acceptance of our recommendations for improvement. The committee has accepted 99 per cent of our recommendations. Legislator support of our recommendations help ensure that government agencies make changes to their management practices. If we didn't have this committee, my report would be a one-day wonder and would not get things fixed very well. So this is very important.

The second indicator is government agencies' acceptance of our recommendations. We need to gain the support of management if there's to be any meaningful change in management practices. Government agencies have made the necessary improvement for 90 per cent of our recommendations.

We measure our success on improving the information the Assembly receives from government agencies by assessing annual reports for large government agencies against recommended standards for annual reports.

For the agency's 2008 annual reports, we report that 45 per cent of the agencies met the criteria for good annual reports. The rest of the agencies are making progress but still need to report their financial and operating results compared to their targets. They also need to report on their key risks with their strategies for reducing the risks. We continue to work with the officials at the Ministry of Finance and Executive Council to get further improvements.

We measure our success and manage our own business effectively using a number of indicators. I'll highlight a few of them.

We must make sure we are credible, so we must make sure that we adhere to the auditing standards set by the Canadian Institute of Chartered Accountants. We measure our success by outside reviews of our work. We are reviewed by the Institute of Chartered Accountants of Saskatchewan and our peers to make sure we do follow standards.

The reports of the Institute of Chartered Accountants of Saskatchewan and the Auditor General of Canada state we followed standards. Their reports are included in our annual report if you wish to look at them.

We must make sure that we adequately safeguard the money we receive from the Assembly and comply with the law. The auditor that audits our office has reported to the Legislative Assembly that we have adequate controls to safeguard public money and we have complied with *The Provincial Auditor Act*. The auditor's report is also included in the annual report.

We also need to finish our work plan set out in the business and financial plan on time and on budget. We finished all the work that was included in our 2009 business and financial plan, except where there were delays in getting information from government agencies. We remained within our budget.

We must be responsible to the needs of government agencies for timely information so they can get their work done. We measure our success by meeting deadlines that are agreed to with government agencies. We continue to have difficulty in getting our work done by the dates that we agreed to with government agencies.

In 2009 we provided 78 per cent of our reports to the agencies on time. This is a modest improvement from the previous year where we provided 76 per cent of our reports on time.

We have a second measure on our responsiveness, and we do this by surveying government agencies as to whether they're satisfied with our responsiveness. And they have told us they are.

And that ends my remarks, and I'd be pleased to try and answer any of your questions.

The Chair: — Questions from committee members. Ms. Atkinson.

Ms. Atkinson: — So I have a question for the auditor regarding the decision to now audit school divisions. Could you explain why the Provincial Auditor would now engage in the work of

auditing school divisions? What's changed that puts school divisions within your authority?

Mr. Wendel: — *The Education Act* was changed. And the changes that were made were sufficient that we concluded that the government has control over the agencies, which at that point they fall within *The Provincial Auditor Act* jurisdiction.

Ms. Atkinson: — Does this now mean that on a summary financial basis, school divisions and their revenues and expenditures will become part of our summary financial statements because of changes to the legislation?

Mr. Wendel: — Yes.

Ms. Atkinson: — Okay, thank you.

Mr. Chisholm: — This is relating to the report that we're actually dealing with to the end of 2009. So I'm just wondering if we don't have any questions on that, if we move that one off, and then we can move into the second report where I think that discussion becomes more relevant. But if that's . . .

The Chair: — Any further . . .

Mr. Chisholm: — We're just dealing with this short one for 2009.

Ms. Atkinson: — Oh, the short one, I'm sorry. Okay.

Mr. Chisholm: — Sorry. No problem.

Ms. Atkinson: — I'm in the business and financial plan. Sorry.

The Chair: — Any other questions specific to the annual report? We can certainly take some time with it here. I know every member of the Assembly has been provided this report for some time. And if members are satisfied with questions at this point, certainly the report's contained . . . that point to audits that seem to be quite satisfactory, quite supportive of the auditor's work. I would certainly support a motion to come to the table at this time. Mr. Chisholm.

Mr. Chisholm: — I would move that we accept the report as presented for the period ended March 31, 2009.

The Chair: — All in favour? It's agreed by this committee that the annual report on operations for the year ended March 31st, 2009 be accepted as presented. And at this time we will conclude consideration of this report.

Business and Financial Plan of the Provincial Auditor

The Chair: — Moving along here this afternoon. And I would urge anyone who's tuning in at home, and we do know that this committee's of a huge interest to people across Saskatchewan, we would urge those individuals tuning in to reference materials at www.auditor.sk.ca.

Our final piece of consideration here this afternoon is the business and financial plan for the year ended March 31, 2011. At this point in time, I'd invite Mr. Wendel to make some opening statements with respect to this report.

Mr. Wendel: — Thank you, Mr. Chair. We tabled this plan, as we usually do, in November. We prepare and table a comprehensive plan to build support for our work from all members of the Legislative Assembly. This allows members the opportunity to advise you on the relevance of our planned work before you review our plan.

Under *The Provincial Auditor Act*, the committee can approve the estimates that we present or change them. After the committee decides our resources, the committee is then to send the approved estimates to the Speaker. From there the committee's approved estimates for our office are included in the government's 2010-2011 estimates presented to the Assembly.

Before I discuss our actual request for resources, I want to make the following remarks. Legislators need relevant and reliable information to assess our request for resources. We prepare our business and financial plans using reporting principles recommended by the Canadian Institute of Chartered Accountants. Our business plan sets out the work required to discharge our responsibility under *The Provincial Auditor Act*. That plan is unchanged from last year, except that a few agencies that we estimated would change to international accounting standards last year will not change to those international standards. As well the government has made changes that increase the number of agencies that are now subject to an audit under *The Provincial Auditor Act*.

Legislators also need to know how alternative funding levels for our office would affect our ability to discharge our statutory responsibilities. Page 22 of the business and financial plan discusses that matter.

Now I'll talk about our request for resources. Pages 3, 4, and 5 are a summary of the request. Legislators need to know whether our request for resources is reasonable to carry out our business plan. On page 25 of our business and financial plan is a report from the auditor the committee appointed to audit our office. The auditor gives you assurance that our request for resources is reasonable to carry out our business plan.

As in previous years, we are requesting two appropriations. The first appropriation is for auditing government agencies during the 2011 fiscal year. It is based on what we know about the number of government agencies, the state of their records, and the existing professional standards on October 31st, 2009.

[13:15]

For our first appropriation, we are requesting 7.505 million for the year ended March 31st, 2011. This request is \$520,000 more than last year's request. However the request is slightly less than last year's request if the new government agencies we have to audit are considered.

We explain on pages 3 and 4 the factors that increase our costs for 2011. The major factor is the cost to audit the new agencies that are subject to an audit by our office. We estimate the new work will cost us \$595,000, most of which is the cost to audit school divisions. *The Education Act* now makes school divisions subject to an audit under *The Provincial Auditor Act*. We estimate it will cost us \$507,000 to audit the school

divisions during the 2010-2011 fiscal year.

New auditing and accounting standards have caused a shortage of professional accountants and people training to become professional accountants. Market forces are increasing salaries for these people. The estimates we are presenting do not include any general salary increases. Traditionally we do not include in our budget proposals any general salary increases until they are announced by the government.

Our second appropriation is the contingency appropriation required by *The Provincial Auditor Act*. The purpose of this appropriation is to provide our office resources to respond to unforeseen expenses such as unplanned work, pressure to improve timeliness of our work, and unplanned salary and benefit increases. In the past we kept net financial assets or received a contingency appropriation equal to about one month's salary and benefit expenses to respond to these matters.

We are requesting a contingency appropriation of \$503,000 for 2011. Our 2010 contingency appropriation was \$463,000. These amounts are about one month's salary and benefit expenses. If we use the contingency appropriation during 2011, we'll make a full report as to why we used the appropriation and the amount that we used in our 2011 annual report. We expect that we will use our entire 2010 regular appropriation and none of our 2010 contingency appropriation at this time.

And that ends my presentation. I'd be happy to try and answer your questions.

The Chair: — Thank you, Mr. Auditor. Just to verify this statement, was that the 2010 budget that you'll use the full appropriation, but that the contingency funds themselves will likely be returned untouched?

Mr. Wendel: — Yes.

The Chair: — Okay. Questions for committee members. Mr. Chisholm.

Mr. Chisholm: — Further to that, on page 25 it indicates for 2010 estimate a return of the appropriation of 522 three-quarters of the way down the page, and my understanding was that that appropriation was 463 last year. So does that mean that there's actually none of the appropriation of that special appropriation was used, and in fact additional dollars are being returned to the General Revenue Fund?

Mr. Wendel: — Yes. When we prepared this estimate in October, that was our best guess at that time. We thought we'd return 522,000 which is the full contingency appropriation, and a part of the regular appropriation.

Mr. Chisholm: — Right. And that's kind of still . . .

Mr. Wendel: — I think we're going to be closer to spending most of it because we've been able to find some contractual staff to help us out to get some work out.

Mr. Chisholm: — Okay. Thank you. I've got another question. This one's off that now. Last year when we were looking at the request, there was an item regarding education, a specific item

that was, you know, kind of the reason why we needed X number of more dollars — \$179,000 if I recall — and it was to do with the new standards that were being introduced by the accounting profession worldwide or whatever, certainly in Canada. I'm just wondering, is that a continuing cost now or is that something that was a one-timer that we shouldn't have to be looking at in the future?

Mr. Wendel: — We're only just beginning to get all these financial statements converted over to international financial reporting standards, so it will be continuing for a while. And I'm guessing, before this is all in it will be, you know, maybe 2012, 2013 because they still haven't dealt with the not-for-profits like health authorities. There's a number of organizations that aren't dealt with it yet so it's going to be a lot of work to do now.

Now I mentioned in my opening remarks there's about eight agencies now that aren't going to go to the international financial reporting standards, and we've reduced our request by \$20,000 for this year. They've made their decision now and they've decided that they're going to go with the public sector.

Mr. Chisholm: — Is that a decision that they can make and retain for a number of years? Or is it at some point in time they're going to be . . .

Mr. Wendel: — That's the big thing. Everything seems to be moving to international standards, and eventually the public sector ones will go there too. So it's just at the moment they don't have to yet. Okay. But I would expect by 2012, we'll be looking at something for the health authorities or maybe 2011 even. So there's still issues to deal with.

Mr. Chisholm: — Right.

Mr. Wendel: — And also they've changed the auditing standards effective this year so there's more rigour, more work required, all in response to these huge frauds that they've had, and they're expecting the auditors to do more. But yes, I think that'll be ongoing for a while, the international stuff, but as they get better at it in the organizations, well it'll be easier to audit. But there's a lot of work to do.

The Chair: — If I can tie into the comment here. Just the statement was made about huge frauds and maybe if Mr. Wendel could just point to the jurisdictions.

Mr. Wendel: — Oh, I'm sorry. Not here. No. I was talking about the Enron affair and Nortel and all these kind of places where they hadn't followed proper standards. No, that's not here. We don't have a problem like that.

The Chair: — I noticed a dissatisfied look on Mr. D'Autremont's face so I wanted to get that on the record for Mr. D'Autremont.

Mr. Wendel: — Okay, okay.

Mr. D'Autremont: — Thank you.

The Chair: — Mr. Michelson.

Mr. Michelson: — Mr. Auditor, if I understand you correctly, the transfer to international standards is not mandated. So in a year like we're facing right now, that things might be a little bit tight, is there anything we can put on hold so that we don't have to expend, have the expenditure this year?

Mr. Wendel: — That was a government decision to move government organizations to international standards. That's not my decision. And they've made that decision. So other than the ones that I've talked about where it's saved us \$20,000 because they're not going there.

Mr. Michelson: — So if the government said that there is certain areas that we may not necessarily have to change right now, that wouldn't be an impossibility.

Mr. Wendel: — Well if they . . . But I think they've already done some of that work.

Mr. Michelson: — I see. Thank you.

Mr. Wendel: — Yes. I think they have to have comparative figures available for December 31st, 2009 and have them all audited. So it's pretty well all done.

The Chair: — So, Mr. Wendel, is it fair to assume then, looking at this budget, that the increases that are incurred in this budget are direct consequences of decisions as it relates to international, adopting international accounting standards? And then secondly, one of the larger increases in this budget, and I think Ms. Atkinson pointed it out and I don't know if there's questions about that part as well, but that's a consequence of changes to education financing?

Mr. Wendel: — Yes. I would say the major change is just the new agencies we have to audit under the Act.

The Chair: — Right.

Mr. Wendel: — And the international, as I said, what we requested last year, we'll be able to request slightly less for this year because of the agencies that aren't going. And as time goes on, hopefully we can continue to find efficiencies and request less. And we're constantly looking for new ways to do things better. And as government agencies get more familiar with this, it'll be easier to audit.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Thank you very much. On page 64 it lists senior management salaries. And you've said it doesn't include, your budget projections don't include any salary increases for 2010 or beyond because you don't know what the numbers are yet.

But the question though is for 2009. Under note no. 4, it says the government granted salary increases to all out-of-scope public servants of 4 per cent on April 1st, 2008. And yet when we look at the salary increases for the senior management listed there, excluding yourself, they range from a 7.78 to a 7.93. So how come 4 per cent increase becomes almost an 8 per cent increase?

Mr. Wendel: — Well these are the key people from my office, and I've got to pay good salaries to keep them. And they could make probably more than that elsewhere.

Mr. D'Autremont: — I hear that is a common complaint with government.

Mr. Wendel: — Especially at the senior levels. You know, it's very difficult. There are headhunters out there looking for people, and if I'm able to keep them for a little while yet, it's worth the money. To me it is; I spent a lot of money training them.

Mr. D'Autremont: — Is there a program in place that allows you to give that kind of an increase? Like if it's . . .

Mr. Wendel: — That's my decision.

Mr. D'Autremont: — It's your decision.

Mr. Wendel: — Yes. But for general salary increases, I try and follow whatever the government's doing. I don't do anything until government announces what they're planning to do with the rest of the public service. And then I decide whether I can match it. Some years we've given half; some years we've given it all. It just depends how the budget is and whether I'm getting . . . the people are wandering out the door very fast like they were in 2009 because the economy was good. You've got to do something to respond to that because you've got to get the work done.

Mr. D'Autremont: — Okay. Thank you.

Mr. Chisholm: — Maybe some of those people are prepared to come back now at less money because things have slowed a little bit.

Mr. Wendel: — Possibly.

The Chair: — Mr. Chisholm, do you have a new campaign or advertising strategy to get the employee . . .

Mr. Wendel: — It's very difficult.

The Chair: — Mr. Michelson.

Mr. Michelson: — Getting back to the auditing of the schools, as I understand it, each of the school divisions has their own audit and does their own auditing.

Mr. Wendel: — That's correct.

Mr. Michelson: — And then you have to audit it as well.

Mr. Wendel: — I have to do enough to be satisfied that they've . . . [inaudible] . . . all the risks.

Mr. Michelson: — So that's a duplication of services to a point.

Mr. Wendel: — That's correct.

Mr. Michelson: — Can you see any way that we can change

that so we can do . . . Again, we're trying to be as frugal as we possibly can.

Mr. Wendel: — I understand. And I try to do this as economically as . . . I've always said, it costs more money to have two auditors. So if you want to, you can get rid of all the other ones. Okay? I have to be here because I work for the Assembly.

The other auditors are appointed by government. Their main client is the government. I've only got one client, and that's the Assembly. And I do that job. And there's a set of standards that I've got to follow when I do rely on the work of an auditor. I don't have to go do all the work in detail. They allow me . . . there's some standards that I can just look at the plan, meet with management, with them. There's a set of protocols we work through to make sure this is done as economically as possible.

Now when I was talking about the new auditing standards, they're making that more rigorous so whoever the parent company auditor or the main auditor is now in the private sector is going to have to do a lot more work whenever the parent organization has hired other auditors for their subsidiaries. So it just . . . Again trying to respond to the concerns out there in the financial markets, the profession's decided to get tougher with its rules and I have to follow them.

Mr. Michelson: — Okay, thank you.

The Chair: — Mr. Chisholm.

Mr. Chisholm: — I would assume that way back when health districts kind of changed format and became more integrated into government, became less in numbers, that probably the same process would have taken place.

Mr. Wendel: — Exactly.

Mr. Chisholm: — I guess the second part to my question is, is it absolutely essential that every school division receives that treatment or is there the possibility of using a sample of school divisions in the first year or two? I'm just throwing it out.

Mr. Wendel: — Well like I said, this is an estimate of what it's going to cost to get to every one of them. It may cost a lot more at some of the bigger ones I really have to go to. I know they've got financial reporting problems already. I've been reporting them in our public reports on the Ministry of Education that they're not following generally accepted accounting principles. So I'm not sure what I'm going to find there. And when I get in there, it may not be near enough or it may be too much. It's based on information we've got and it's not the greatest yet, but I have to make some kind of an estimate.

Mr. Chisholm: — Right.

Mr. Wendel: — Now we've been working with the Ministry of Education to help get up a guide like they do at the Ministry of Health and give to the health authorities saying, here's the things you need to do and here's how you need to do them and be working with the appointed auditors to make sure that we all agree on how we're going to approach this. It's just going to be a growing problem, and maybe in the future we might find that

there's one or three or five school divisions that isn't necessary for us to look at every year. But we'll see how that works out. I just don't know yet.

Mr. Chisholm: — Right.

Mr. Wendel: — At the moment I have to audit them all. I made an estimate. It's a very small estimate for the smaller ones and a bigger one for the bigger ones.

[13:30]

The Chair: — Ms. Atkinson.

Ms. Atkinson: — So I guess the moral of the story is government policy has an impact upon what the Provincial Auditor does in terms of its work. And I note that there are two policy decisions in particular that have led to this increase in your budget. One is to take away school boards' right to tax. And obviously that's had, that policy change has added impact on you and your decision to now audit school divisions. And then the second one is taking over the administration of AgriStability. Is that the other policy decision?

Mr. Wendel: — They're going to be moving some of those employees to Melville . . . [inaudible].

Ms. Atkinson: — So that's another policy decision. I suppose a third policy decision is this global hub. That's a new entity. So that has an impact. So of all of the money that you're requesting in terms of your budget increase, is it all due to decisions of government, policy decisions of government?

Mr. Wendel: — It's decisions that government agencies or government itself has made to do certain things, and they result then in those agencies be subject to an audit by our office. That would be a . . .

Ms. Atkinson: — Would the exception would be under like Western Canada lotteries— that would be the exception?

Mr. Wendel: — Yes, to that extent it would. And maybe I could give you a few remarks on that, but yes.

Ms. Atkinson: — Yes, please.

Mr. Wendel: — I've for some time wondered why we are not auditing Western Canada Lottery Corporation because it's the same situation as some other agencies that we audit that are public money. But this is something that's been going on for years, so I've asked my people over the last couple of years to take some time and study this and have a look and see how Tourism, Parks, Culture and Sport is managing this because they're responsible actually for that money. That money belongs to them, not to Sask Sport.

And I find that I guess we didn't look at this close enough, and we've determined that this is public money at Western Canada Lottery Corporation. This was before the committee, was it last time the committee met and considered Tourism, Parks and Culture? And we've asked them to make sure that they tighten up the procedures with Sask Sport. And we're working with the ministry now to figure out how we can do this work in the most

efficient way possible with the appointed auditors that's there.

This is something we brought up last when we did our report in spring or whenever it was. No, I guess it would be fall 2009. No, 2008. That was the determination. We went and sought legal advice and yes, that's where we ended up.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — On the question of auditing the school boards, how did you make the determination as to the amount of time that you would need to allocate to this? And correct me if I'm wrong on this, but I believe your charge rate is basically, what, \$104 an hour, somewhere in that neighbourhood?

Mr. Wendel: — Around that, yes.

Mr. D'Autremont: — And so, using that as a bit of a guideline, you're probably looking at close to 5,000 hours to do the work. How did you come to that determination?

You know, when you look at this change where the property taxpayers are saving themselves roughly 100-million-plus dollars — government's paying the bill, but nevertheless the property taxpayer is saving some money — they might think the 500,000 expenditure might be worthwhile. But how did you come up with the time allocation to justify the half million dollars?

Mr. Wendel: — Okay. Well they have a process for that. I have a group that's responsible for the education audits. They reviewed the financial statements that are there. They met with ministry officials. They have some experience working with the health authorities and the problems we incurred when we moved into those areas. And that's how they come up with it.

And Angele's told me it was 3,800 hours is I think what it works out to for this. Because these would be, we won't be using junior staff on this, these will be senior people. I can't send junior staff out to work with the partners of these CA [chartered accountant] firms because they just won't be able to deal with them. So it'll be an issue there.

So the people I've got hired . . .

Mr. D'Autremont: — Definitely a quality issue.

Mr. Wendel: — Yes. So I have to make sure I use the people with the quality to make, you know, to be able to form right judgments about things. And that's how we would have done it.

So she's given me kind of a list here. I'm not sure where all these places are, but Chinook, that must be around Swift Current or something I'm presuming. So we're estimating about \$20,000 for that.

Okay. And one of the smaller ones is Ile-a-la-Crosse. So \$3,100. Well I don't know if we'd even go out there, but we'd probably ask them to send the files and review the files and, you know, talk to them and see what we can do. So they've tried to use judgment with this by analyzing kind of the size of them.

Mr. D'Autremont: — If you're out there doing the audit on

Ile-a-la-Crosse, you might want to look for the savings that the former minister of Education, Mr. Thomson, indicated that would be there if they didn't amalgamate into Northern Lights.

The Chair: — I think we'll save some of these discussions for some rigorous debate in policy field committees. But at this point, we'll keep our focus on the report. Ms. Atkinson.

Ms. Atkinson: — Yes. I just wanted to ask a question. How could the government have prevented the auditor from being before the committee, asking for \$507,100 to audit school divisions?

Mr. Wendel: — Well they can prevent me from doing anything, pretty well.

Ms. Atkinson: — No. No. But in the past, as I understand it, in the past you didn't really audit school divisions.

Mr. Wendel: — Oh. Okay. I'm sorry.

Ms. Atkinson: — Am I correct?

Mr. Wendel: — Yes, you're correct.

Ms. Atkinson: — You didn't audit school divisions.

Mr. Wendel: — That's right.

Ms. Atkinson: — So with the decision to say to school divisions, you no longer have the right to tax, basically your position is that the auditor now gets to enter into this area?

Mr. Wendel: — That's part of it. That was part of the decision, yes. We go through a number of criteria deciding whether or not this control . . . and what the government can control or can't control. And they can control the capital spending. They can control the curriculum. They can control this and they can control that, and they control taxes. So in the end we decided they had control. At which point, if they have control under the Act, I have to audit them.

Ms. Atkinson: — Okay. I guess I want to understand this from a summary financial statement point of view. This now becomes part of the summary financial statement.

Mr. Wendel: — That's correct.

Ms. Atkinson: — Am I correct?

Mr. Wendel: — That's correct.

Ms. Atkinson: — So if school divisions have debt, that'll be added to the debt of the province.

Mr. Wendel: — Yes. It depends if the government already holds the debt. Like if the government holds that debt, then you'll have to make sure, you know, we look for your intercompany or related party transactions and we eliminate those. But in the outside debt they have, of course.

Ms. Atkinson: — What would the province have to do in order to get you into the municipalities? I guess it's a little message

from my colleagues: be careful.

The Chair: — Mr. Michelson.

Mr. Michelson: — I just wanted to make a point of clarification. A statement was made earlier that the policy was to take away the right for school boards to tax. That's not necessarily the policy. The policy was to remove the funding of education from property tax. And I think it just worth noting that for the record. Thank you.

The Chair: — Any other questions at this time?

Ms. Atkinson: — Not to be argumentative, but I think any school division in the province would say that they no longer have the right to tax. And Catholics would say, yes we have the right to tax, but if we tax, any increase will be taken away from our grant. So I think thinking people would say that school boards no longer have the right to tax in the province of Saskatchewan.

The Chair: — And I think we've heard one point and a counterpoint. And again with the focus of this committee being scrutiny and on the economy and efficiency of government programs, I'm not certain that this dialogue is best served at the Standing Committee on Public Accounts. Certainly it fits very well into at some point through education and policy field discussions and human services, and I would urge members maybe to focus back onto the business plan in front of us.

A Member: — I think we're done.

The Chair: — I hear a certain member suggesting that maybe we've concluded questioning. If that's the case, there's a bit of a formal process to move forward. I think the thrust of it would be that we would accept the report and that we would approve the estimate before us, but the formal motion is here. Who would be interested in moving the formal motion?

Mr. Chisholm: — Mr. Chair, I have three motions I would like to bring forward one at a time. The first motion is:

That the 2010-2011 estimates of the Office of the Provincial Auditor, vote 28, subvote (PA01) Provincial Auditor, be approved as submitted in the amount of \$7,310,000.

The Chair: — So Mr. Chisholm has made his motion. I'll reread the motion and see if we have agreement. Just for committee members' reference and those following at home as well, we're focusing our attention at this time to vote 28 of the Provincial Auditor's business plan, specifically vote (PA01) and subvote to be voted is for 7,310,000. We have a motion on the floor from Mr. Chisholm. The motion reads as follows:

That the 2010-2011 estimates of the Office of the Provincial Auditor, vote 28, subvote (PA01) Provincial Auditor, be approved as submitted in the amount of 7,310,000.

Is that agreed? Agreed. That's agreed. That's carried. Mr. Chisholm has a second motion.

Mr. Chisholm: — I would move:

That 2010-2011 estimates of the Office of the Provincial Auditor, vote 28, subvote (PA02), unforeseen expenses, be approved as submitted in the amount of \$503,000.

The Chair: — The motion to the committee put forward by Mr. Chisholm is:

That the 2010-2011 estimates of the Office of the Provincial Auditor, vote 28, subvote (PA02), unforeseen expenses, be approved as submitted in the amount of 503,000.

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — So carried.

Just for information purposes, we'll now focus our attention to the amortization of capital assets on page 67. The amount in discussion is \$40,000. And I look to Mr. Chisholm to make a motion.

My apologies to the committee. There is no motion that's required. But that's for information purposes only. Are there questions on that item?

That concludes the Provincial Auditor's estimates. And I'll look to Mr. Chisholm.

Mr. Chisholm: — Yes. I have one additional motion:

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

The Chair: — The motion to the committee by Mr. Chisholm is as follows:

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

Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed. So carried.

[13:45]

The Chair: — That concludes the questioning and the consideration of the financial and business plan of the Provincial Auditor. I'd like to thank the auditor and his officials for joining us here today and obliging this committee with important questions and important scrutiny. I'd ask the Provincial Auditor if he has any concluding statements here today.

Mr. Wendel: — Yes I do, Mr. Chair. I just want to thank the committee for their support. I'll work hard to try and keep that

support. Thank you.

The Chair: — Thank you very much. And I would now consider a motion of adjournment.

Ms. Ross: — I'll make that motion.

The Chair: — Ms. Ross makes a motion to adjourn. All in favour. Agreed. This committee now stands adjourned to the call of the Chair.

[The committee adjourned at 13:45.]